

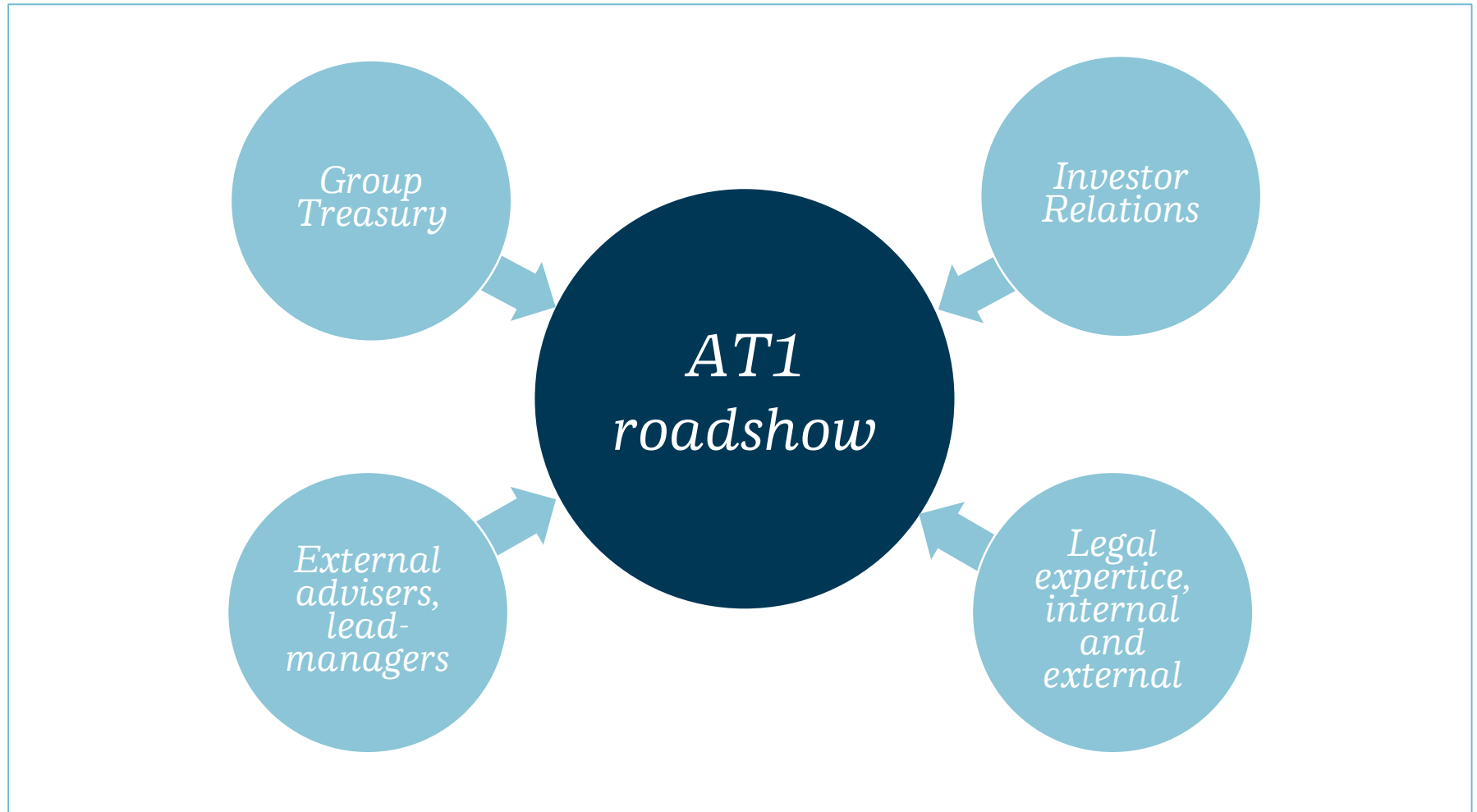
Case Study: Investor activities – AT1 capital

FRIC Practitioner Seminar – 10 January 2017

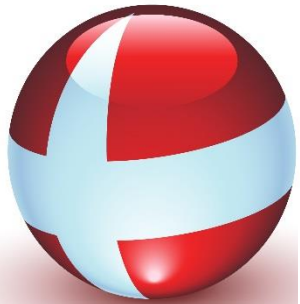
presentation

Head of Treasury Christoffer Møllenbach & Head of Investor Relations Claus I. Jensen

The AT1 roadshow involves efforts from many stakeholders



Limited number of roadshow destinations determined by currency and size of transaction



Copenhagen: 10 investors
Aarhus: 6 investors



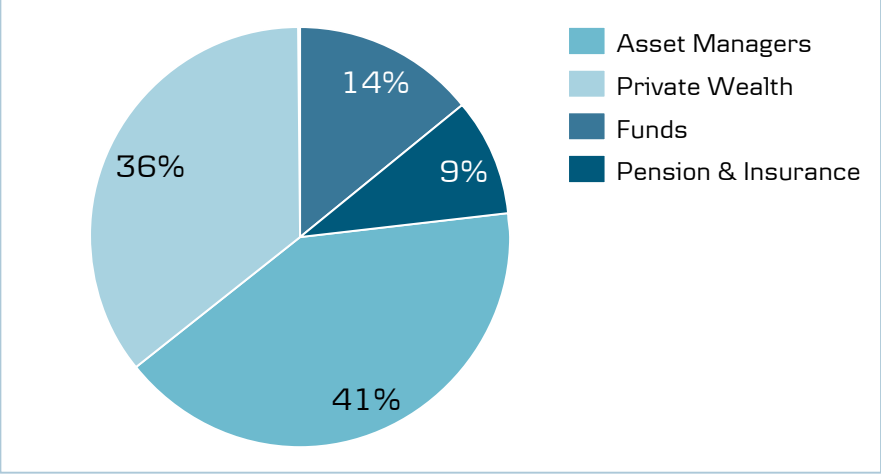
Stockholm: 5 investors

Issuance overview: Strong distribution to Nordic investors – Final orderbook > DKK 3.9 billion

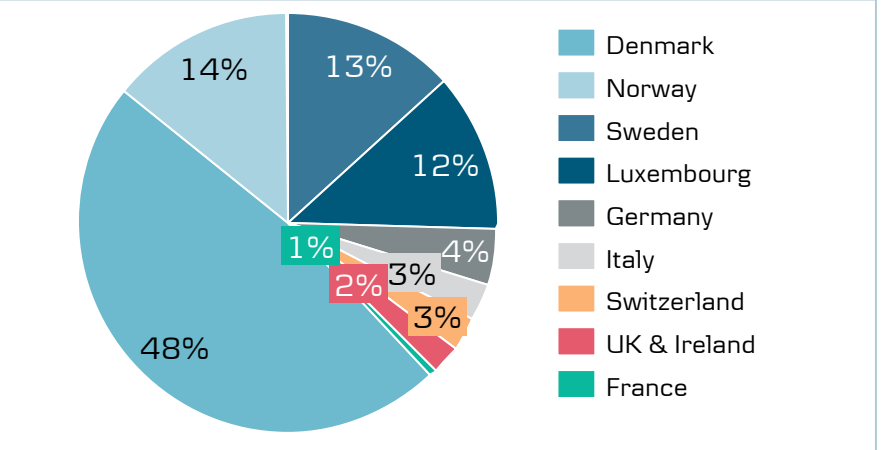
Deal terms

| | |
|-------------------------|--|
| Issuer | Danske Bank |
| Rating | BBB- (S&P) and BB+ (Fitch) |
| Status | Additional Tier 1 Capital |
| Notional amount | DKK 3 billion |
| Launch date | 16 November 2016 |
| Maturity date | Perpetual |
| Call dates | 23 November 2021, and any coupon date thereafter |
| Coupon | 3m CIBOR + 475 bps (payable quarterly) |
| Loss absorption | Temporary Capital Write Down on Trigger Event |
| Trigger event | CET1 capital ratio below 7% (transitional basis) |
| Listing | Nasdaq Copenhagen |
| Denominations | DKK 2m and DKK 10,000 in excess thereof |
| Joint bookrunner | Danske Bank |

