Conference call

First quarter 2021

28 April 2021

Investor Relations

CORPORATE PARTICIPANTS

Carsten Rasch Egeriis

Danske Bank – CEO

Stephan Engels

Danske Bank – CFO

Claus I. Jensen

Danske Bank – Head of IR

SPEECH

Claus I. Jensen – Head of IR

Thank you, operator and hello everyone. Welcome to the conference call for Danske Bank's financial results for the first quarter of 2021. Thank you all for taking the time to listen in on this call today. My name is Claus Ingar Jensen and I am head of Danske Bank's Investor Relations. With me today, I have our new CEO Carsten Egeriis and our CFO Stephan Engels.

Slide 1, please.

In today's call, we will present Danske Bank's financial results for the first quarter of 2021. We aim to keep this presentation to around 30 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.

Carsten Rasch Egeriis - CEO

Thanks Claus.

Hello everyone and thank you all for joining our presentation of the results for the first quarter. My name is Carsten Egeriis and as you know, I have been the new chief executive officer of Danske Bank since the beginning of last week, when I took over from Chris Vogelzang.

Even though this is a very new assignment for me, and today is only my ninth day in the job, I am not unfamiliar with meeting investors and analysts, and some of you may recall my participation in some of these calls in my previous role as chief risk officer, so good to meet you all again in today's call.

I am of course not new to the bank and I am not new to the plans that set our direction for the period towards 2023. No doubt we have already set sail on a journey that will enable us to become a better and more efficient bank to the benefit of all our stakeholders. The captain is new, but the course is clear, and the team around me and my fellow members of the Executive Leadership Team are ready to continue to execute on the agenda that we have set forth.

And then I would like to comment on our financial results.

With a net profit of 3.1 billion kroner, the first quarter of 2021 was a good start to the year, despite our societies continuing to be impacted by the corona pandemic. Compared to the same period last year, lockdowns have been more widespread, however, different from country to country.

We are now a full year into the pandemic and have better insight into the dynamics that characterise the economies. Some sectors are performing quite well, benefiting from a change in consumer behaviour, including a strong housing market, whereas sectors directly affected by travel and gathering restrictions continue to be challenged. However, government support packages still provide support.

Our financial performance in the period benefited, among other things, from good customer activity in the capital markets where we continued to utilise our scale and expertise to fully embrace and seize the business opportunities. Our performance, based on an increase of 17 per cent in total income, has not only recovered from a weak first quarter last year, it has also shown satisfactory traction relative to the preceding quarter.

Lending growth was up 3 per cent in the first quarter from the level in the same period last year. This increase was driven by almost all Personal & Business Customers segments, whereas our customers at Large Corporates & Institutions have been drawing less on credit facilities as the economic outlook has improved. The decline in credit demand and continued margin pressure led to a negative impact on NII. This effect was, however offset by the repricing initiatives that took effect in Q1. Furthermore, the additional adjustments we have just announced for deposits earlier this week are expected to support margins going forward.

The improved economic outlook is also evidenced by relatively low impairment charges for the quarter, based on continually strong credit quality. Loan impairment charges of 0.5 billion were recognised for the first quarter, significantly less than for the same period last year, when model-driven charges and charges against exposures to the oil and gas industry dominated the picture.

We also continue to see steady progress with our efforts to reduce operating expenses, which contributed to a lower cost/income ratio than in Q1 last year and the preceding quarter. Excluding one-offs, expenses came down 6 per cent from Q1 2020, driven by lower costs for the Estonia case and cost management initiatives.

So all in all, a satisfactory start to the year, including the launch of the new organisation – which plays a key role for our increased focus on the commercial agenda. We have progressed on key elements of our plan and we will continue to make progress in order to meet our ambitions for all stakeholders in 2023.

And now over to Stephan for a more in-depth review of our first-quarter financials.

Slide 3, please.

Stephan Engels - CFO

Thank you, Carsten.

I will now go through our Group income statement before I present the performance of our two new major business units in more detail.

Please note that this is our first financial report following the re-design of our organisational setup announced last year. Danica Pension is now reported separately as “net income from insurance business”. The financial numbers are restated accordingly and available in the Fact book.

As Carsten just mentioned, it was a good start to the year. Overall, the result was founded on good progress for all key reporting lines, including total income, expenses and loan impairment charges.

Total income benefited from a rebound in net fee and trading income driven by stronger customer activity, and came in 17 per cent higher than the year before. Relative to the preceding quarter, total income was at the same level, despite Q4 being a seasonally strong quarter for fee income. NII was on par with the level in Q4, as the positive effects of deposit repricing and growth outweighed continued negative lending effects.

