Conference call

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Investor Relations

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SPEECH

Claus Ingar Jensen – Head of Investor Relations

Good morning, everyone. Welcome to the conference call for Danske Bank's financial results for the first quarter of 2024.
My name is Claus Ingar Jensen, and I am head of Danske Bank's Investor Relations. With me today, I have our CEO, Carsten Egeriis, and our CFO, Stephan Engels.

We aim to keep this presentation to around 20 minutes.
After the presentation, we will open up for a Q&A session as usual.
Afterwards, feel free to contact the Investor Relations department if you have any more questions.
I will now hand over to Carsten.

Slide 1, please.
Thanks Claus, and I would also like to welcome you to our conference call for the financial report for the first quarter of 2024.

The first quarter marked the start of our new strategy period, and I am pleased with the continued execution of our strategic priorities with a clear focus on strengthening our position as a leading financial institution in the Nordic region.

Despite a continually elevated level of geo-political uncertainty and subdued economic activity, the first quarter was a good start to the year and a satisfactory quarter for Danske Bank, characterised by a sustained and robust performance across our business.

The performance in the first quarter was, despite an expected modest demand for new loans, supported by high customer activity, primarily within savings- and investment products, and we also continued to leverage our strong position within debt capital market activities. This included a continually strong traction for sustainability linked finance where we have maintained our position as the leading Nordic bank.

Financially, the first quarter turned out to be a period with an improved performance as profit before tax increased relative not only to the level a year ago but also to the preceding quarter.

The result was based on a strong increase in the core banking income lines, combined up 11 per cent compared to the same period last year and in combination with further efficiency improvements, this resulted in a cost/income ratio improving to 45 per cent.
The resilient macroeconomic environment continued to support our strong credit quality with loan impairment charges in the first quarter below what we consider a normalised level.

Net profit for the first quarter came in at 5.6 billion, equivalent to a RoE of 12.9 per cent.

We maintained a strong capital and liquidity position. In line with our plan, the execution of the 5.5 billion share buy-back programme started in the first quarter and is progressing as intended. As of last week, we had bought back 6 million shares equivalent to a total repurchase amount of 1.2 billion. The CET1 ratio stood at 18.5 per cent at the end of Q1 including the full deduction of the share buy-back programme.

As a final introductory remark, I was very pleased to see the recognition we also got from Moody's yesterday which included a two-notch upgrade of our long-term senior debt. This is another proof point of the enhanced structural resilience of Danske Bank and all the progress we continue to see across the Group.

I will now continue with comments for what we have seen in our business units before Stephan will comment on the financial result in more details.

Slide 2, please.
At Personal Customers, we started the year with solid financial performance, improving total income by 4 per cent relative to the preceding quarter and 5 per cent year on year. The performance was based on a robust uplift in NII driven by improved margins, not only relative to the same period last year but also with a 2 per cent increase Q-on-Q. The development underpins our view on NII trends for the full year.

Core banking income also benefited from improved customer activity that led to an uplift in activity-driven fees along with a healthy contribution from investment fees. In this respect, I would like to highlight the continually improving momentum in our Global Private Banking franchise along with an inflow of new customers. This contributed positively to the uplift in fee income through growing net sales of investment products for the fourth consecutive quarter, increasing the contribution to the positive trend in AuM.

In combination with continually strong credit quality and prudent cost management, the improvements added to a positive development for Return on Allocated Capital and Cost/Income ratio.

Commercially we still see our improved position reflected in the traction we have with our existing customer base along with a positive inflow of new customers, specifically in our prioritised segments.

Looking at volumes, which are shown excluding Norway, our deposit position remained at solid levels in most of our markets and we continue to see preference for our savings products. Particularly in Denmark, where the positive inflow to our leading "Danske Toprente" and "Danske Indlån" offerings continued.

