

# Danske Bank Tier 2 Capital



Henrik Ramlau-Hansen  
CFO & Member of the Executive Board



Steen Blaafalk  
Head of Treasury

Global Conference Call – 23 September 2013

# Agenda

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Capital, liquidity & funding	9
New issue	14

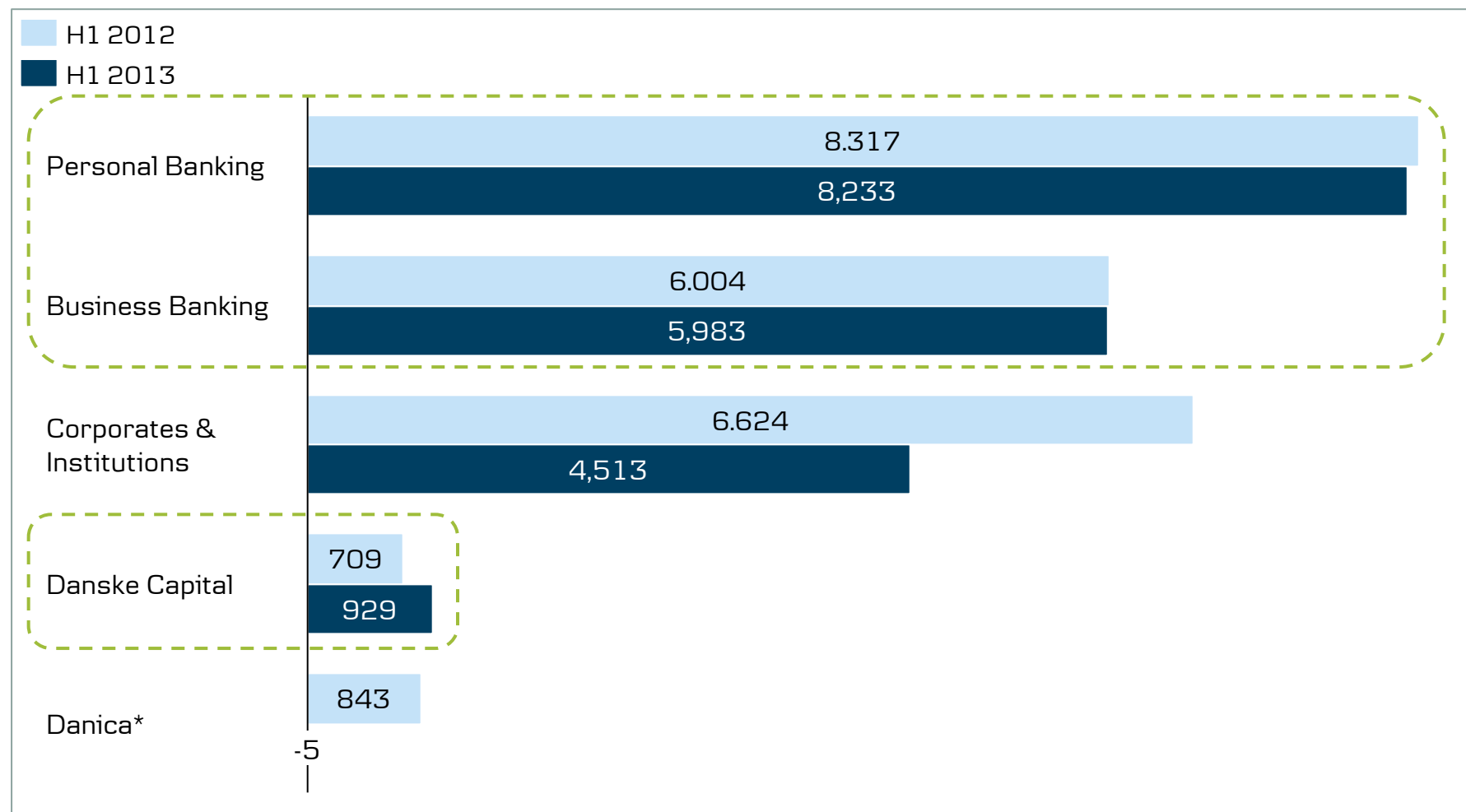
# Net profit: Increase of 61 % under difficult market conditions

## Income statement (DKK m)

	H1 2013	H1 2012	Index
Net interest income	10,956	11,367	96
Net fee income	4,470	4,061	110
Net trading income	3,929	6,533	60
Other income	653	646	101
Net income from insurance business	-5	843	-
Total income	20,003	23,450	85
Expenses	11,918	12,371	96
Profit before loan imp. charges	8,085	11,079	73
Loan impairment charges	2,383	4,598	52
Profit before tax, core	5,702	6,481	88
Profit before tax, Non-core	-809	-2,406	-
Profit before tax	4,893	4,075	120
Tax	1,237	1,802	69
Profit	3,656	2,273	161