Investor composition by type



Investor composition by geography



Executive summary: Additional Tier 1 Notes

| | |
|---|---|
| Nature of transaction | DKK transaction. |
| Structure | Perpetual, non-call [5]-year with a temporary write-down provision. |
| Trigger | The notes will carry a 7 % transitional CET1 trigger at both the Bank and Group level. |
| Distance to trigger | Significant 12.7% distance to trigger at the Bank level and 8.8% at the Group level. |
| Distance to MDA restriction | Significant distance to MDA restriction and ADI in excess of DKK 100 bn. |
| Expected rating of the notes (S&P/F) | BBB - / BB+. |
| Rationale | Continued process to achieve efficient capital structure under CRD IV. Support of the Group's ratings. |

Overview: Danske Bank has a strong Nordic franchise

Facts

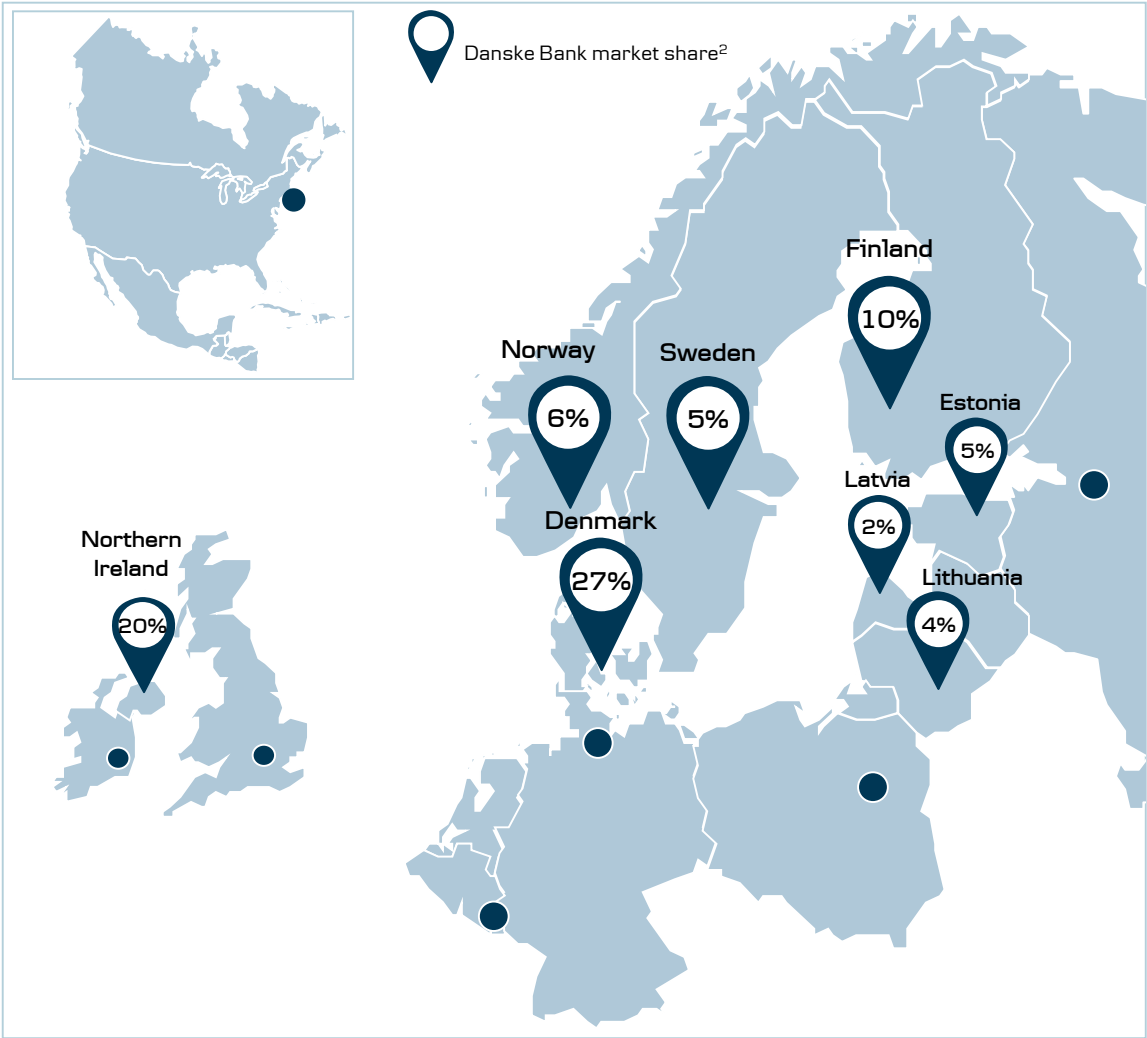
- 3.4 million customers
- 280 branches¹
- 15 countries
- 19,433 full-time employees

Business units

- Personal Banking
- Business Banking
- Corporates & Institutions
- Wealth Management
- Northern Ireland

For divestment

- Non-core (Ireland & Conduits)
- Personal banking activities in Estonia



¹ Excluding agricultural centres in Denmark ² Market share by lending

Net profit: DKK 14.3 bn, up 9% from first nine months of 2015

Income statement and key figures (DKK m)