In terms of lending volumes, the housing markets have clearly been muted across our markets with low demand and in Denmark, the stock of residential lending in RD was impacted by redemptions and amortization. However, we continue to see customers opting for our Danske BoligFri home loans with another quarterly increase of 5%.

With stability in policy rates going forward and post the new property tax regulation that took effect at the beginning of the year in Denmark we expect demand for housing to pick up during the year.

Slide 3 please.
At Business Customers, we have seen an increase in customer activity across our businesses relative to both the preceding quarter and the same period last year. This led to an almost similar increase in fee income as in our Personal customer unit, up 2 and 4 per cent respectively.

However, total income came in lower due to lower NII and lower income from Asset Finance. When comparing NII to the previous quarter, the reported number was impacted by FX, day counts and a year-end correction between Business Customers and Treasury.

Within Asset Finance, an elevated level of loan impairment charges for a few single name exposures explains the lower result and thus the decline in Return on Allocated Capital in Q1. Stephan will go over our asset quality and overall low level of impairments in more details later.

Looking at costs, continued prudent cost management secured a stable C/I ratio, well ahead of our 2026 target.

In respect to volume development, the good activity was also reflected in a solid trend in lending growth, which was primarily driven by corporates in Denmark and Norway.

Deposit levels normalised in Q1 as positive developments in Norway and Finland were off-set by primarily Sweden.

Slide 4 please.
Let us turn to LC&I, where market sentiment improved, despite the still elevated level of uncertainty, and supported our ability to actively support our customers with advisory services backed by our strong product offering and balance sheet.

In the first quarter, we delivered solid total income along with strong profitability, also relative to our 2026 target. We continued to leverage our strategic commercial strengths, which drove a positive underlying momentum as reflected in growth in our corporate customer portfolio outside Denmark, a key part of our strategy. We also increased our market share of cash management services with new house bank mandates across the Nordic.

Lending within General Banking, improved slightly during the first quarter which supported the NII uplift.
The lending development should also be seen in combination with the highest fee contribution in three years from very strong DCM activity.

Deposit volumes were impacted by seasonality around tax and dividend payments along with volatility related to institutional depositors, but we continued to see improved deposit margins contributing positively.

Finally, our Asset Management business continued the positive trend with increasing market shares for Danske Invest, which was underpinned by a positive inflow of both institutional mandates along with retail net sales. This also contributed positively to the increase in assets under management which further benefited from higher asset prices in Q1.

I will now hand over to Stephan for a more detailed review of our financials.

Slide 5 please.
Thank you, Carsten.

Now let us have a look at the most important trends in our income statement and reserve comments that are more detailed for the following slides.

As Carsten just mentioned, we saw a strong improvement in our financial result. When comparing to the same period last year as well as the preceding quarter, profit before tax was up 8 and 4 per cent respectively.

Relative to Q1 of last year, the improvement in total income was driven by stronger net interest income and fee income, whereas net trading income in Q1 last year benefited from extraordinarily good market conditions.

Furthermore, other income decreased due to lower sales on assets related to our leasing activities.

Operating expenses remained stable as prudent cost management mitigated the expected wage inflation. Loan impairment charges came in at a very low level of just 2 basis points due to continually strong credit quality.

Relative to last quarter, NII and fee income maintained the positive trend despite the impact from FX and the seasonality effects between quarters. Total income was up slightly, driven by higher trading income.

In terms of our net profit outlook for 2024 of 20-22 billion, the result for the period of 5.6 billion represents a good starting point for the year.

Slide 6, please.
Let's take a closer look at the development in net interest income. While this quarter has been the first without any central bank rate hikes, our anticipated NII trajectory remain. Here are the three main points I want you to take away:

- One: NII continues to trend up and adjusted for FX and day effects, NII was up another 2 per cent quarter-on-quarter.
- Two: The combined net interest margin continues to improve as lending margins are catching up and our so-called balance sheet effects, including our deposit hedging, gradually takes hold.
- And Three: We continue to see the level of around 37 billion as a fair estimate for full year NII. This incorporates the current market view of rate cuts, FX and the volume development we have seen in Q1, and our expectation that demand for home loans will gradually pick up during the year.