Against this background, and with the aim of improving profitability for our deposit business, we have announced further adjustments to retail as well as business deposits in Denmark. With effect from 1st July, the threshold for the charging of negative interest rates on retail deposits will be lowered to DKK 100,000 and the interest rate for business deposits in general will change from minus 0.60 per cent to between minus 0.75 to minus 1 per cent. We expect the combined effect of these initiatives to amount to approximately 0.5 billion on a full-year basis, all else being equal.

Insurance activities also contributed to the improvement in total income, due mainly to a better result in the life insurance business.

Operating expenses came in lower, as our initiatives to reduce costs continued to yield results, and we saw the expected decline in costs for transformation and remediation. We are happy to see that our cost/income ratio continued the downward trend through an improvement for both income and costs.

As a result, profit before loan impairment charges for the first quarter was up 59 per cent from the same period last year, which to a large extent was disrupted by difficult conditions in the financial markets in particular. Against the preceding quarter, the increase was 57 per cent, due primarily to elevated expenses and impairment charges on intangibles in Q4.

Impairment charges amounted to 0.5 billion in the first quarter, now at a more normalised level. However, we will have to await the development in coming quarters to establish evidence for a more sustainable trend. By far most of the charges were against pandemic-sensitive exposure at PB&C. Lower charges for the oil-related exposure also had a positive impact in the first quarter.

Slide 4, please.

Now let us take a closer look at the new business units, starting with Personal & Business Customers.

P&BC is basically a merger of our previous Banking Denmark and Banking Nordic units and serves personal customers and SMEs across all of the Nordic markets. As part of the reorganisation, large corporate customers with a total lending volume of approximately 60 billion were transferred to LC&I.

Despite the significant impact on societies of the pandemic, business activity overall held up well. The way we interact with our customers has changed to a much more virtual format, and that increased customer demand for digital banking solutions. This fits well with the new Better Ways of Working organisation, which we launched in January, where accelerated efficiency and digitalisation are key business enablers.

We continue to see a good inflow of new customers driving lending growth in Personal Customers Nordic and in the Norwegian franchise in particular. In Personal Customers Denmark, the high activity in the Danish housing market led to a 21 per cent increase in gross new lending at Realkredit Denmark from the level in the preceding quarter. However, net new lending was almost unchanged, as strong collateral values and elevated deposit positions led to increased repayment of loans.

Within our Business Customers segment, lending was stable, whereas deposits increased significantly as a result of customers' liquidity management and government support packages.

Also in the first quarter, ESG-related activities were high on the agenda. We launched several green products, including an expansion of the product offering within sustainable financing. In Denmark, Norway and Sweden, we have significantly lowered the threshold for green loans to business customers.

Slide 5, please

Now let us have a look at the financial performance at P&BC, where profit before tax was up significantly, driven by lower impairment charges.

Relative to the first quarter of 2020, total income was slightly down. Although we saw a solid performance for fee income driven by good investment activity, and a positive effect as a result of a lower deposit threshold, NII was slightly down due to a combination of continued pressure on margins and lower volumes.

Total income was up 6 per cent from the level in the preceding quarter. The increase was driven by higher fee income due to a negative one-off effect in Q4. NII was almost flat as the effect from the lower deposit threshold mitigated the continued pressure on margins.

Operating expenses was up 3 per cent compared to last year as costs for compliance remediation remained high.

A decrease in loan impairment charges was, as I mentioned, the most significant factor for the result at P&BC. The charges for the first quarter related mainly to segments impacted by the pandemic, whereas the level of last year to a large extent was impacted by model-driven charges due to a worsened economic outlook. Charges were higher than in the preceding quarter, however, as Q4 2020 saw net reversals driven by a positive change in the macroeconomic outlook.

Slide 6, please.

Now let us turn to LC&I, which in our new organisational setup also includes our asset management business besides covering large corporates and institutional customers across all of the Nordic markets.

LC&I had a strong start to the year, with good performances in all segments of the business. In general, benign market conditions in the first quarter were supportive for the level of customer activity.

Our capital markets business sustained the positive trend seen in the later part of 2020, and we executed a high number of transactions across loan, debt and equity capital markets, including the largest ever ECM capital raising transaction in the Nordic countries as joint coordinator and bookrunner for TRYG's rights issue.

The high activity level also applied to the area of sustainable financing, which continues to be in high demand. In Q1, we supported our customers in a record-high number of transactions and affirmed our position as the leading Nordic bank, not only within sustainable financing but also for Nordic ECM deals in general.

The asset management business performed well, with assets under management up 22 per cent from Q1 last year, due primarily to positive financial markets. The turnaround for net sales that we saw in late Q4 gained momentum and added to the increase in assets under management.

Customer activity was also good in Markets, where supportive financial market conditions formed a good background for trading income, and in General Banking, the solid performance from the preceding quarter continued into the first quarter of this year.