# Income: Personal & Business Banking stable; Danske Capital up

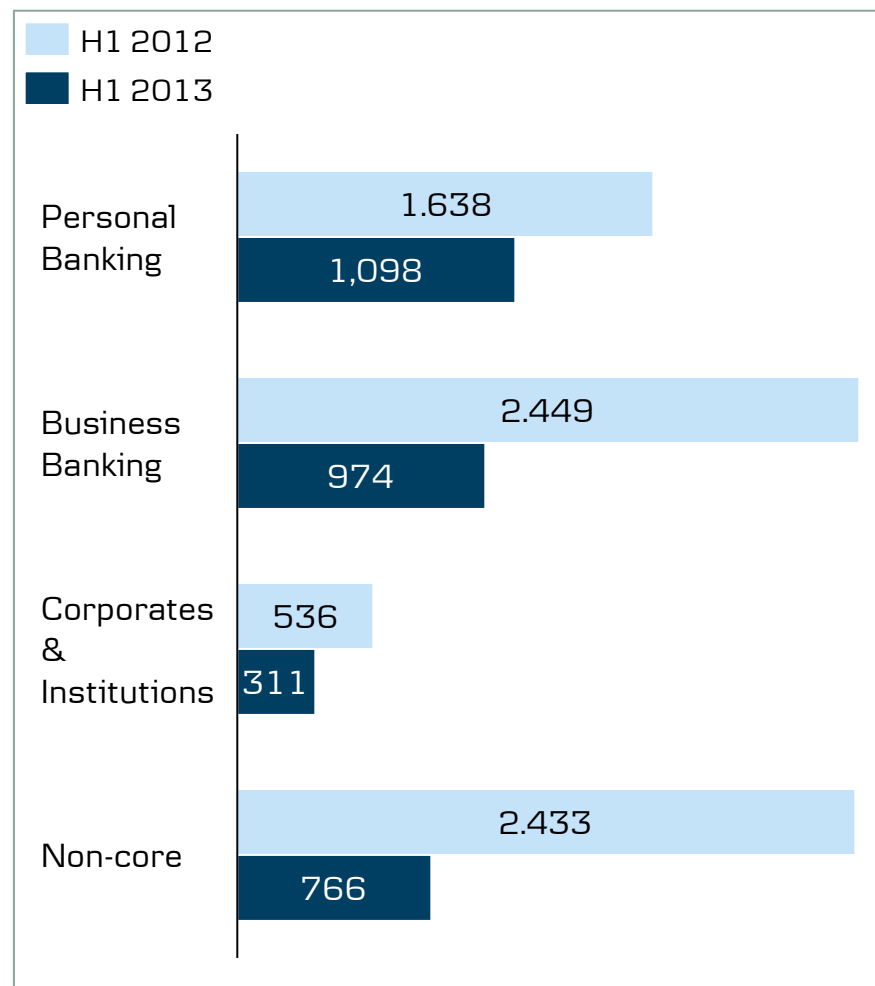
Income breakdown (DKK m)



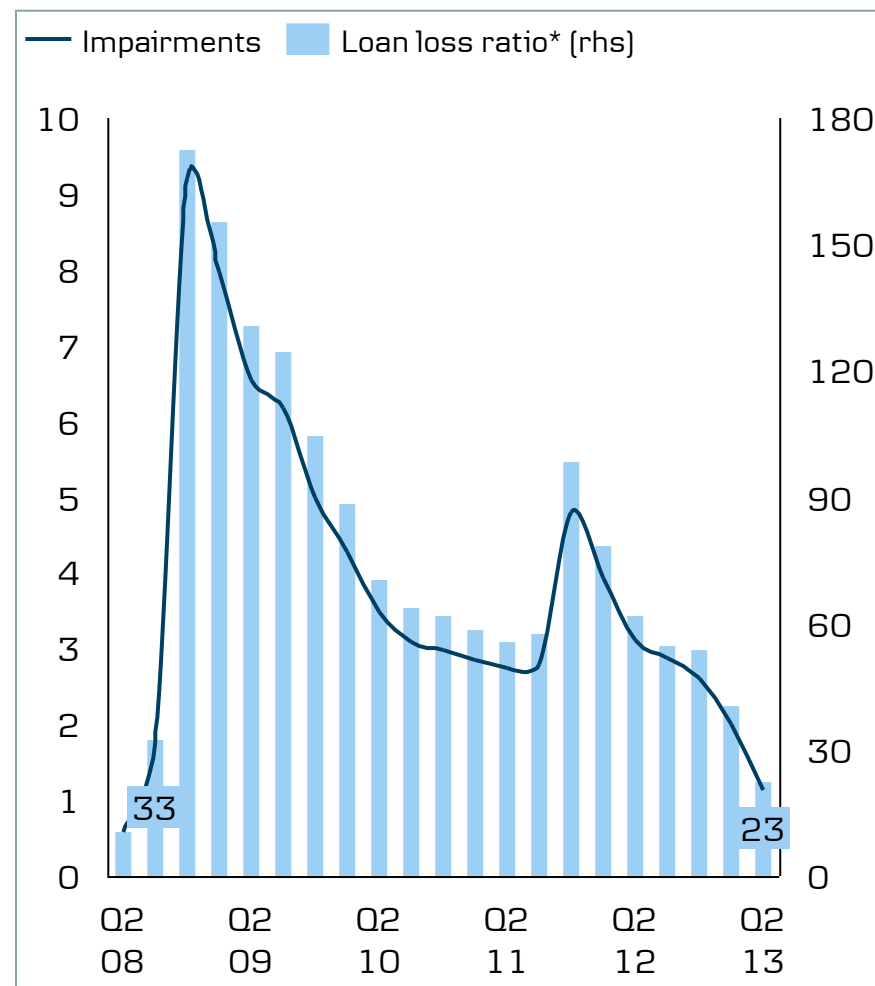
\* Net income.