If we take a step back, the NII uplift we saw during last year was primarily related to deposit margin expansion and higher yield on shareholders' equity. Now, with stable rates, the migration to higher-yielding savings accounts naturally affects margins, however, this is countered by our deposit hedges where our bond portfolio and roll of fixed-rate assets continue to provide support to the margin uplift.

Lending margins on the other hand, which were under pressure compared to last year, now benefits from the stable rates and our repricing actions.
Looking at Q1, the lending margin increase on the slide is however overstated, as it includes corrections made at year-end. It is important to note though, that this had no impact on the Group NII development.

In terms of deposit volumes we saw a seasonal impact mainly from corporate dividend payments and tax at LC&I in particular, but also note that the impact from lending volumes has stabilised.

Finally, on our NII sensitivity, we continue to expect around plus or minus 500 million for a 25 basis points change in policy rates in the first year, with an additional year 2 and year 3 effect of 300 million and 200 million respectively given our structural hedges and portfolio of fixed-rate assets.

Slide 7, please
Overall, the positive trend for fee income we started to see in the second half of last year remains intact and serves as evidence of our improved business momentum.

Fee income rose 4 per cent compared to the same quarter last year as well as the preceding quarter when adjusting for seasonality in performance fees. The increase was driven by activity related income and investments. The sustained high activity among our customers in Q1 has been supportive and our investments fees benefited from an increase in assets under management including positive net sales.

Fee income from lending activities was, both year-on-year as well as quarter-on-quarter, impacted by the subdued housing market activity. Income from refinancing of adjustable-rate mortgages in Q1, partly mitigated the subdued housing market activity.

Income from our capital markets activities came in around the same level as in Q1 of last year as well as the previous quarter. The fees generated by our debt capital market activities saw a strong increase and came in at the strongest level in the past eight quarters. However, income from ECM and M&A reflected lower market activity in general and seasonality.

Slide 8, please.
Now, let me briefly comment on net trading income.

Compared to same quarter of last year income came in lower due to exceptionally high customer activity in LC&I in Q1 2023.

The decline in Group Functions came primarily from valuation adjustments within Treasury.

Compared to the preceding quarter, the improvement came from higher customer activity in LC&I after a seasonally low Q4.

Finally, let me quickly highlight the restatement with an annually effect of approximate 1 billion of trading income to mainly fee income that has been made effective from Q1.

As announced in our pre-close call, this will alter our soft guidance for normalised trading income from previously around 4 billion p.a. to now around 3 billion p.a. subject to market conditions. This will not change our full year outlook for total income.

That concludes my comments on the income lines – let's now move on to expenses.

Slide 9, please.
Reported expenses were slightly up from the level in Q1 last year and 4 per cent lower compared to the preceding quarter. I am pleased to see that we also in the beginning of 2024 continued to manage our costs in line with our plans and guidance for the year.

Compared to the first quarter of last year, staff costs were impacted by wage inflation, partly mitigated by the number of FTEs being reduced by 5 per cent. As a result of our stronger performance, performance-based compensation increased whereas expected lower costs for legacy cases had the opposite effect. The cost development Q/Q reflected lower transformation costs and known seasonality effects, including lower performance-based compensation.

The increase in "other costs" in Q1 related mainly to the ramp up of investments, including our digital priorities and IT partnerships as a key part of our Forward '28 strategy.

The expected one-off items of approximately 0.6 billion related primarily to the cost for relocation to our new domicile, are expected to be recognised over the remaining quarters of the year.

Slide 10, please
Let's take a closer look at our credit portfolio and trends in impairments.

Our well diversified and low risk balance sheet benefitted further from the benign macroeconomic development. Low unemployment and a GDP outlook that was revised upwards led to reversals from our macro models, although these still incorporate a severe downturn scenario that reflects global tension.

