



Conference call

Danske Bank's announcement on settlement
with the US and Danish authorities regarding the
Estonia matter

13 December 2022

Investor Relations

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TRANSCRIPT

Claus Ingar Jensen – Head of Investor Relations

Good evening, and welcome to Danske Bank's conference call.

My name is Claus Ingar Jensen and with me today I have our Group CFO, Stephan Engels and our Head of Group Legal, Kasper Friis-Hansen. Given the significance of the announcement we have made today in relation to the bank's settlement of the Estonia matter with the US and Danish authorities, we wanted to provide you with an update on the settlement and financial outlook.

We aim to keep this presentation brief and will open for a Q&A session afterwards, keeping the entire session to around 30 minutes.

Please go to slide 1 as I will now hand over to Stephan.

Slide 1: Outlining the resolution (Stephan Engels)

Thank you Claus and good evening everyone.

Today marks a significant milestone for Danske Bank as we have reached the final resolution with the US and Danish authorities, which will finally allow us to move on from the regrettable mistakes that were made in relation to our Estonian operations.

The legal consequences and our full admission is outlined in the Company announcement from earlier this evening. Under the terms of the coordinated resolution and as part of the cross-crediting agreement, the financial impact amount to 15.3 billion kroner, in line with our Q3 communication.

With the prudent capital management practices the Board has taken to cancel the remaining 2021-dividend as well as the proposal not to pay out any 2022 dividend, this has kept Danske Bank sufficiently capitalised to mitigate the impact of the agreed settlement, while keeping a buffer to the upcoming regulatory requirements and ability to support our clients through the current macro uncertainties.

At Danske Bank, we have taken important and necessary steps to ensure the bank has robust measures in place to do everything possible to prevent past failures taking place again. As an integral part of our strategy we aim to be a positive contributor to the societies we operate in, supported by the investments we have made to improve Danske Bank's resilience. We remain committed to learn from the past mistakes and I will now outline some of the many ways we have improved our Financial Crime Prevention.

Slide 2 please.

Slide 2: Progress on FCP

Going forward, and with the lessons we have learned from Estonia, we remain committed to fight financial crime in all form. Since we launched our better bank agenda in 2019, we have deployed significant resource

to our Financial Crime Plan agenda and taken extensive action to address previous failings in order to prevent a recurrence. We have invested more than 12 billion in AML/Compliance since 2018 and now have over 3,500 FTEs occupied with fighting financial crime. This has also led to a complete refresh of due diligence data of 2.6m customers against a new and improved standard covering 99.9 percent of targeted customers.

Furthermore, we have a completely new leadership in place and enhanced our operational setup with the intention to establish a compliance function based on international best practice. Moreover, we have de-risked our footprint to focus on our core markets in addition to the exit from Russia and the Baltic countries also encompass the sale of our Luxembourg branch and the closing of our Hamburg branch.

With the continuity in leadership that Carsten Egeriis has brought as CEO and relentless execution in our core markets, we are setting Danske Bank up so we can quickly adapt and mitigate future threats. Through our central role in society, we strive to be a key advisor to our clients on all aspect of fighting financial crime including how to navigate new sanctions as we have seen this year.

Finalizing our Financial Crime Plan transformation thus remain a key priority for us, and we are doing so in close collaboration with the independent experts appointed the Danish FSA. We remain on track for completion by the end of next year after which we will enter a business as usual stage leveraging off the vast improvement there's been made to KYC and digitalization of transaction monitoring and sanctions screening etc.

Finally, changing our culture throughout the organization to foster a strong compliance culture where potential mistakes and mis-habits are escalated and addressed with transparency and integrity is how we intend to run Danske Bank. A tone that is clearly set from the very top. Slide 3 please.

Slide 3: Outlook

As we are about to wrap up an eventful year where we have continued to make progress across Danske Bank for all stakeholders, this final settlement resolution with the US and Danish authorities that we have announced today coupled with the announcement from August regarding the solution for our debt collection customers, underline a year where we once and for all can put these legacy cases behind us. Coupled with the heightened geopolitical uncertainties, changed macro landscape and volatile financial markets, the provision and one-off costs we have taken in relation to our legacy cases will lead to a net loss for the year as we communicated in our Q3 release.