# Impairments: Sharp decline across the board

Loan impairment charges (DKK bn)



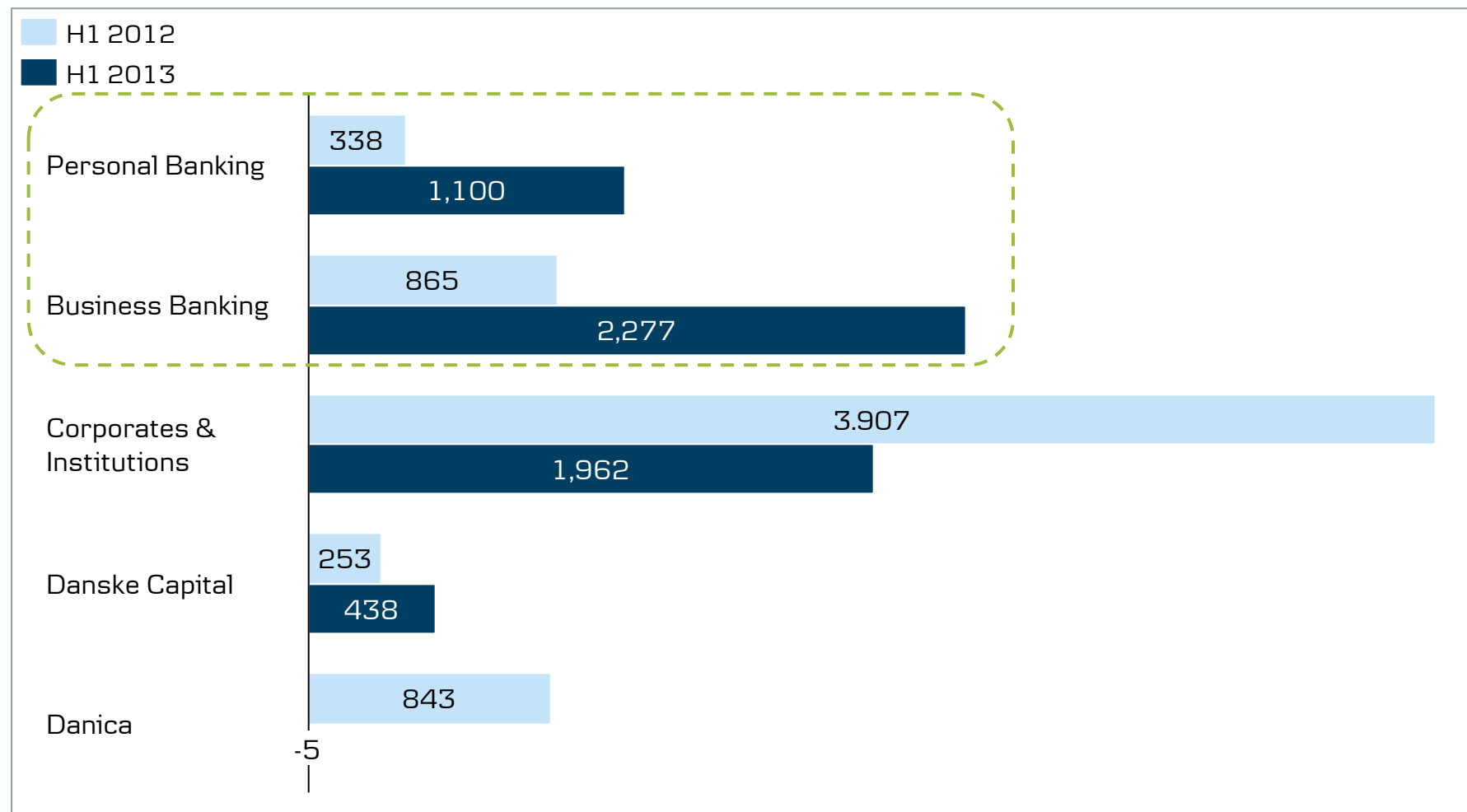
Loan impairment charges, 2008-2013 (DKK bn)



\* The loan loss ratio is defined as the Group's annualised quarterly impairments as a percentage of loans and guarantees.

# Earnings: Personal Banking and Business Banking triple

Profit before tax (DKK m )