Slide 7, please.

Now let us have a look at the financial performance at LC&I.

The strong performance in Q1 had a positive impact on total income, which came in 68 per cent above the low level of Q1 2020. Relative to Q4, total income was down 7 per cent. However, adjusted for the yearly booking of performance fees in Q4, total income was up 9 per cent. Both fee income and trading income benefited from solid customer activity. NII came in higher, as transaction-related net interest income and income from still undrawn facilities mitigated the effect of lower lending volumes. However, lower value of surplus deposits had a negative impact on NII.

Operating expenses were up slightly year-on-year, as our strong cost focus was able to mitigate most of the increase resulting from higher costs for AML and compliance.

Profit before tax came in at 2 billion, a strong turnaround from last year, when we saw significant loan impairment charges. The improvement in loan impairment charges mainly reflects lower charges against the oil-related exposure but also strong credit quality in general.

Slide 8, please.

Now let us have a look at Danica Pension and our activities in Northern Ireland.

Net income from insurance business amounted to 0.5 billion in Q1, against an almost flat result for the same period last year, which was significantly impacted by the turbulence in the financial markets caused by the pandemic. The result in Q1 of this year was driven by our life insurance business.

Danica Pension saw a positive development in premiums and assets under management, which were up 6 per cent and 16 per cent, respectively.

In our Northern Ireland franchise, the effects of lockdown measures across the UK continued to affect the business in Q1. We are pleased to see that restrictions are currently being eased as a result of progress with vaccination programmes, which hopefully bodes well for coming quarters.

Overall, income came in lower in Q1, partly because of margin pressure from lower rates in the UK following Brexit. However, progress on cost reductions and significantly lower impairment charges led to an improvement in profit before tax, which came in at 0.1 billion.

Slide 9, please.

Now let us take a closer look at the underlying development in net interest income for the Group.

NII came in slightly lower than in the same period last year. The positive effects we saw in the quarter came from higher deposits, income from stronger demand for credit facilities and tailwind from FX. However, negative effects from lending and deposit margins more than offset the positive effects. Approximately half of the impact of deposits margins came from lower value of surplus deposits at LC&I, whereas a sharp decline in UK interest rates impacted margins in Northern Ireland and accounted for the other half.

When we look at Q1 against the Q4 2020, we saw the expected positive effects of the implementation of a lower deposit threshold and higher volumes. These effects were able to mitigate a continued, overall pressure on margins in the quarter.

Slide 10, please.

Let's have a look at fee income.

As we have discussed in some of our previous slides, fee income, which was up 5 per cent from the same period last year, made a valuable contribution to the good result for the quarter.

The increase can be explained mainly by stronger income from capital markets-related activities, but higher customer activity and the development in assets under management also added positively to investment fees. Investment fees were down against Q4 2020 due to the booking of performance fees in that quarter. Both year-over-year and relative to the preceding quarter, activity-related fees continued to be impacted by the effects of the lockdown of societies. We saw the same trend for lending-related income, however, Q1 of last year benefited from remortgaging activity. Relative to the preceding quarter, we saw an increase due to higher activity in the housing market.

Slide 11, please.

Trading income saw a strong rebound from an unusually low level last year, which was heavily impacted by very difficult financial markets caused by the outbreak of the pandemic. At LC&I, which accounted for 80 per cent of the Group's trading income in Q1, benign market conditions and a good season for customer activity drove income up, led by Markets and Equities. Trading income in Q1 at Group Functions benefited from a gain of 0.2 billion related to the sale of shares in VISA.

Slide 12, please.

Now let us turn to operating expenses, which – in line with our expectations – came in lower. The main contributors were a decrease in costs for transformation – for which we booked significant amounts in 2020 – and lower costs for AML, including in particular the Estonia case. A reduction of non-personal costs also contributed to the decline in expenses, because of our continued, strict cost focus. The effects of the pandemic continued to have an impact in the form of lower travelling activity, among other things. Expenses were down 6 per cent from the level in Q1 2020 adjusted for items of a one-off nature in Q1 and down 2 per cent on a reported basis.

The one-off effects in the first quarter related to a provision for upcoming changes in the VAT setup following a ruling by the European Court of Justice and costs for a Group-wide initiative to enable our employees to work better from home. Based on the development we have seen in the first quarter, we re-confirm our outlook for the full year of operating expenses of no more than 24.5 billion.

Slide 13, please.

Overall, credit quality remains strong, as we continued to see a low level of actual credit deterioration, and impairment levels have started to normalise. As I mentioned earlier, we will have to await developments in coming quarters to establish evidence for a more sustainable trend.