| | 9M 2016 | 9M 2015 | Index | Q3 2016 | Q2 2016 | Index |
|---|---------|---------|-------|---------|---------|-------|
| Net interest income | 16,239 | 16,123 | 101 | 5,492 | 5,489 | 100 |
| Net fee income | 10,151 | 10,978 | 92 | 3,414 | 3,354 | 102 |
| Net trading income | 6,284 | 5,348 | 117 | 2,549 | 2,138 | 119 |
| Other income | 2,383 | 1,575 | 151 | 589 | 562 | 105 |
| Total income | 35,057 | 34,023 | 103 | 12,044 | 11,543 | 104 |
| Expenses | 16,586 | 16,964 | 98 | 5,471 | 5,805 | 94 |
| Profit before loan impairment charges | 18,471 | 17,059 | 108 | 6,573 | 5,738 | 115 |
| Loan impairment charges | 157 | 197 | 80 | 264 | 22 | - |
| Profit before tax, core | 18,314 | 16,862 | 109 | 6,309 | 5,715 | 110 |
| Profit before tax, Non-core | 5 | 33 | 14 | -42 | 65 | - |
| Profit before tax | 18,318 | 16,895 | 108 | 6,267 | 5,780 | 108 |
| Tax | 4,050 | 3,808 | 106 | 1,362 | 1,362 | 100 |
| Net profit | 14,268 | 13,087 | 109 | 4,905 | 4,418 | 111 |
| Return on avg. shareholders' equity (%) | 12.6 | 11.5 | | 12.9 | 11.8 | |
| Cost/income ratio (%) | 47.3 | 49.9 | | 45.4 | 50.3 | |
| Common equity tier 1 capital ratio (%) | 15.8 | 15.7 | | 15.8 | 15.8 | |
| EPS (DKK) | 14.4 | 12.9 | 112 | 5.0 | 4.4 | 114 |
| Lending (DKK bn) | 1,675 | 1,590 | 105 | 1,675 | 1,664 | 101 |
| Deposits and RD funding (DKK bn) | 1,644 | 1,566 | 105 | 1,644 | 1,611 | 102 |
| - of which deposits (DKK bn) | 872 | 824 | 106 | 872 | 855 | 102 |
| Risk exposure amount (DKK bn) | 814 | 832 | 98 | 814 | 800 | 102 |

Key points, 9M 2016 vs 9M 2015

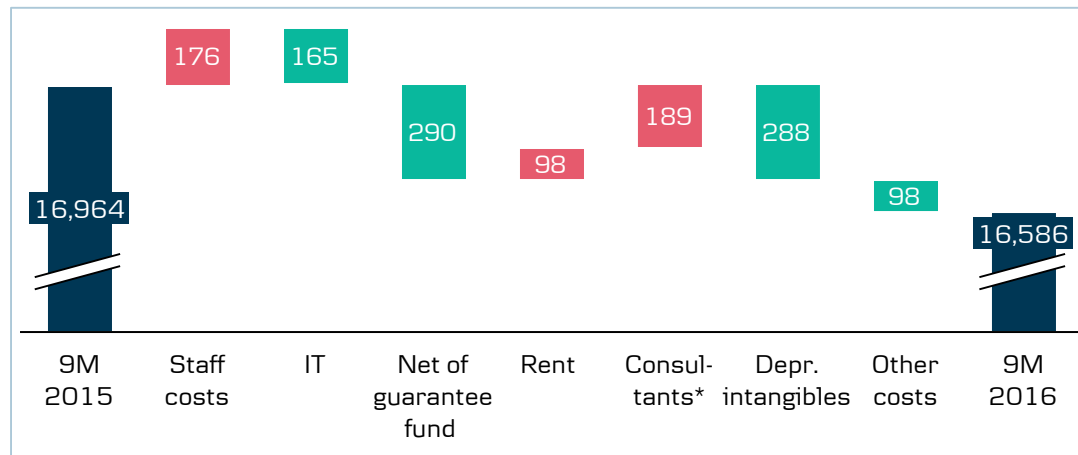
- Return on equity of 12.6%
- Total income up, reflecting higher trading income and other income
- Property sale in Q1 and sale of VISA Europe in Q2 and Q3
- Negative credit value adjustments (CVA) of DKK -0.6 bn in Q2
- Expenses down 2%; cost/income ratio of 47.3%
- Lending volume up 5%

Key points, Q3 2016 vs Q2 2016

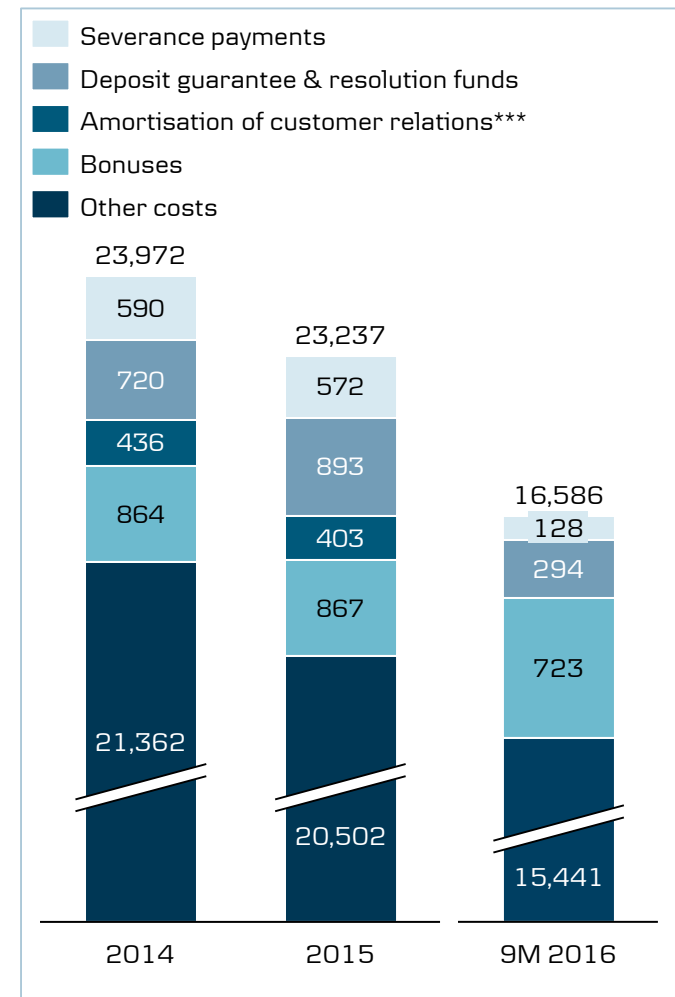
- Fee income up 2% owing to increased re-mortgaging
- Trading income up 19%, driven by strong client activity at C&I
- Expenses down 6% after higher regulatory costs in Q2
- Lending volume up 1%
- CET1 capital ratio at 15.8% as REA rose to DKK 814 bn

Expenses: Down 2% despite upward pressure from regulatory costs

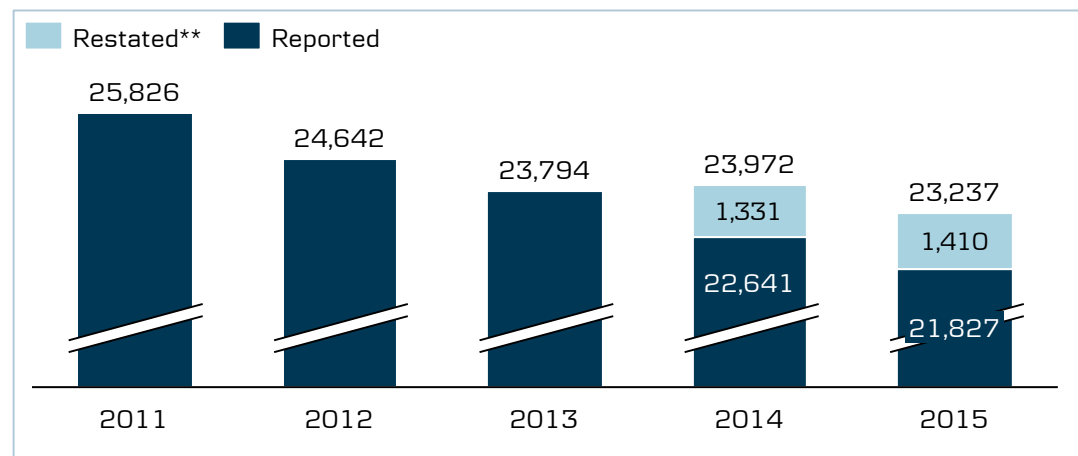
Change in expenses (DKK m)