# Outlook for 2013

## Strategy

Implementation of New Standards proceeding according to plan

## Financial results

Net profit of DKK 6.5-9.0 bn

## Income

Total income expected below 2012 level

## Expenses

Expenses likely below the 2012 level

## Impairments

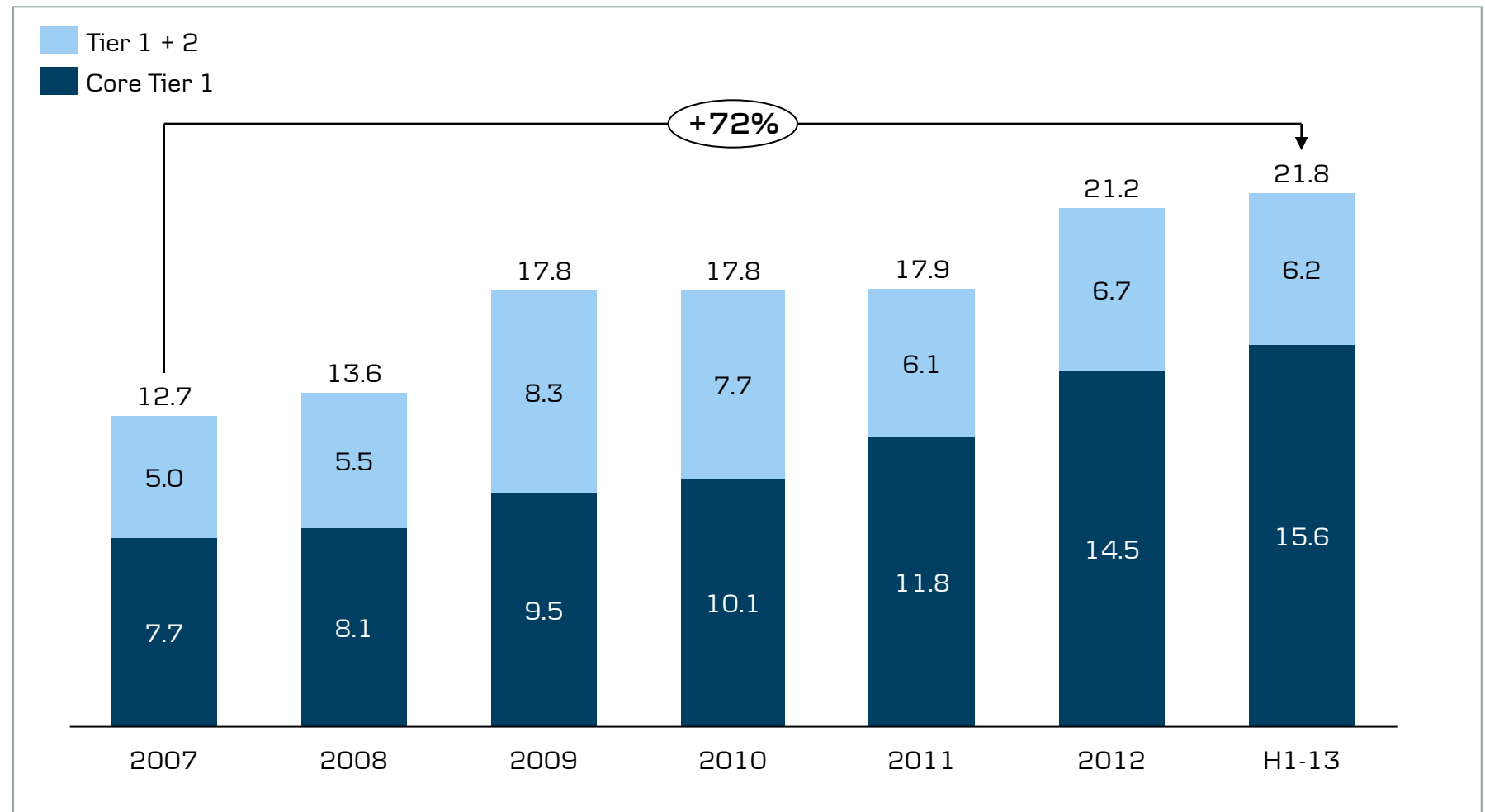
Impairment level well below 2012

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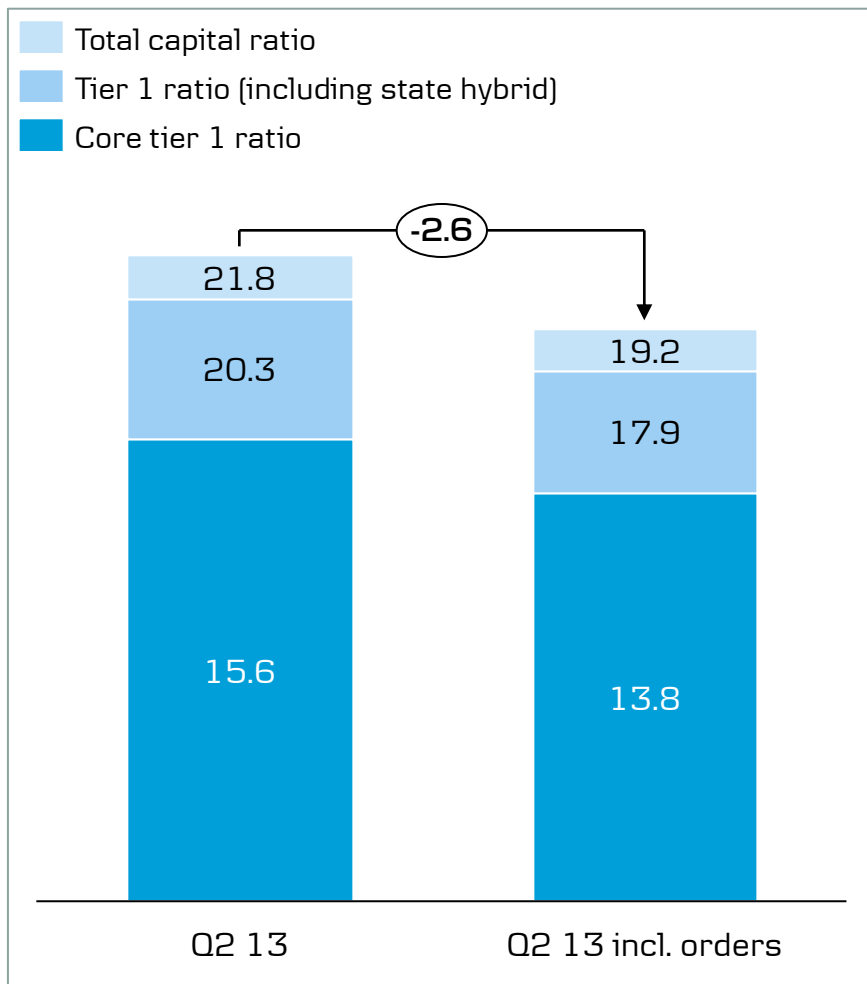
# Capital: Strong build-up through the crises