Actual credit deterioration remains very limited, and we saw only a few single-name charges related to our leasing operations in Business Customers.

The reported loan loss ratio for the quarter was 2 basis points, well below our normalised through the cycle assumption. However, on the basis of the continually elevated level of geo-political uncertainty, also mentioned by Carsten, we confirm our outlook for loan impairment charges for the full year of approximately 8 basis points.

The same approach applies to the sizeable amount of PMAs which is maintained in Q1. As we have communicated previously this buffer puts us in a comfortable position and we can naturally allocate them towards segments or industries should any tail risk emerge.

Let's go to the next slide and cover our capital position.

Slide 11, please.
Our capital position remained strong, with a reported CET1 capital ratio at 18.5 per cent.

This reflects another quarter in which we accumulated capital and saw a healthy contribution from retained earnings after accruing for dividend. The reported CET1 ratio is only 0.3 percentage points lower than at the end of Q4, which is due to the full deduction of our 5.5 billion share buy-back programme which had an isolated impact of 0.7 percentage points.

The decrease in risk exposure amount related primarily to lower credit risk caused by currency effects and lower risk weights.

Our CET1 capital requirement stood at 14.4 per cent and continues to include the Norwegian retail exposures.

Slide 12, please
And finally, based on our solid performance in the first three months, I would like to reiterate our outlook in general with a net profit of between 20 and 22 billion for 2024.

Slide 13, please and back to Claus

Claus Ingar Jensen – Head of Investor Relations

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.

Operator, we are ready for the Q&A session.

Q&A

Operator: Thank you. To ask a question, you need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. Once again, that is star one and one to ask a question. We will now go to your first question. And your first question comes from the line of Sofie Peterzens, JP Morgan. Please go ahead.

Sofie Peterzens (JP Morgan): Hi. This is Sofie from JP Morgan. Thanks a lot for taking my questions. My first question would be on your share buyback of DKK5.5 billion. You have only done DKK1.2 billion. Is there any particular reason why it is so slow? Many other European banks are doing the share buybacks be it significantly faster. So maybe if you could guide – just comment on the pace of the share buyback and how we should kind of think about that? [inaudible] Because I assume you can't run with two share buybacks. So, if you could comment on that?
And then my second question would be on net interest income. It was very helpful that you guide for DKK37 billion net interest income in 2024. I guess, it's too early to give '25 and '26 net interest income guidance. But if you could just talk about the moving factors, how should we think about the kind of volumes that were bit weak now in the first quarter? How should we see volume growth in '25 and '26? How should we think about the hedging you have in place? What rate assumptions do you assume? How do you see the deposit beta? How do you see any kind of funding tailwinds when the rates come down? So if you could just talk about the different moving parts in an interesting comp for '25 and '26? Thank you.
Carsten Egeriis: Thanks, Sofie. Carsten here. Let me take the NII question, and then I'll ask Stephan just to comment on how we're going about the buyback. I guess, a few things. There was quite a lot of moving pieces that you mentioned there. But what I will say is that we expect that NII will top out sometime in Q3, assuming that rate cuts start in the summer.
And we've given the sensitivities around DKK500 million, DKK300 million and DKK200 million, year one, two and three. So keep in mind, as rates come down, the full impact of that happens gradually over several years. We believe that volumes will start picking up as interest rates also fall. So, some of the NII headwinds from the decreasing rates will be offset by, we believe, pent-up demand in volume, both in the retail side and also on the corporate side.
And then the other thing I would say is that we continue to feel good about the income of around DKK56 billion that we gave for '26. So NII between '24 and '26 will – we continue to feel comfortable about that. We haven't given the split between fee and NII, but you guys can do some of the math around assumptions. So that's what I would say.
I would also say just on kind of migrations because that was the other point, Sofie, is we continually feel good about the migrations and the assumptions that we have there. So, we don't see that migrations or outside of the sensitivities and the assumptions that we've given. Stephan, do you want to talk to the
Stephan Engels: Yes, very brief in the share buyback programme. I would reiterate what we have also said when we started the programme, it's basically set up to last – into early next year. So, I would think it's just according to plan.