Total expenses ex goodwill charge (DKK m)



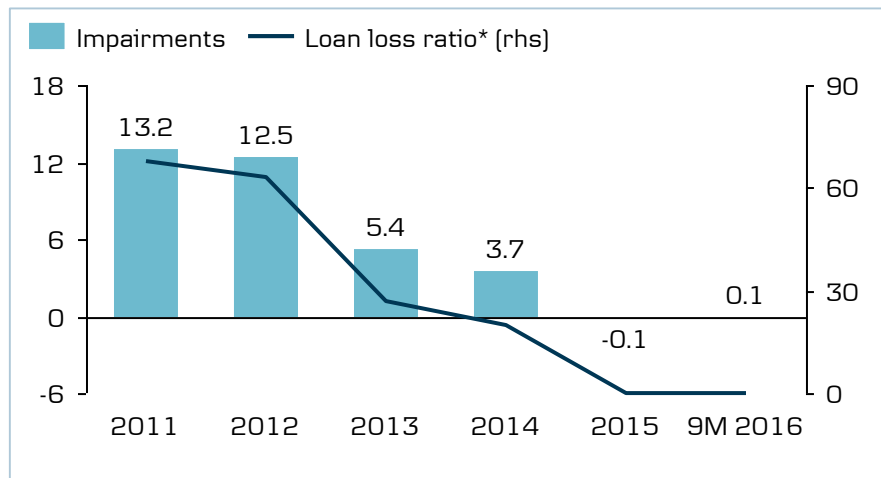
Total expenses ex goodwill charge, 2011-2015 (DKK m)



* Owing mainly to increased regulatory requirements. ** Expenses for 2014 and 2015 are restated to reflect the new Wealth Management unit. ***2015 charge represents 11 months of amortisation because of write-down in December 2015.

Impairments: Loan loss ratio of 1 bp ex Non-core in first nine months of 2016

Group impairments,* 2011 to 9M 2016 (DKK bn/bp)



Impairment drivers, Q3 2016 vs Q2 2016

- Impairments remain low despite increased impairments for oil-related exposure; overall, credit quality remains sound
- Personal Banking and Wealth Management continue to benefit from improved macroeconomic conditions and stronger collateral values, especially in Denmark
- Net reversals at Business Banking and Northern Ireland driven by increased commercial property prices. In Denmark, the agriculture sector remains challenged
- Increased impairments for oil-related exposure at C&I, including DKK 0.2 bn in collective charges. Total collective charges against oil-related exposure amount to DKK 0.7 bn

Impairments (DKK m)

| | 9M2016 | 9M2015 | Q3 2016 | Q2 2016 |
|-------------------|------------|------------|------------|------------|
| Personal Banking | -289 | 455 | -110 | -14 |
| Business Banking | -54 | 173 | -31 | 5 |
| C&I | 789 | - | 468 | 125 |
| Wealth Management | -82 | -39 | -8 | -23 |
| Northern Ireland | -211 | -393 | -60 | -71 |
| Other activities | 5 | - | 5 | - |
| Total core | 157 | 197 | 264 | 22 |
| Non-core | -98 | -81 | -17 | -82 |
| Group | 59 | 116 | 247 | -60 |

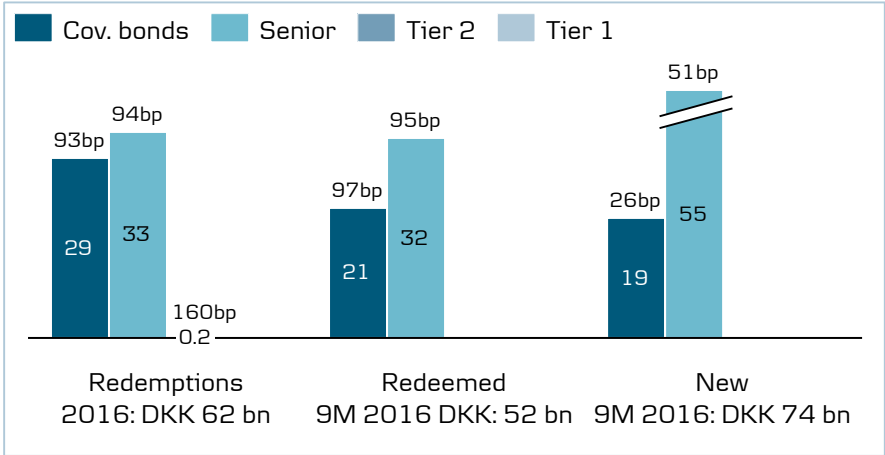
Loan loss ratio,** annualised (bp)

| | 9M2016 | 9M2015 | Q3 2016 | Q2 2016 |
|-------------------|----------|----------|----------|-----------|
| Personal Banking | -5 | 9 | -6 | -1 |
| Business Banking | -1 | 4 | -2 | - |
| C&I | 26 | - | 42 | 11 |
| Wealth Management | -16 | -7 | -4 | -13 |
| Northern Ireland | -56 | -113 | -54 | -61 |
| Other activities | 20 | - | 78 | - |
| Total core | 1 | 2 | 5 | 0 |
| Non-core | -55 | -35 | -33 | -143 |
| Group | 0 | 1 | 5 | -1 |

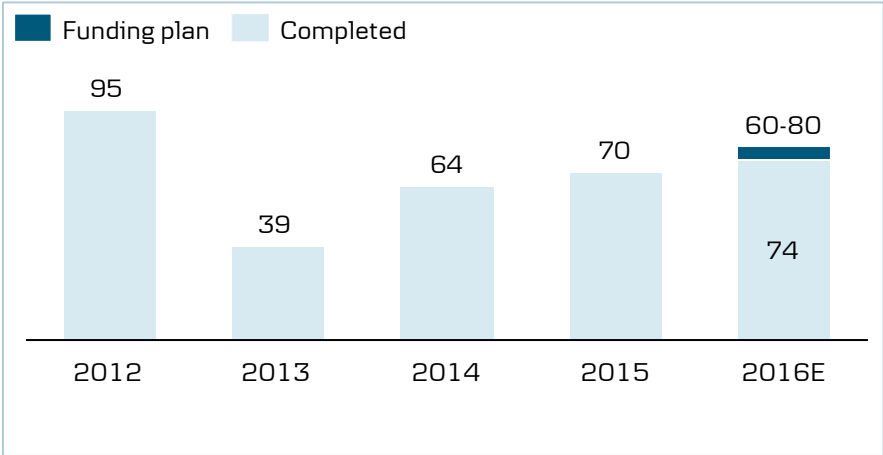
* Incl. Non-core **The loan loss ratio is defined as annualised quarterly impairment charges as a percentage of loans and guarantees.