Capital ratios, under CRD/Basel II [%]

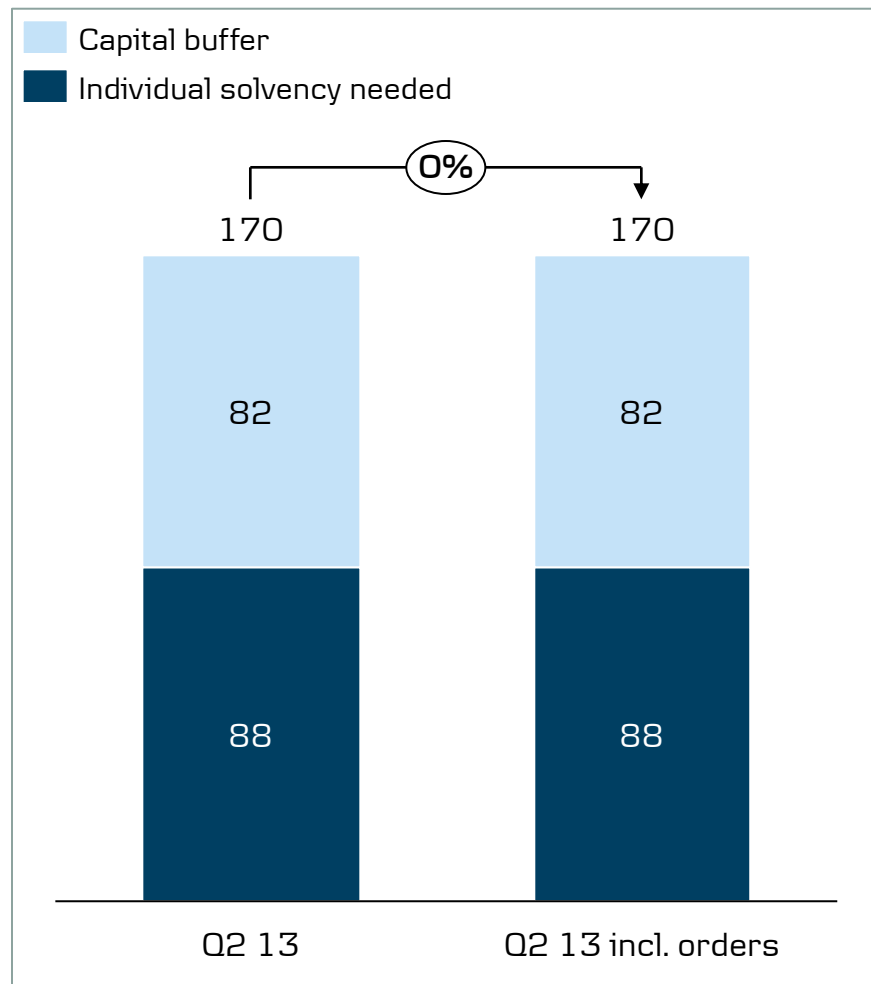


# Capital: Ratios remain high after FSA orders; solid buffer

Effect of FSA orders on capital base\* [%]