As business activity remain sound, we reaffirm our outlook for banking income as well as financial market related income. On this background, we now expect net profit for the full year to be better than a loss of 5.3 billion, as the financial impact of the announced resolution is slightly lower than our initial provision.

For 2023, we remain comfortable that the foundation of Danske Bank and the enhancement of resilience and operational efficiency will result in a positive trajectory in our Cost/income ratio.

The growth in core banking income driven by higher rates is expected to more than mitigate the impact of higher inflation on costs and any

potential impact on asset quality. As such, we remain committed to our return on equity ambition of 8.5 – 9 percent with upside potential to current guidance as we are tracking towards the upper end of the range.

With that, I will hand it back to Claus.

Claus Ingar Jensen: Thank you, Stephan

Those were our initial comments and messages.

We are now ready for your questions. Please limit yourself to two questions.

If you are listening to the conference call from our website, you are welcome to ask questions by email.

A transcript of this conference call will be added to our website within the next few days.

Q&A

Jakob Brink (Nordea): Good evening and thanks for hosting this call.

Congratulations as well on the final settlement. My questions are not so much related to the actual fine but I am a bit surprised. It is almost a bit ironic that while you choose to keep basically your underlying guidance for this year unchanged, only upgrading the slightly smaller fine, Spar Nord the Danish peer bank is out for the second time within a month upgrading their profit guidance for this year by another 10%. I think every other Danish bank has upgraded by around 10% over the past month and yet there is nothing to see in your guidance. Why is that? What is it that Danske's not doing right?

Stephan Engels: Hi Jakob, thanks for the congratulations – although that does not feel like the day to celebrate, but nevertheless. I think on the guidance I would claim that we have just updated the guidance a couple of weeks ago with Q3 and I think not that much has changed since then other than the early estimate has seen some final adjustments which we have reflected in the guidance. Better than DKK 5.3 billion is what we are guiding for right now.

Jakob Brink: But the guidance you gave in connection with the Q3 report as far as I recall that was exactly the same as the one you had before, just deducting the fine and the goodwill impairments; then it got to DKK 5.5 billion loss. Then as rate has come up significantly since you gave that guidance, which was even older than Q2 I think, the DKK 10-12 billion was from 10th July which was before the first rate hike, so significant rate support, mortgage spreads have narrowed, high activity, no losses. I guess I am still just a bit puzzled why that does not impact Danske Bank.

Stephan Engels: Jakob, thanks again for the question but, again, I think the guidance that we have given today is the best of our knowledge for now. That is what it is for the moment.

Jakob Brink: Okay, fair enough. Then on the capital position of Danske, as you point out in the announcement, you had 16.9% CET1 at Q3. The new target I think you said you would return with that in connection with the Q4 report, but it looks like still there should be some room for pay-outs. Now you say you will propose not to pay a dividend for 2022. Is there any timeline of when you could maybe resume some kind of pay-out? It is a few years since you last paid anything.

Stephan Engels: First of all, technically speaking we are making a loss for 2022 which means that paying out a dividend is I would say a very, very unlikely event. In that sense also the Board has decided to propose no dividend to the AGM in early 2023. Secondly, given the outlook for the year to come; I think that is what we also said at Q3, that we believe a capital level above 16% is what we feel comfortable with, and that remains unchanged. For more specific guidance, I would point you a little bit to our Annual Report which is due on 2nd February.

Jakob Brink: Okay. We get more details on the capital target and/or pay-outs at that time?

Stephan Engels: I think you get definitely more details on a lot of numbers, and I can say that much that our capital distribution policy, as you know, and that has been published for the last couple of years remains unchanged. Again, for 2022, I do not see any potential or way to pay a dividend.

Jakob Brink: Okay, very clear. Thanks a lot Stephan.

Claus Ingar Jensen: Okay, I think that was the only question we had, so thank you all for your interest in Danske Bank and for your questions. As always, you are welcome to contact our Investor Relations department if you have more questions after you have had time to look at the announcement in detail. Good evening.

Stephan Engels: Thank you very much. Ciao.

[END OF TRANSCRIPT]