Funding and liquidity: DKK 74 bn of long-term funding issued in the first nine months of 2016; LCR-compliant at 137%

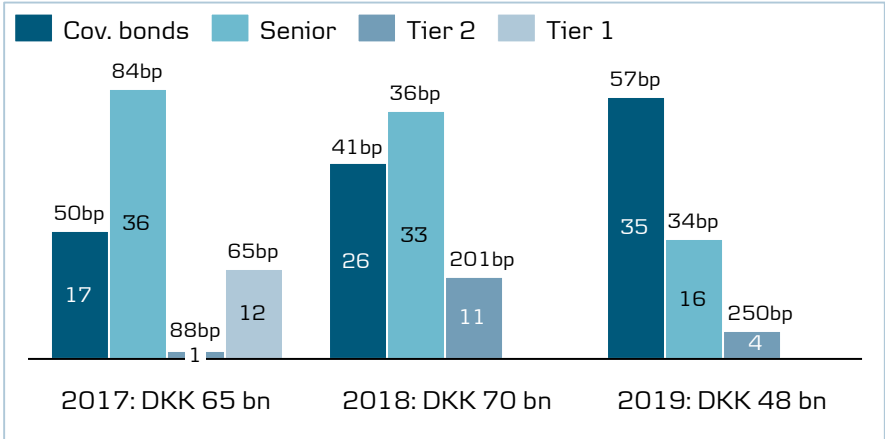
Changes in funding,* 9M 2016 (DKK bn and bp)



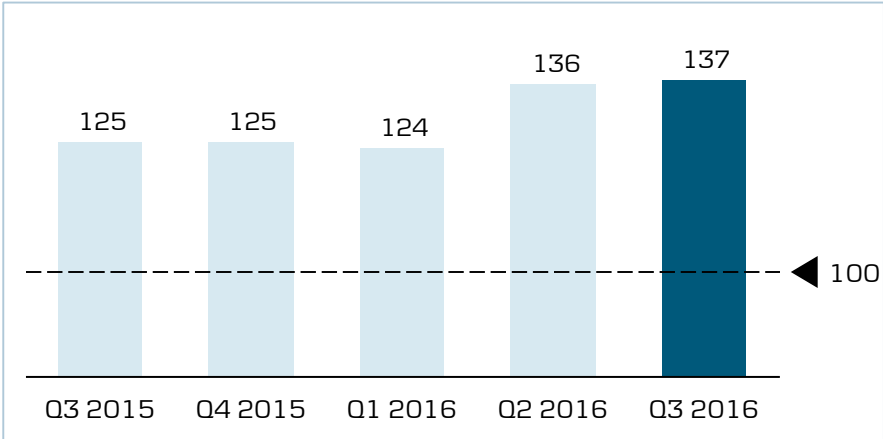
Long-term funding ex RD*** (DKK bn)



Maturing funding,* 2017-2019 (DKK bn and bp)



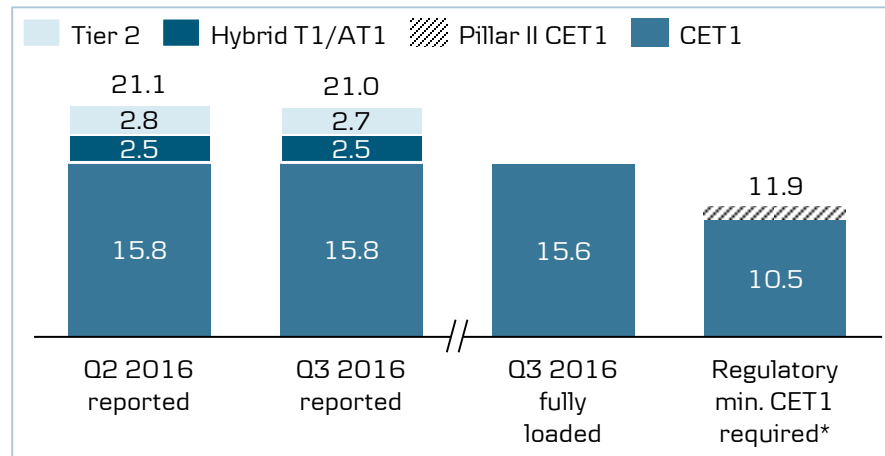
Liquidity coverage ratio** [%]



* Spread over 3M EURIBOR. ** Until Q3 2015, LCR was calculated according to the Danish FSA's specifications and included holdings of covered bonds and Danish mortgage bonds, including own issued bonds. Since October 2015, LCR has been calculated according to the new EU standards. ***We expect the funding need for 2017 to be at a level similar to this year's.

Capital: Strong capital base; CET1 capital ratio unchanged at 15.8% as REA increase offsets earnings

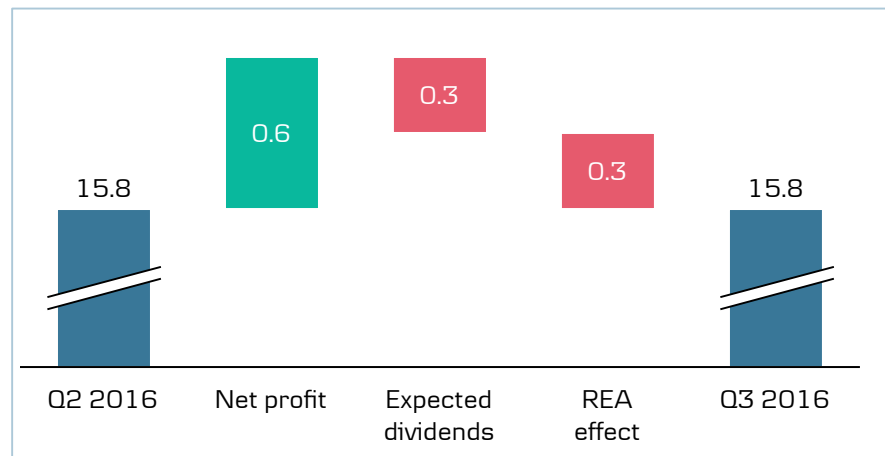
Capital ratios, under Basel III/CRR (%)



Capital highlights, Q3 2016

- Market risk up from a low level in Q2, leading to higher REA, partly because of CVA hedging
- Leverage ratio of 4.3% under transitional rules and 4.0% fully phased-in
- Effect of CRR/CRD IV on fully loaded CET1 ratio is a drop of 0.2 of a percentage point from the Q3 2016 level
- Capital targets: CET1 in the range of 14-15% in the short to medium term in light of regulatory uncertainty, and total capital ratio target of around 19%

CET1 capital ratio, Q2 2016 to Q3 2016 (%)



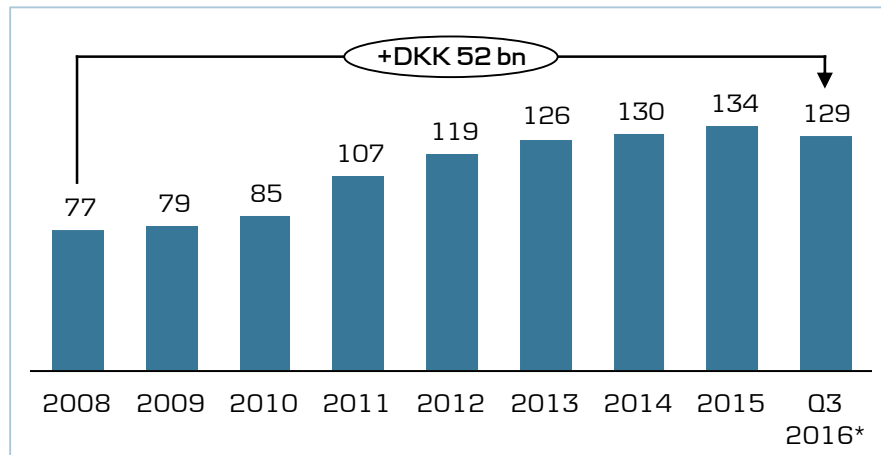
Total REA, Q2 2016 to Q3 2016 (DKK bn)



* Pro-forma fully phased-in minimum CET1 requirement in 2019: min. CET1 requirement of 4.5%, capital conservation buffer of 2.5%, SIFI requirement of 3%, countercyclical buffers of 0.5% and CET1 component of Pillar II requirement.