Operator: Thank you.

Sofie Peterzens: Okay. So just the share buyback. So, I mean, your plan is to only finalise it early next year. So, we should not expect more share buybacks in 2024 from Danske?
Carsten Egeriis: No. As we've said, the share buyback ends 31st January, right, next year. And what we've said is, we'll give an update on our thinking on capital targets and capital distribution as part of our Q2 release. So, we'll give you a bit more detail on how we're thinking. But we continually feel very comfortable about the guidance that we gave in June as part of our strategy last year in terms of how we think about capital distribution.
Stephan Engels: And just a short technicality under current legislation of this programme, you cannot start the second programme on top of the first programme.
Sofie Peterzens: Very clear. Thank you.

Operator: Thank you. We will now go to our next question. And your next question comes from the line of Johannes Thormann, HSBC. Please go ahead.

Johannes Thormann (HSBC): Good morning, everybody. Johannes Thormann, HSBC. Some questions from my side as well. First of all, a follow-up on NII. You said the peak to come in Q3. How much do you expect loan growth to mitigate the NIM pressure in the next years? If you could elaborate a bit on this?
And secondly, on trading, taking your guidance of DKK3 billion, would DKK750 million, so the current performance this quarter nowadays be a normal uneventful quarterly run rate?
And then probably just on the tax rate, what is your guidance for '24 now? Thank you.
Carsten Egeriis: Johannes, thanks for the questions. On NII, I mean, I would say what we also said last summer and we continue to feel comfortable with that. I mean, obviously, there has been a little bit of moving part. So the rates – the rate cuts have clearly moved out, and that gives us some tailwind also in terms of this – the NII topping out at a later stage.
On the other hand, the lending volume has been more muted. But if you look at it out towards '26, we continue to feel good about roughly 3% of lending growth and roughly flat deposits. So how you should think about it is that the offset to the decreasing rates is lending growth that is roughly around on average over the next kind of, yeah, three years of 3%.
In terms of – which, by the way, we see is roughly aligned with being just over GDP growth on average. We have roughly just over 2% GDP growth this year, but then expected to pick up in '25 and '26.

Trading assumptions, yes, I think you should see Q1 as a pretty normal quarter and a continued view that DKK3 billion is a good trading income to have.
And then on tax, Stephan?
Stephan Engels: 25.2%.
Johannes Thormann: Okay, thank you.

Operator: Thank you. We will now go to the next question. And your next question comes from the line of Martin Gregers Birk from SEB. Please go ahead.