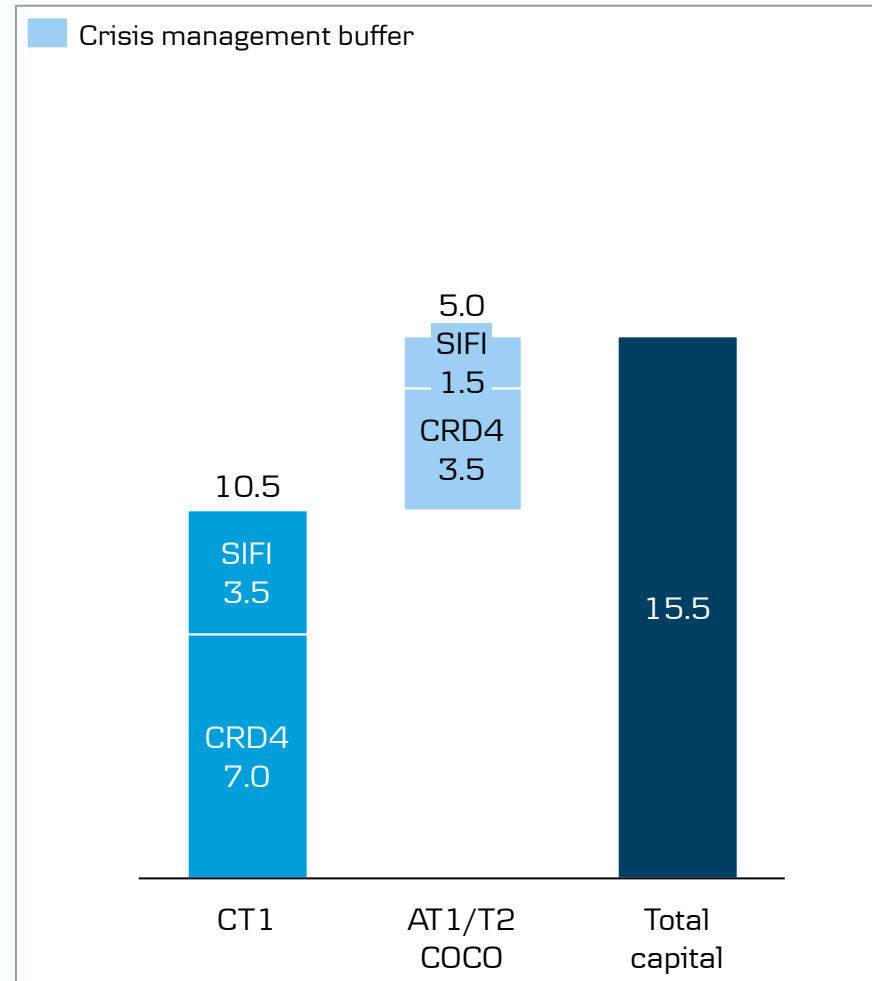
Effect of FSA orders on individual solvency need (DKK bn)



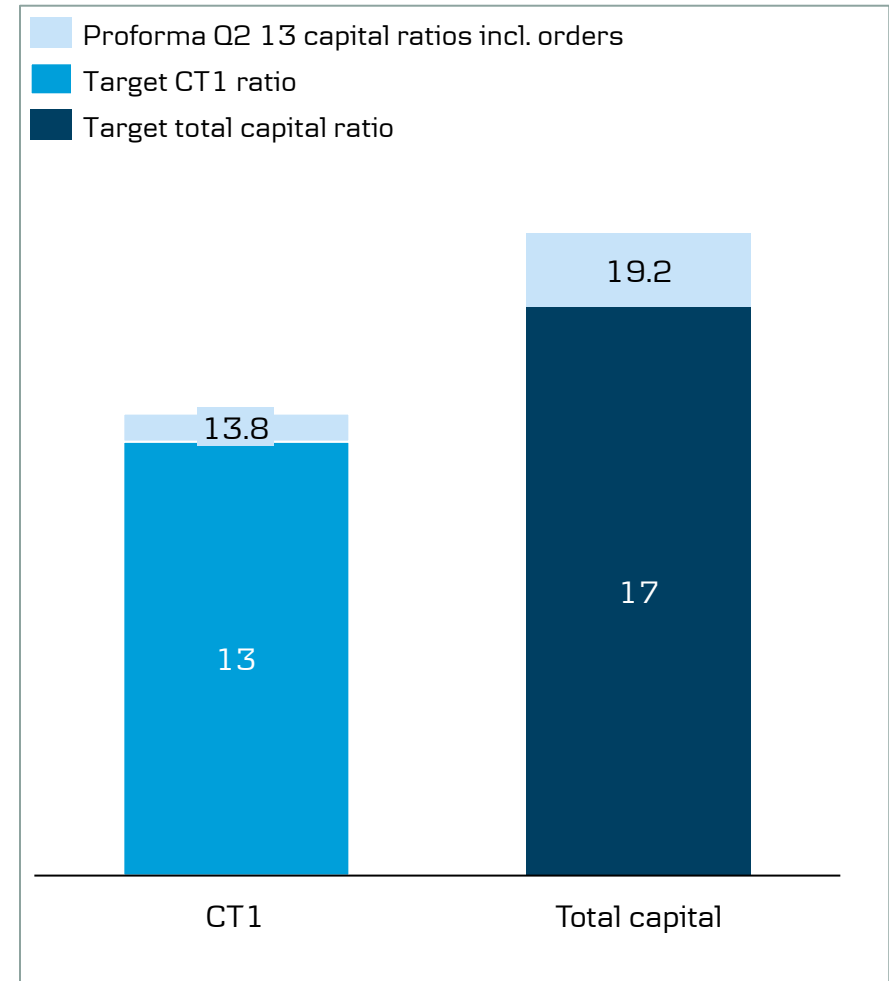
\* CRD/Basel II.

# SIFI proposal: 2022 requirements broadly in line with our capital targets

Capital composition, 2022 (% of RWA)

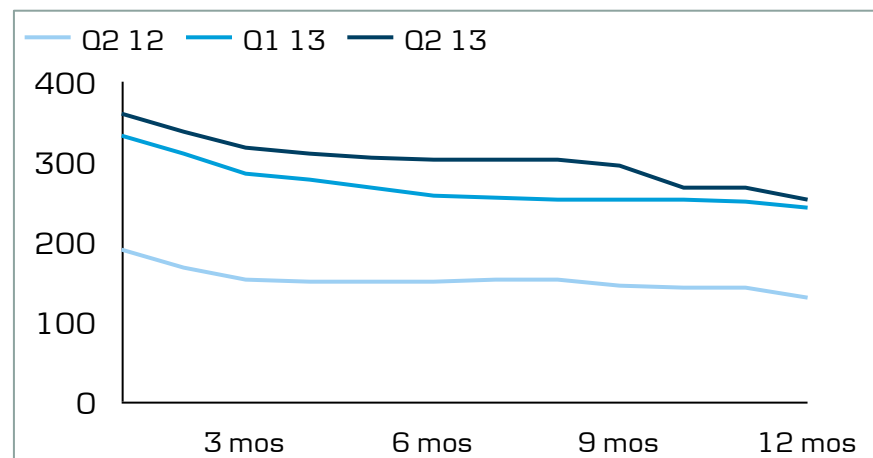


Capital base vs. capital targets, (% of RWA)