Strong CET1 capital build-up since 2008

Common Equity Tier 1, 2008 - Q3 2016; DKK billion



Key points

- Nominal CET1 has increased by DKK 52 bn and the CET1 ratio has almost doubled from 8.1% to 15.8% from 2008 until today
- Profits generated since 2013 have allowed us to distribute DKK 29.6 bn back to the shareholders while maintaining a strong CET1 ratio
- Available Distributable Items (ADI) in excess of DKK 100 bn

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 9M2016 |
|-----------------------------|-------|-------|-------|-------|-------|-------|---------|---------|--------|
| REA | 960 | 834 | 844 | 906 | 819 | 852 | 865 | 834 | 814 |
| CET1 ratio | 8.1% | 9.5% | 10.1% | 11.8% | 14.5% | 14.7% | 15.1% | 16.1% | 15.8% |
| Net profit** | 1.0 | 1.7 | 3.7 | 1.7 | 4.7 | 7.1 | 13.0 | 17.7 | 14.3 |
| Distributed to shareholders | 5.9 | 0 | 0 | 0 | 0 | 2.0 | 10.5*** | 17.1*** | - |
| Total assets | 3,544 | 3,098 | 3,214 | 3,424 | 3,485 | 3,227 | 3,453 | 3,293 | 3,549 |

*On June 30 2016, Danske Bank Group stopped consolidating Danmarks Skibskredit A/S and LR Realkredit A/S for the purpose of regulatory capital. This led to a drop in CET1 of DKK 3 bn and a simultaneous drop in REA of DKK 16.2 bn.**Before goodwill impairment charges ***Based on year-end communicated distributions

Danske Bank's credit ratings

Danske Bank's long-term issuer rating and outlook

| Moody's Positive | S&P Stable | Fitch Stable |
|---------------------|---------------|-----------------|
| Aaa | AAA | AAA |
| Aa1 | AA+ | AA+ |
| Aa2 | AA | AA |
| Aa3 | AA- | AA- |
| A1 | A+ | A+ |
| A2 | A | A |
| A3 | A- | A- |
| Baa1 | BBB+ | BBB+ |
| Baa2 | BBB | BBB |
| Baa3 | BBB- | BBB- |
| ... | ... | ... |
| Ca | D | D |

Rating agency issues

S&P Global upgrades SACP rating

- On July 8 2016, S&P raised Danske Bank's SACP (Stand-Alone Credit Profile) rating from 'a-' to 'a' as a result of Danske Bank's improved capitalisation.

Moody's upgrades Danske Bank's deposit rating - outlook changes to positive

- On 12 October 2016, Moody's upgraded Danske Bank's long-term deposit rating from A2 to A1 and affirmed all other ratings. Moody's also changed the outlook from stable to positive on Danske Bank's ratings.
- The upgrade of Danske Bank's deposit rating reflects an increase in the volume of deposits since end-2015 resulting in two notches uplift under Moody's Loss Given Failure (LGF) analysis compared to previously only one notch uplift.
- The positive outlook reflects Danske Bank's improvements in financial metrics to date and the expectation of a continuation of the positive trend.

Rating affirmed by Fitch

- On August 22 2016, Fitch affirmed Danske Bank's rating with a stable outlook. The asset quality and profitability score were raised from 'a-' to 'a'.

Transaction rationale

CRR/CRD IV efficiency

A strong CET1 ratio is supplemented by Additional Tier 1 capital. This serves to adjust the Group's capital structure in line with our capital targets and in a manner that is efficient under CRR/CRD IV. Grandfathered "Hybrid Tier 1 capital" of DKK 12 bn will lose regulatory efficiency in 2017.

Rating

Strengthens the bank's capital as measured by rating agencies by enhancing the Group's loss-absorbing capital, supporting the group's overall rating ambitions.

Leverage ratio and Pillar II

Full recognition for the leverage ratio and beneficial in relation to Pillar II requirements.

Support for senior creditors

Increases protection to senior creditors.