Martin Gregers Birk (SEB): Thank you so much. Two questions on my side. The first one is back to NII. I guess, last time we talked on the conference call, OIS markets were pricing in somewhere between five and six cuts. Now they're pricing in somewhere between two and three, depending on the day you choose. And you're still guiding for NII to top up in Q3. What has changed?
And then second of all, I guess, in connection with your move to the new HQ, Carsten, you have been doing quite a lot of interviews in the Danish press and one of those articles says that you aim to deliver financial metrics, which are in line with your Nordic peers. And when I look at where your Nordic peers are and depending on how you sort of structure that peer group, but I guess the conclusion is that they are delivering return on equities that are somewhere between 200 and 300 basis points higher than what you are guiding for. So could you please give me sort of the building blocks to that comment? Thank you.
Carsten Egeriis: Hi, Martin. On NII, we said that it would top around Q2 last quarter or at the end of the year result discussions and now we're saying in Q3. So we have moved the view on when it will top out. And we didn't give the exact sort of forward-looking rate cuts that we're moving. We said that we were roughly in line with where market was at the time, and then you can have a discussion on whether it was exactly four or five cuts at that time. But we've moved it out a quarter as we see things right now.
I have said very clearly in the interviews, as you state, that I don't see any reason that Danske Bank Group should not be performing in line with the best banks in the Nordics on return on equity. And we believe that the plan that we have going out to '26 will help us catch up further as we have caught up the last couple of years. And then we need to catch up further beyond that as well.
And the building blocks are several. I mean, on the cost side, we've discussed before that we still have heightened costs related to cleanup, remediation on debt collections, as well as financial crime and also costs related to the cases that we've had. So one component is remediation, financial crime.
Another component is our continued investments in technology that both should help customer experience and top line, but certainly also productivity. So we need to continue to improve productivity. We believe we have a lot of opportunity there and pretty much all the processes we have in the bank.
And then the other component is the growth strategy, which we laid out in June across the three business units, and we do need to continue to be competitive, and we need to, over the next couple of years, show that we can take market share in the markets that we have chosen to play in. So those are the different building blocks.
Martin Gregers Birk: Okay. But taking out two or three cuts, I mean, that is basically giving you an NII benefit of somewhere between DKK2 billion and DKK3 billion sort of fully phased in this, so to speak. Is – do you really see volume headwind being dead stiff?
Carsten Egeriis: I think it's difficult to say, Martin, right? Because how many exact cuts was it when we discussed early February and how many is it now, and when exactly will it happen? And then I think the other big question is, what is the pent-up demand on volumes? And we believe that there is pent-up demand. We do see that there is customer interest looking at houses, starting to look at what the opportunities are. There definitely is a lot of pent-up demand in terms of investments in the green transition and in general in the discussions we have with businesses.
But it is also I think, not going to happen before rates actually come down. So there is a bit of a wait and see, but I think that the loan assumptions that we have are entirely appropriate to the growth that we are looking into in the Nordics.
Stephan, do you want to?
Stephan Engels: Yeah. And maybe on trying to triangulate with the sensitivities, keep in mind the – with current scenario that the market sees with a rate cut around the SEB, call it, midyear, you need to keep in mind if you look at multiplying sensitivities that the latest rate cut from the ECB until a possible correction mid of this year, A, never had the chance to unfold its full year benefit of DKK500 million to begin with. So be careful what you remove. And secondly, this vintage also never got anywhere close to unfolding its benefits in year three and two. So I caution a bit with the applying of the sensitivities. It is – you need to play the vintage game a little bit.
Secondly, I would still think that our – if you look long term, I would still say that our long-term assumption is very close to what we have seen at the Investor Day last year that the rates will go down to somewhere between 2% and 2.5%. And as long as we don't get a completely new view on that one, I think everything that we have said holds, as Carsten just said.
Martin Gregers Birk: Much appreciated. Thanks.

Operator: Thank you. We will now go to the next question. And your next question comes from the line of Riccardo Rovere from Mediobanca. Please go ahead.
Riccardo Rovere (Mediobanca): Thanks. Thanks a lot for taking my two questions. And good morning everybody. The first one is on risk-weighted assets data. Fairly significant decline in credit risk RWA. You mentioned part of that is also due to risk-weight. If you could, let's say, give us an indication of how much of the decline in risk assets is due to FX and due to migration? And why is migration happening, given that asset quality seems to be kind of stable?
And the other question I had is, at this stage in the cycle, do you prefer to see rate cuts to foster some loan growth and loan demand? Or would you prefer rates to stay where they are for as long as possible? What would be, in your view, the best thing for you? Thanks.
Carsten Egeriis: Thanks for that, Riccardo. I think on the risk-weighted assets, it's one quarter with a slight decrease in risk-weighted assets. As you say, part of it, a little bit of that is FX. There is also a little bit of that. That's the mix of volumes across the businesses. And then there is some of that that is actual credit improvement.

And you see the Stage 1 and the Stage 2 exposure has come down a little bit. We have actually seen positive net migration in the business in Q1. So going back to the view that the underlying asset quality is healthy. And now we actually also see net positive migration in line with results from companies being better in line with house prices stabilising or even in certain areas, improving slightly. Those are the kind of drivers.

