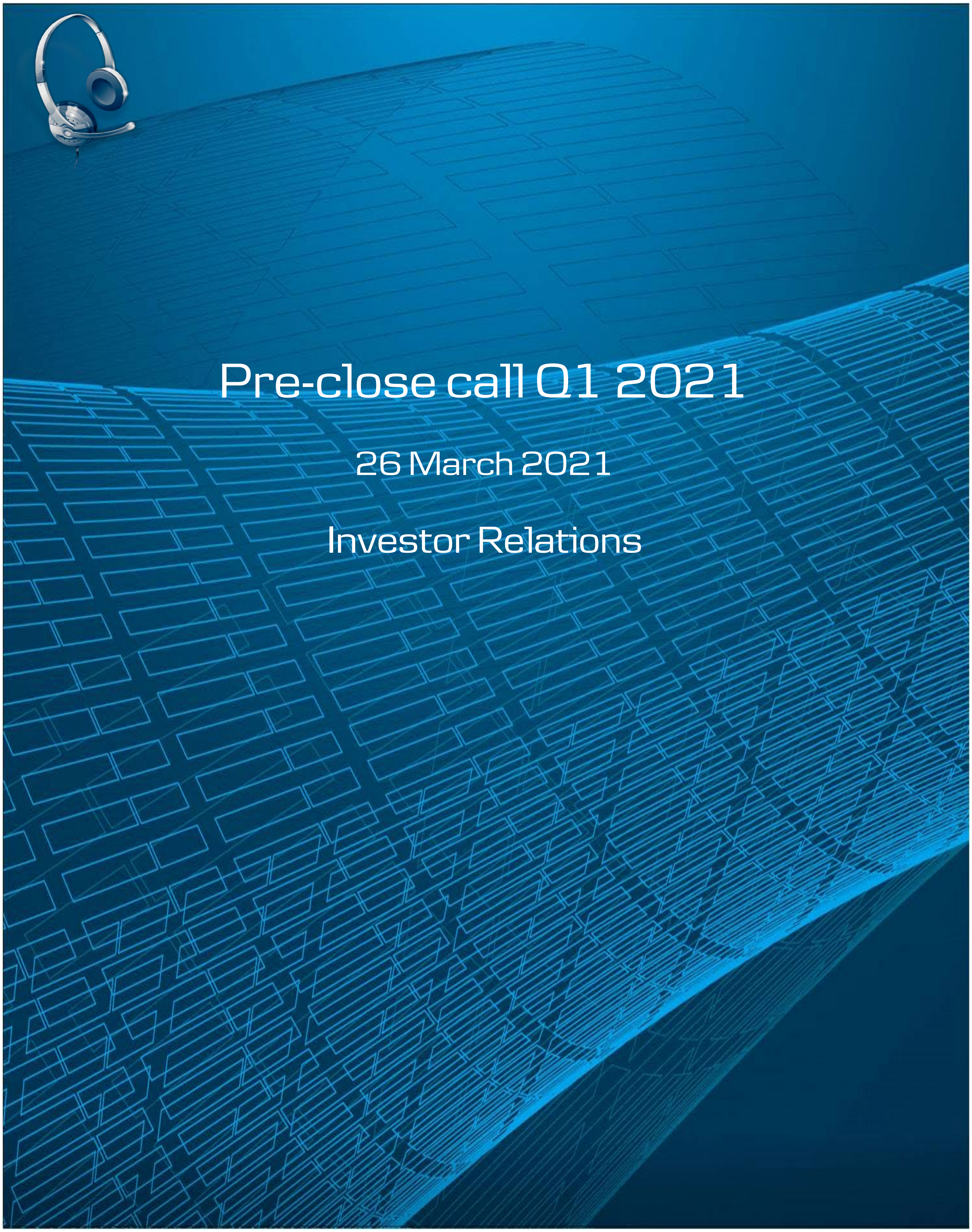

Pre-close call Q1 2021

26 March 2021

Investor Relations

CORPORATE PARTICIPANTS

Claus I. Jensen

Danske Bank – Head of IR

Olav Jørgensen

Danske Bank – Chief IR Officer

Patrick Laii Skydsgaard

Danske Bank – Senior IR Officer

Sofie Heerup Friis

Danske Bank – Senior IR Officer

SPEECH

Claus I. Jensen – Danske Bank – Head of IR

Good afternoon and welcome to the Danske Bank Q1 2021 pre-close call. My name is Claus Ingar Jensen, and I am Head of Investor Relations. With me, I have Olav Jørgensen, Patrick Skydsgaard and Sofie Friis from our IR team. Please note that this call is being recorded for compliance reasons, and the script used for this call will be published on the Investor Relations website after the call.

In today's call, I will highlight relevant public data and macro trends in our markets as well as one-offs that you should be aware of before the start of the silent period on 7th April ahead of the publication of our Q1 report on 28th April. I will go through the P&L statement line by line and remark briefly on capital at the end. Afterwards, we will open up for a Q&A session.

But before we start, for sake of good order, I would like to briefly highlight the following: I will comment only on already disclosed information and one-offs as well as publicly available data. In this connection, I wish to stress that developments in specific indices may not always have the same effect on our performance. I will limit my response to follow-up questions so as to not include non-published information or qualitative remarks on performance in Q1.