Mandatory, automatic distribution restrictions

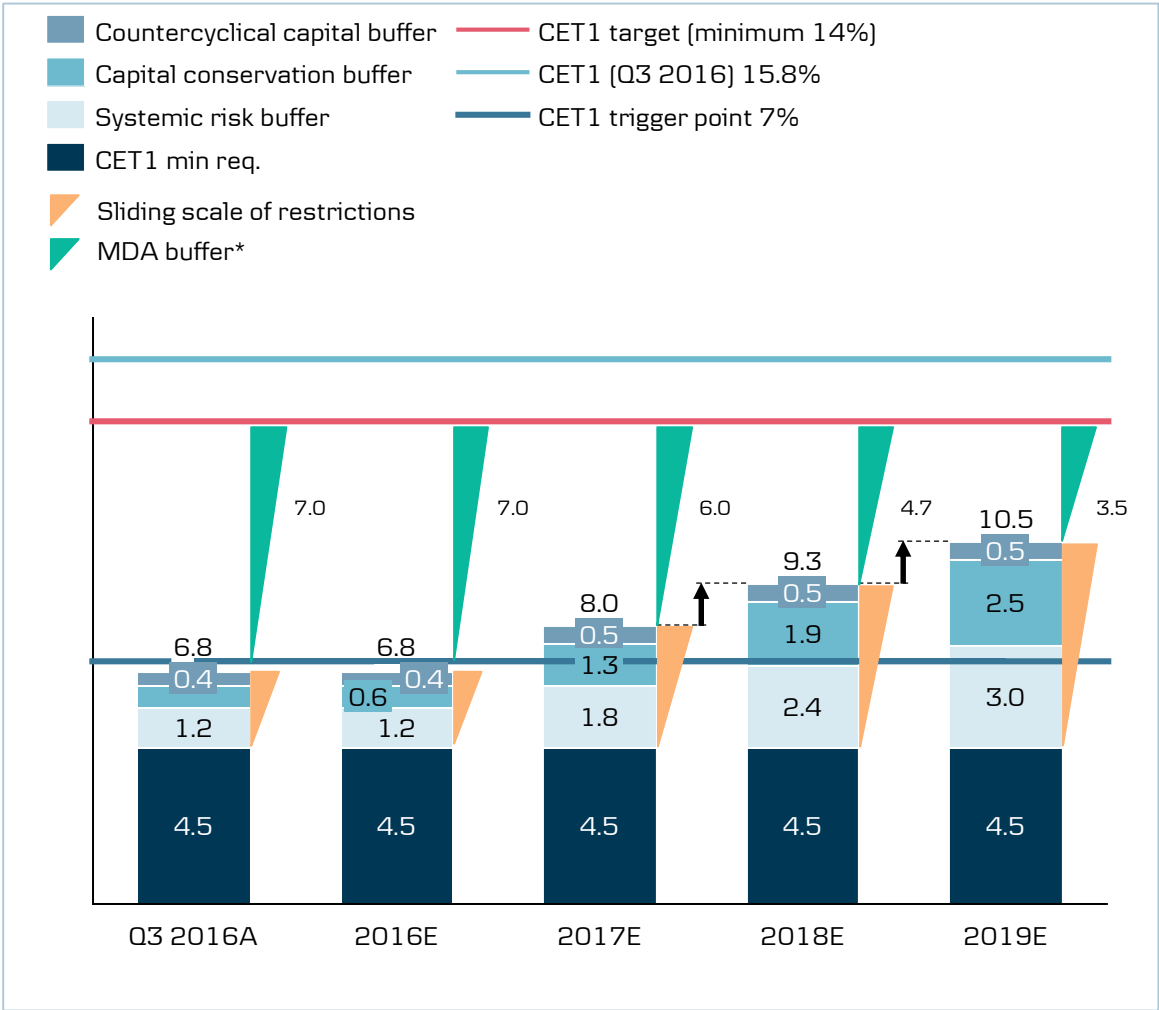
Key points

- Mandatory, automatic restrictions to discretionary distributions* will apply to all European banks under CRD IV. The Maximum Distributable Amount (“MDA”) is calculated in relation to the combined capital buffer requirement (“CBR”).
- CBR is defined as the capital conservation buffer extended by the systemic risk buffer (SIFI capital add-on) and countercyclical capital buffer.
- Danske Bank’s fully phased-in CBR of 6.0% consists of a 2.5% capital conservation buffer, a 0.5% countercyclical capital buffer mainly reflecting the exposures in Norway and Sweden and a 3.0% systemic risk buffer.
- According to the current Danish implementation of CRD IV, the Pillar II requirement is not relevant for the mandatory, automatic restrictions on MDA.

Danske Bank intends to manage its CET1 capital ratio to provide a prudent cushion to its CBR to mitigate against the risk of distribution restrictions under CRD IV

Mitigating mandatory distribution restrictions

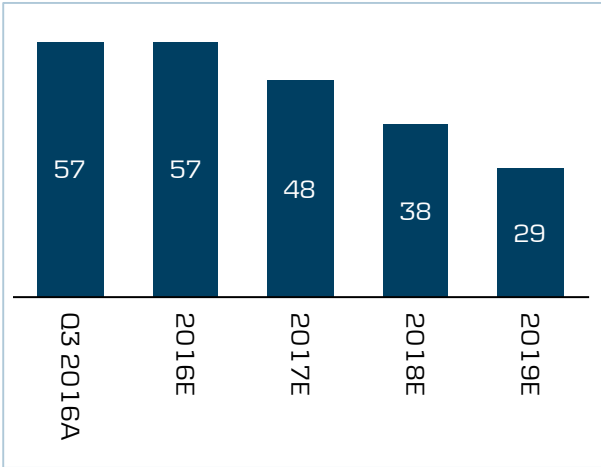
Estimated capital buffer structure, %



Key points

- Significant headroom to the automatic MDA restriction point is anticipated, assuming CET1 target of 14-15%
- By 2019, when the CRD IV transitional rules are fully phased in, the automatic restrictions on MDA are expected to kick in at a CET1 ratio of 10.5%

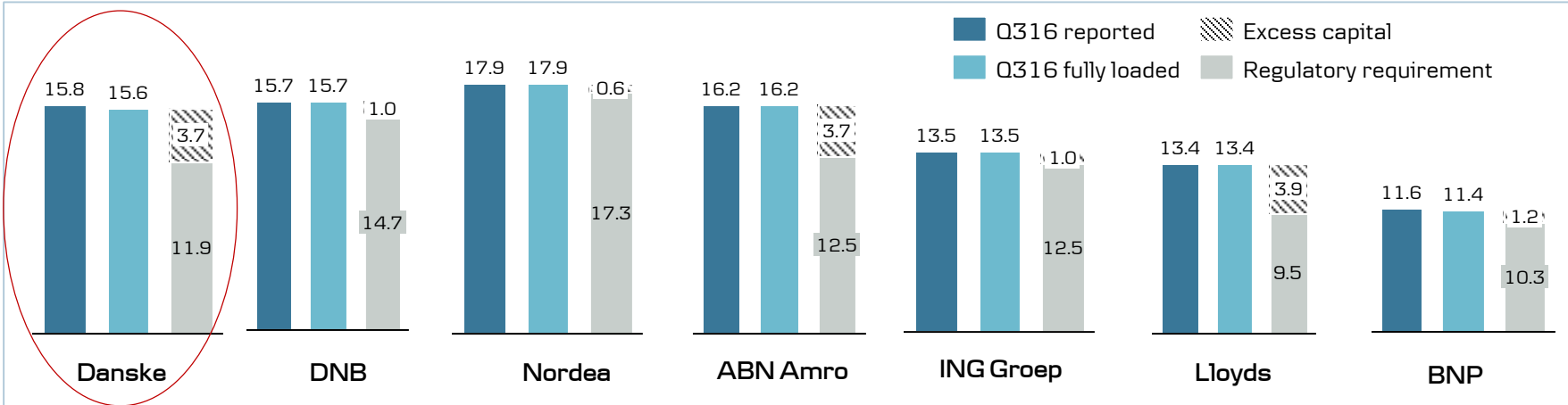
Phased-in MDA buffers*; DKK billion



* Assuming REA equal to Q3 2016 of DKK 814bn, CET target of min. 14% and that min. requirements are covered by relevant capital instruments. Note that with CET1 at 15% (the upper limit of the CET1 target), the MDA buffers would increase by 1 percentage point, equal to some DKK 8bn. Under current Danish rules, Pillar II does not count towards automatic MDA restrictions.