# Liquidity and funding: Strong, stable liquidity position

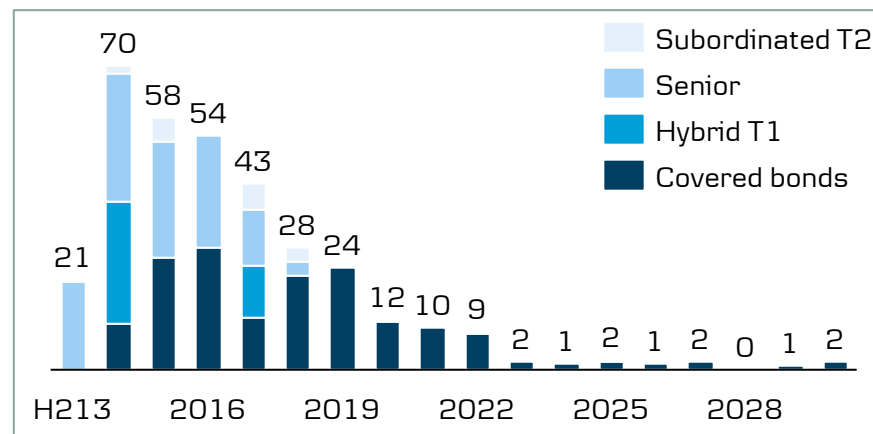
12-month liquidity,\* end of period (DKK bn)



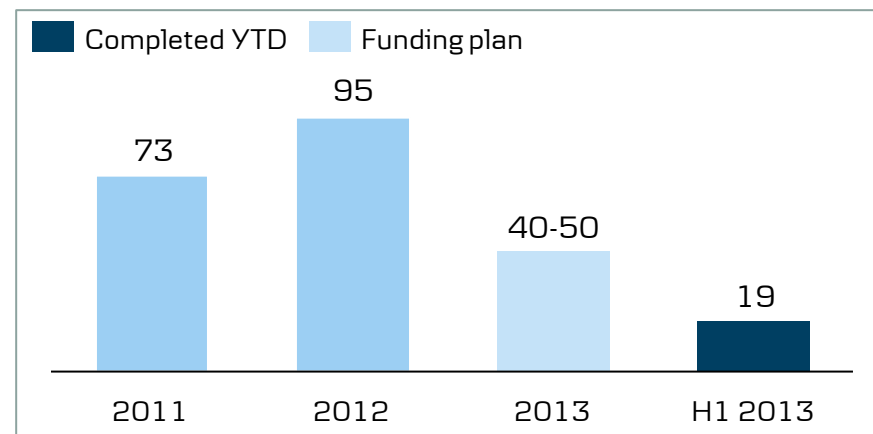
Key points, end Q2 13

- 12-month liquidity of more than DKK 250 bn
- Liquidity buffer of DKK 479 bn, with most of the bonds central bank-eligible
- LCR\*\* at end-H1 of 132%
- DKK 19 bn in funding raised in H1 2013:
  - 48% covered bonds
  - 52% senior debt

Maturing funding (DKK bn)



Long-term funding ex RD (DKK bn)