That said; let us start by having a look at net interest income.
Please remember that Q1 have 2 interest days fewer than Q4 with an NII impact of around DKK 30-40 million per day. During the quarter until this week, the Swedish krona depreciated around 1% against the Danish krone, while the exchange rates of the Norwegian krone and the pound sterling were up 3% and 4% respectively as at 23 March on the basis of public data.
Also I want to highlight that a number of macro forecasters, including the Danish central bank, currently have a positive outlook for the remainder of 2021 and expect a fairly rapid recovery of economic activity when the economy is no longer constrained by restrictions.

On the funding side, we issued two benchmark bonds in Q1. The first one, a 4 billion Norwegian kroner tap of a covered bond issue, was made in January at a spread of 15 basis points over 3-month EURIBOR. The second one, a T2, was issued on 8th January at a spread of 145 basis points over 3-month EURIBOR. Please revisit page 33 of our Q4 2020 conference call presentation to see the redemption profile for maturing funding.

With regard to volume developments, we refer to publicly available sector statistics as the only externally available source of insight. According to these statistics, business deposits in Denmark seem to have stabilised at an elevated level, while lending volumes seem to be subdued. We have nothing to add to these statistics.

Covid-19 and the availability of government support packages are expected to be key determinants of demand for business loans and credit facilities, and thus the future demand for credit facilities to mitigate the impact of the coronavirus pandemic is highly uncertain.

In general, we note that interest rates on Danish mortgage bonds have been rising in Q1. [1]

- 30Y callables have seen a spread widening of 10bp.
- 5Y non-callable bonds have also seen spreads widening. Spreads are now 5bp wider than at the start of the year.
- Against German government bonds, 10Y Danish bonds have seen a 10bp increase in yields over the quarter.
- On the basis of the interest rate development in Q1, we see remortgaging activity at a subdued level.

With regard to margin development, we also refer to publicly available sector statistics as the only externally available source of insight. According to these statistics, made available by the Danish central bank, the margin pressure continues in Denmark in certain areas, which confirms our view that the trend from Q4 of flat to lower margins would continue into Q1.

During Q1, 3-month STIBOR and NIBOR increased 5 basis points and 7 basis points, respectively, while 3-month CIBOR was almost flat on the basis of quarterly averages.
The Danish central bank's change of interest rates for current accounts as well as the certificates of deposit rate is not expected to have any effect.
Please note that NII in Q4 was negatively impacted by a one-off of DKK 0.1 billion offset in our trading line.

This concludes our messages on net interest income.

Looking at fee income, credit demand and activity-driven fee income could be impacted by the decrease in economic activity following the closedown of certain sectors and the availability of government support packages to support these sectors.

The equity markets have been fluctuating in the first quarter, with a decrease of approximately 3% in the OMX C25 index in Copenhagen and an increase of around 6% in the S&P 500 index, just to give a couple of examples. Apart from these factors, fee income at Danske Bank is, as always, dependent on market developments in relation to our Asset Management business and on activity levels in relation to our banking operations.
Please note that Q4 included performance fees in Asset Management of DKK 0.5 billion and a negative one-off of DKK 0.2 billion.

Please be aware that as of Q1, income from mortgage-related lending activities will be reclassified from trading income to fee income. On the basis of FY 2020 numbers, the change amounts to approx. 0.5 billion. Restated numbers will be distributed shortly.

Turning to trading income, please note that usual seasonality points to increased customer activity in Q1. Moreover, credit spreads, including Danish callable as well as non-callable bond spreads, have widened (as previously mentioned) during the period following a change in the interest rate environment. Please note that Q4 included negative one-offs on the trading line of DKK 0.3 billion. However as these one-offs were related to the insurance business they will not appear from trading income in the re-stated numbers.

We have no specific comments on net income from insurance business, however, generally, a change in interest rates would potentially affect the investment result in the insurance business. With effect from 1st January, please note that the investment result is no longer included in trading income, but is stated as net income from insurance business.

We do not have any specific comments on Other Income.

This concludes our comments on the income lines.

If we look at the cost line, we highlight our guidance for full-year costs to be no more than 24.5 billion. Please remember this is excluding Danica Pension's expenses, which have been netted in the Net income from insurance business line.
Also, please note that Q4 2020 included transformation items as well as standard seasonality with year-end booking of costs.

[1] Data sources as of early week 12

With regard to loan impairment charges, we reiterate our guidance from Q4 that we expect impairment charges of no more than DKK 3.5 billion subject to a modest macroeconomic recovery.

We do not have any specific comments on the Non-core and tax lines.

This concludes our comments on the P&L.

As a final point, I would like to touch on capital. As always, our capital will be impacted by earnings less the dividend payout. With respect to implementation of EBA guidelines, we expect the major part of the guided effect of implementation of EBA guidelines to be back loaded into Q2. The risk exposure amount is, as always, subject to general market volatility and FX movements as well as growth.

As previously announced, from Q1, our commercial activities will be organised in four reporting business units, Personal & Business Customers, which serve personal customers and small and medium-sized corporates across all Nordic markets, Large Corporates & Institutions, which serve large corporates and institutional customers, Danica Pension, and Northern Ireland. The interim report for the first quarter of 2021 will reflect the new structure, and comparative figures for will be restated. Restatements for Group level numbers will be published before Easter, which in Denmark starts on Thursday, 1st April, and we expect to distribute completed restatement numbers, also including Business Units, shortly thereafter and no later than 6th April.

This concludes our initial comments in this pre-close call. Before we move on to the Q&A session, I would like to highlight that we enter our silent period on 7th April. Shortly, we will also start collecting consensus estimates with a contribution deadline on 14th April EOB. Finally, we will publish our Q1 2021 report on 28th April.

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