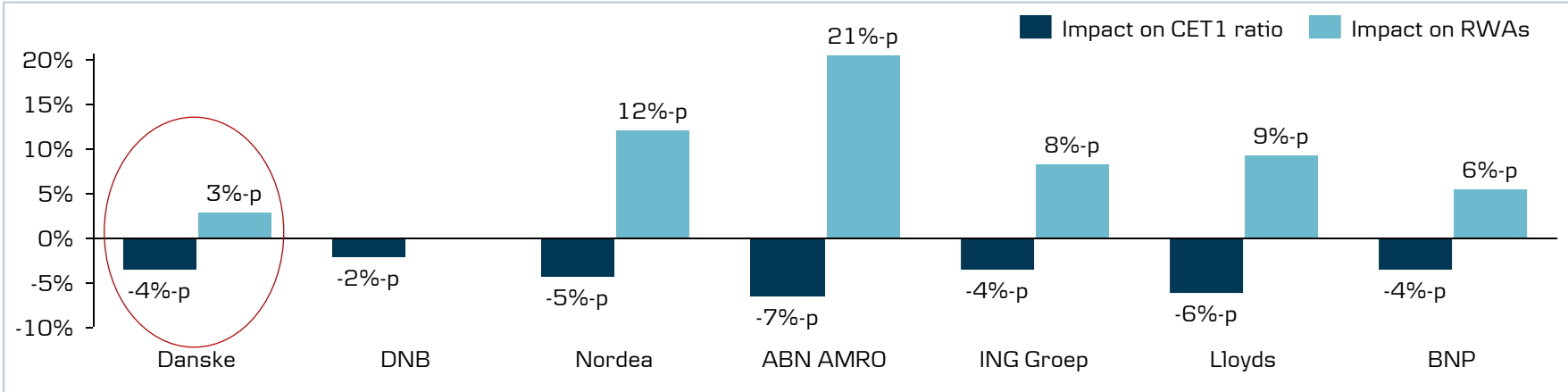
Danske Bank peer comparison

CET1 ratios vs minimum requirements (in percent of REA)



Source: Company Interim Reports (Q3) except ABN Amro (Q2) / Danske Bank

EBA Stress Tests: Impact of Adverse Scenario (2018 Adverse vs 2018 Baseline)



Source: EBA 2016 EU-wide stress test results (July)

New issue: Terms and Conditions 1/3

| | |
|--|---|
| Issuer | Danske Bank A/S |
| Issuer's Senior Ratings (M/S/F) | A2 (Positive) / A (Stable) / A (Stable) |
| Instrument Ratings (S/F) | [BBB - / [BB+] (expected) |
| Description | DKK [] Perpetual Non-cumulative Resettable Additional Tier 1 Capital Notes (the "Notes") |
| Maturity | Perpetual |
| Optional Redemption | [] November [2021] ("First Call Date") at the Outstanding Principal Amount or on any interest payment date thereafter subject to regulatory approval. |
| Interest | <p>[Fixed Rate Note: []% p.a. payable semi-annually in arrear up to the First Call Date. Thereafter reset to a new fixed rate, payable semi-annually in arrear, based on the underlying swap rate plus the margin, in [2021] and every [fifth] anniversary thereafter.]</p> <p>[Floating Rate Note: 3-month CIBOR plus the margin, payable quarterly in arrear.]</p> |
| Interest Cancellation | Any payment of interest in respect of the Notes shall be payable only out of the Issuer's Distributable Items and (i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion, or (ii) will be mandatorily cancelled to the extent the relevant payment would cause any Maximum Distributable Amount to be exceeded or if otherwise so required by the CRD IV*, including the applicable criteria for Additional Tier 1 Capital instruments. |

Note: The terms are outlined in their entirety in the full terms and conditions of the Notes. In case of any discrepancy, the Base Prospectus prevails.

* "CRD IV" means, as the context requires, any or any combination of the CRD IV Directive, the CRR and any CRD IV Implementing Measures.

New issue: Terms and Conditions 2/3

| | |
|--|---|
| <p>Status/Subordination</p> | <p>Notes are eligible to constitute Additional Tier 1 Capital under CRD IV. Subject to any Loss Absorption Following a Trigger Event and Reinstatement of the Notes as detailed below, the Notes will constitute direct, unsecured and subordinated debt obligations of the Issuer, and will rank</p> <p>(i) <i>pari passu</i> without any preference among themselves, (ii) <i>pari passu</i> with any other Additional Tier 1 Capital of the Issuer (including the Existing Hybrid Tier 1 Capital Notes) and obligations or capital instruments that rank or are expressed to rank equally with the Notes, (iii) senior to all classes of Issuer’s share capital and obligations ranking or expressed to rank junior to the Notes and (iv) junior to all other obligations of the Issuer</p> |
| <p>Special Event Redemption</p> | <p>The Issuer may redeem the Notes at the Outstanding Principal Amount at any time in case of a Tax Event (future additional amounts or loss of deductibility) or a Capital Event (exclusion from or reclassification to a lower form of regulatory capital) (each a “Special Event”) subject to regulatory approval</p> |
| <p>Substitution and Variation</p> | <p>If a Special Event has occurred, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Holders, so that they become or remain Qualifying Capital Notes</p> <p>Qualifying Capital Notes must (i) comply with the then current Additional Tier 1 Capital requirements and provide the same amount of regulatory recognition as the Notes, (ii) carry the same rate of interest, (iii) have the same original and outstanding principal amounts, (iv) rank <i>pari passu</i> with the Notes, (v) not immediately be subject to a Special Event Redemption, (vi) have terms that are not materially less favourable to an investor and (vii) maintain listing</p> |

New issue: Terms and Conditions 3/3

| | |
|---|--|
| <p>Loss Absorption following a Trigger Event and Reinstatement</p> | <p>If at any time the Common Equity Tier 1 (“CET1”) Capital Ratio of the Issuer and/or the Group has fallen below 7%, the Outstanding Principal Amounts shall be reduced (in whole or in part) Subject to CRD IV and BRRD requirements the amount of the write down shall be the lower of (i) the amount that would cure the Trigger Event taking into account the CET1 generated <i>pro rata</i> by all Parity Trigger Loss Absorbing Instruments (if any) and Other Loss Absorbing Instruments (if any), and (ii) the amount that would reduce the Outstanding Principal Amount to DKK 0.01</p> <p>Following any such reduction of the Outstanding Principal Amounts, the Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes subject to compliance with CRD IV</p> <p>Reinstatement would be on a pro-rata basis with all other Parity Trigger Loss Absorbing Instruments that feature similar reinstatement provisions</p> |
| <p>PONV</p> | <p>The Notes may be subject to statutory loss absorption as more fully described in the risk factors in the Base Prospectus</p> |
| <p>Governing Law</p> | <p>English Law, except subordination, interest cancellation, loss absorption and reinstatement, special event redemption and enforcement events which will be under Danish Law</p> |
| <p>Denominations/ Listing/Clearing</p> | <p>DKK 2m+10k/Nasdaq OMX Copenhagen/ VP</p> |
| <p>Neg. Pledge/ Cross Def.</p> | <p>None</p> |

Q&A session



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Contacts



Christoffer Møllenbach
 Head of Treasury
 Direct: +45 45 14 63 60
 Mobile: +45 21 55 10 52
 E-mail: chm@danskebank.dk



Claus Ingar Jensen
 Head of IR
 Direct: +45 45 12 84 83
 Mobile: +45 25 42 43 70
 E-mail: clauj@danskebank.dk



Peter Holm
 Senior Vice President
 Direct: +45 45 12 84 85
 Mobile: +45 20 98 50 45
 E-mail: holm@danskebank.dk



John Bäckman
 Chief IR Officer
 Direct: +45 45 14 07 92
 Mobile: +45 30 51 46 85
 E-mail: jbc@danskebank.dk



Bent Callisen
 First Vice President
 Direct: +45 45 12 84 08
 Mobile: +45 30 10 23 05
 E-mail: call@danskebank.dk



Louisa Grue Baruch
 IR Officer
 Direct: +45 45 13 92 34
 Mobile: +45 21 56 19 35
 E-mail: lobar@danskebank.dk

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