Having said that, I'm still cautious around how the soft landing, if you will, plays out and the pace of the rate changes and not least, sort of the macro [inaudible] parts.

Look, I think it would be positive for overall economic – for the overall economic situation in Europe and also in the Nordics if we can get a transition to more normalised rates. Normalised rates in our minds would be around the 2% to 2.5%. And we do that in line with getting some growth and some increase in activity in the economy. That would be our view on what would be a favourable thing, not just for the economies, but also for Danske Bank, and we're obviously a mirror of that economy and there to support our customers in that.

Well, that's, of course, very much kind of the importance of the medium to long term, right, for the economy and for the bank rather than just looking at what would be best for any given quarter in terms of profitability? It goes without saying.

Riccardo Rovere: Yeah. Sure. Thanks. And maybe a quick – very, very quick follow-up. Has there been any update on operational risks? I haven't seen it, but I might have missed you eventually.

Carsten Egeriis: No.

Riccardo Rovere: Okay.

Operator: Thank you. We will now take the next question. And your next question comes from the line of Jan Erik Gjerland from ABG Sundal Collier. Please go ahead.

Jan Erik Gjerland (ABG Sundal Collier): Thank you for taking my questions as well. Can you hear me?

Carsten Egeriis: We hear you. Hi, Jan.

Jan Erik Gjerland: Yes. I have two questions as well. The first one is on cost. It seems like both myself and [inaudible] kind of approach when it comes to the number of FTEs and the personnel costs in total, which shows a little bit higher than expected this time around while you understood take down other costs underlying it. Could you shed some light into the change in cost between those two lines?

And secondly, you mentioned some underlying lending pickup in some areas. Could you shed some – give some more colour to which sectors and which countries you're seeing is lending pick up in? Thank you.

Carsten Egeriis: Just on the lending part, what I mentioned was that we see some early indicators of interest both on the housing side and also sort of on the business side. And we see that through, for example, our real estate agent home. We see that in terms of like pipeline discussions that we have around the Nordic countries. So this is very much pipeline in terms of customers being interested to have the discussions, but clearly not booked lending as yet.

And as I said, I would expect that customers will be hesitant until the rate cuts come, particularly if they're expecting the rate cuts to come soon. So this is a matter of kind of pipeline activity looking better. But the question around whether that will actually flow into book volumes in Q2 or Q3, which again will be dependent on rates.

I didn't quite get your question on cost. Do you mind repeating that? I couldn't hear you properly.

Jan Erik Gjerland: Yeah, sorry. When it comes to expectations, it seems like you managed your costs very well. But if you look into the two different lines, the personnel cost versus other cost, it seems like the personnel cost is a little bit higher than expected and while the other cost is a little bit lower. It seems like you had an increase in [inaudible] around 70 Q-on-Q and down of course 110 people or something year-on-year. So just shed some light into what kind of level of FTEs you're looking for going forward? Is this sort of a peak or is it something that happen in this quarter when it comes to number of FTEs?

Carsten Egeriis: No, I think the strategy that we laid out, remember as an investment strategy, where we are investing quite significantly in the business, both in advisory and also in technology, and that will mean increase in FTEs.

On the other hand, there is offset to that as we continue to take down costs in financial crime and compliance, clearly, later in the year as we also officially get the Norwegian retail business off our books and as we also drive efficiencies in other places.

So the FTE and costs associated with FTEs is very much in line with the plan. And I would expect a roughly stable FTE levels as we go forward with those kind of moving parts.

Jan Erik Gjerland: Thank you very much.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one and one on your telephone. And your next question comes from the line of Jacob Kruse from Autonomous. Please go ahead.