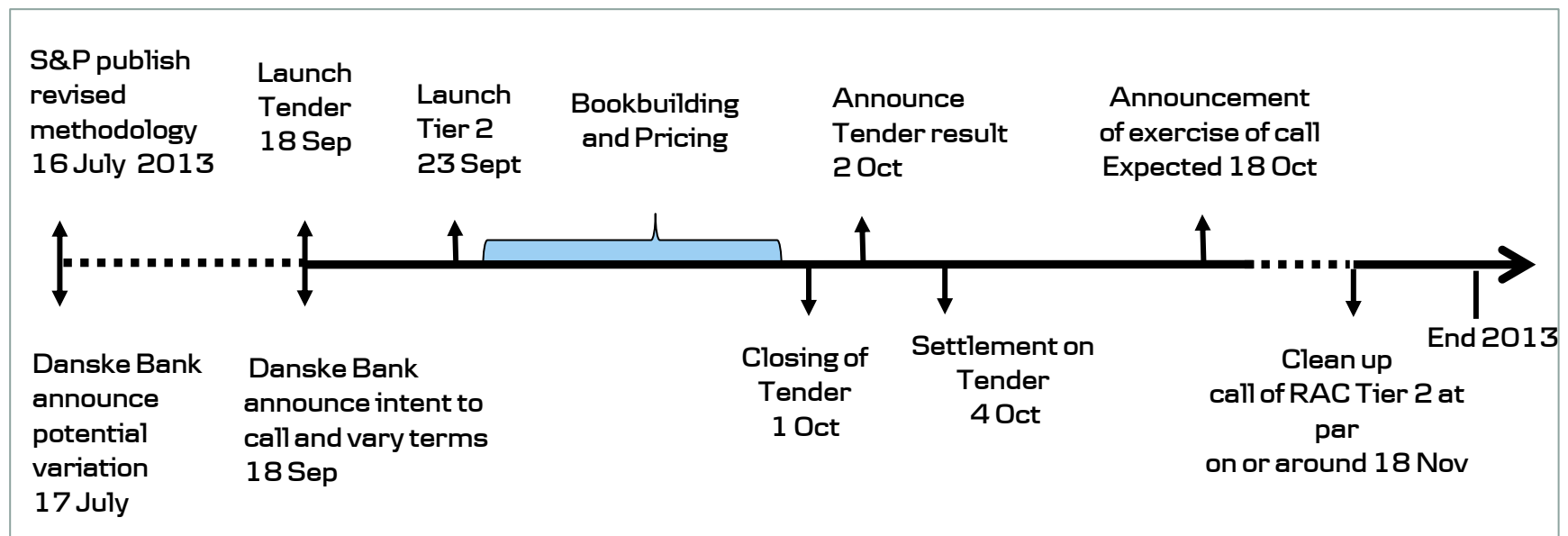


\* Moody's Financial Strength. Main assumptions: No access to capital markets; no refinancing of debt to credit institutions, issued bonds or subordinated capital; moderate reduction of business activities. \*\* LCR includes holdings of covered bonds and Danish mortgage bonds, including own issued bonds.

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# Danske Bank Tender Offer and Issue of T2

- 18 September: Tender Offer for USD 1bn Subordinated Fixed Resettable Notes due 2037, with purchase price of 101.50 to existing holders.
- 23 September: To issue Tier 2 capital in the form of a bond loan denominated in EUR. Minimum size EUR 500 million, maturity 10 years, option to prepay at par after five years.



# New issue – Terms & Conditions

Issuer	▪ Danske Bank A/S
Issuer Ratings	▪ Baa1 (Stable) / A- (Stable) / A (Stable) (Moody's / S&P / Fitch)
Expected Instrument Ratings	▪ BBB- / A- (S&P / Fitch)
Description	▪ EUR (benchmark) Dated Subordinated Fixed Rate Resettable Tier 2 Notes (the "Notes")
Status of the Notes	<ul style="list-style-type: none"> <li>▪ CRD IV Compliant Tier 2 Capital. The Notes will on issue constitute Tier 2 Capital of the Issuer</li> <li>▪ The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, rank <i>pari passu</i> without any preference among themselves, <i>pari passu</i> with Tier 2 Capital of the Issuer (including the existing subordinated capital), junior to other unsubordinated creditors and senior to all classes of share capital and obligations ranking or expressed to rank junior to the Notes</li> </ul>
Maturity	▪ October 2023
Step-up	▪ None
Call Date	▪ October 2018 at par
Coupon structure	<ul style="list-style-type: none"> <li>▪ [●]% fixed payable annually to Call Date</li> <li>Resets at Call Date to prevailing EUR 5-year Mid-Swap Rate + margin</li> </ul>
Deferral of Interest	▪ None
Loss Absorption	<ul style="list-style-type: none"> <li>▪ The Notes include a write-down loss absorption feature (in respect of principal and unpaid interest) as required under the current Danish capital adequacy rules. The write-down feature may only be used after (i) the equity capital of the Issuer has been lost, (ii) a general meeting effectively resolved to reduce the share capital to zero, and (iii) provided that following such action either, sufficient new capital is raised so as to enable the Issuer to comply with the capital requirement under the Danish Financial Business Act or the Issuer discontinues its business without a loss to its non-subordinated creditors</li> <li>▪ Such write-down may only occur following a write-down of Tier 1 Capital</li> <li>▪ Reduction Event will only apply until (but excluding) 1 January 2014 or, if later, the date on which none of the Existing Tier 2 Capital Notes is outstanding</li> </ul>
Optional Redemption following a Special Event	▪ The Issuer may redeem the Notes at par at any time in case of a <u>Tax Event</u> (additional amounts or loss of deductibility) or a <u>Capital Event</u> (full or partial exclusion from Tier 2 Capital (to the extent not prohibited by the Relevant Rules),
Listing	▪ Irish Stock Exchange

# New issue – Terms & Conditions

PONV	<i>The Notes may be subject to statutory provisions as applicable from time to time that could lead to the write down and/or conversion to ordinary shares of the Issuer of the Outstanding Principal Amounts of the Notes, as further described in the "Risk Factors".</i>
Cross Default	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
Negative Pledge	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
Substitution and Variation	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
Law	<ul style="list-style-type: none"> <li>▪ The Notes will be governed by, and construed in accordance with, English law, except for certain Conditions, which will be under Danish Law (Status, Reduction of Amount, Early Redemption for Special Events, Enforcement)</li> </ul>
Denominations	<ul style="list-style-type: none"> <li>▪ The Notes will be issued in the denominations of EUR 100k and integral multiples of EUR 1k in excess thereof up to (and including) EUR 199k</li> </ul>
Selling restrictions	<ul style="list-style-type: none"> <li>▪ For a description of additional restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the United Kingdom and Denmark, see Prospectus</li> </ul>



# Disclaimer



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