Jacob Kruse (Autonomous): Hi. Thank you for taking my questions. So I just wanted to ask on the capital discussion when it comes to buybacks for this year. So you say you're updating the plan for Q2, but it also sounds like quite far on the level of buybacks for this year at DKK5.5 billion. I just wanted to check, are you pre-building any changes or any acceleration of buybacks with that capital update for 2024 already now?

And maybe I could just ask if you could give some idea of how much the hedges and loan repricing benefited in this quarter, if at all? Thank you.

Stephan Engels: So maybe let's start with the buyback. As I called out earlier, technically, under the current legislation, there is no way to run two buyback programmes basically in parallel. I don't want to plant any ideas. So theoretically, you can say we need to cancel the one programme to start a new one. But to be very clear on that, there is no plan to that extent at all.

The share buyback programme, as it has been launched, is fully deducted from capital. So it's basically 0.7%.

Then the second question was on – sorry, what was your second?

Carsten Egeriis: The hedges

Stephan Engels: The hedges. The easiest way to understand what the hedge basically does is, if you look at the NII slide, where you can see this position deposit margin being a positive DKK62 million. So this plus a little bit more is exactly what the deposit hedge does in the absence of any rate changes in Q1. This positive contribution is allocated deposit hedge results to the segments.

Jacob Kruse: And just on the follow-up on the buyback. I understand that cancelling it and restarting another one is [inaudible]. But I think some of it is just the pace of buybacks. So, if you were to up the pace, it's DKK5.5 billion in, say, September. Is there anything stopping from a second buyback being launched at that point given – or assume regulatory approval?

Stephan Engels: Again, under the current legislation, once you have launched the buyback programme, it's basically, if I can use that term, a fire and forget solution. So, there is nothing really that you can do to the programme other than the Ultima ratio, which would be cancelling it. And again, that is not on the agenda.

The intention of the capital update on mid-year was clearly related to the, call it, ambitions that we have made at our Capital Markets Day on dividend and further distribution. And I think that's what you should expect for now.

Jacob Kruse: Thank you very much.

Claus Ingar Jensen: It seems as we coming to an end with the Q&A queue. So operator, can we have the last question, please?

Operator: Thank you. We'll now take your final question for today. And your final question comes from the line of Shrey Srivastava from Citi. Please go ahead.

Shrey Srivastava (Citi): Hi. Thank you very much for taking my question. I wanted to ask, within your NII sensitivity guide, you've written – you've assumed the migration to savings products. I wanted to ask how much migration to savings products have you – are you assuming within that? I mean, relative to what you've seen, not only last year, but also in the last quarter?

And final question, sorry to belabour this point on buybacks. So, I mean, consensus has you announcing DKK9 billion of buybacks this year, which you've already announced DKK5.5 billion. So, to be clear, you're saying that your guidance right now is that you will not announce any further buybacks this year? Thank you.

Stephan Engels: So, on the buybacks, what we're seeing is that we will not launch a new buyback this year, but that we will give an update on dividend and buybacks as part of the summer. And then on deposit migration, we don't give the exact numbers on migration also given the competitive dynamics around it. But, you know, the migrations that we saw in Q1 are just under what we saw in Q4, well within the assumptions that we have.

And some of that migration, in fact, was new money into Danske Bank. We had record high level of deposits in the Denmark personal customer business in Q1. So, again, migrations are, I would say, decreasing slightly, but again are well within our assumptions, and we don't expect kind of what we see in the last five quarters to change, e.g., that migration should probably come down slightly all else equal.

Carsten Egeriis: And in that sense, you can argue that part of the migration that we have seen in Q1 is good migration because it's money coming from the outside into our bank and then less than half of the migration that we saw in Q1 is coming from own transaction accounts.

Shrey Srivastava: Understand. That's very clear. Thank you very much.

Carsten Egeriis: Thank you very much all for your interest in Danske Bank and your questions. Very much appreciated. And as always, please reach out to Claus and the IR department if you have any questions. Thanks. Have a great day.

[END OF TRANSCRIPT]