Impairment charges for the first quarter came in at 0.5 billion, equivalent to a loan loss ratio of 10 basis points. The charges in Q1 were significantly lower than last year, when the outbreak of the pandemic led to an elevated level of impairments driven by model changes to the macroeconomic outlook and credit quality deterioration in our oil-related exposure.

From a business unit perspective, P&BC accounted for by far most of the impairments recognised in Q1. The charges at P&BC reflected a credit deterioration in relation to individual customer exposures relating to industries affected by the pandemic. These are mostly within the hotels, restaurants and leisure industries, to which we have limited exposure.

At LC&I, impairment charges were down owing to a decline in charges against the oil and gas industry, but also due to credit quality remaining strong.

Slide 14, please.

Our capital position remains strong, with a reported CET1 capital ratio of 18.1 per cent at the end of the first quarter.

The total capital ratio was up 0.4 percentage points because of an issue of Tier 2 capital in February. The CET1 capital ratio saw a 0.2 percentage points decrease, driven mainly by a higher REA net of the net profit effect for the quarter. The fully loaded CET1 capital ratio was 17.9 per cent. The total REA came in 14 billion higher than at the end of last quarter, due mainly to an increase in market risk driven by increased volatility in the financial markets. Credit risk REA was up 4 billion, including an increase of 12 billion related to the implementation of EBA guidelines. We expect the remaining part, which amounts to 10 to 20 billion, to be implemented in the second quarter. Further increases of the same magnitude are expected for the second half of the year. The leverage ratio decreased 0.1 percentage points to 4.4 according to transitional as well as fully phased-in rules.

Slide 15, please

Finally, the outlook for 2021. While we recognize that Q1 was a good start to the year, we confirm our outlook for a net profit of between 9 and 11 billion for the full year, based on unchanged expectations for total income, operating expenses and loan impairment charges.

For total income, this is subject to commercial momentum and broader economic development whereas our outlook for loan impairment charges is subject to a modest macroeconomic recovery based on a positive impact from the COVID-19 vaccines.

Slide 16, please and back to Claus

Claus I. Jensen – Head of IR

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 and the IR app within the next few days.

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

Operator

(Operator Instructions). Our first question comes from the line of Jakob Brink from Nordea.

Jakob Brink – Nordea

Thank you, and good afternoon. My first question is on deposits repricing and the deposit margin impact in the first quarter. You had a slide as well, but also in -- on Page 7 in your fact book, I see the deposit margin support in Personal & Business Customers was DKK 74 million. I seem to recall, you have said DKK 500 million on an annual basis. So why only DKK 74 million in the first quarter? That was my first question, please.

Stephan Engels - CFO

Jakob, thanks for the question. What we said is that we expected an effect of somewhere between DKK 400 million and DKK 500 million for the full year before -- or let me phrase it this way, to mitigate the negative net effects that we also expected on NII. So what you can see is, specifically in Banking DK, a positive effect from the repricing, but you can also see in Personal Customers DK, as well as in some of the other segments, the continued pressure from lending volumes as well as margins. But we can confirm that we see the expected effect on a gross basis. But again, the net basis, as we have said, is affected by the continued margin pressure and lending volumes.

Jakob Brink – Nordea

Okay. So sorry, just to follow-up on that. But I understand there's a lending margin effect as well, but why is the deposit margin, which you spell out directly in the Fact Book, why is that lower? Because the level of deposit is unchanged, almost unchanged in the quarter?

Stephan Engels - CFO

Year-over-year, the deposit margin is hit by the mentioned rate cut in specifically Northern Ireland. So, that's a big negative. And quarter-over-quarter, the deposit margin on total Group level is still impacted by the elevated level of corporate deposits, which we will also start to reprice going forward.

Jakob Brink - Nordea

Okay. But this is only for Personal & Business customers it says, but okay. My second question then is on costs. Typically, you have a fairly high level of costs in the fourth quarter of the year, but now you started with at least somewhat more than a quarter of your total guidance for the year. So how should we expect the cost seasonality to look in 2021, please?

Stephan Engels - CFO

I think in principle, you would still expect the Q4 costs probably being slightly elevated, but you also need to keep in mind that some of the FTE reductions will only flow gradually over the year into the P&L line, as some of the people will leave the bank only between Q1 and Q3, most likely. So that's why we keep our -- that's why we are keeping our outlook unchanged. And also the additional cost measures coming throughout the year that we expect to have a positive impact. And in that sense, I think the Q1 is very well in line with our expectations to manage the full year according to plan.

Operator
The next question comes from the line of Sofie Peterzens from JP Morgan.

Sofie Peterzens - JP Morgan

Hi, here is Sofie from JPMorgan. So, I was just wondering if you could give a little bit more detail on net interest income on slide 9. You said that the other NII impact was the minus DKK 77 million negative quarter-on-quarter. Could you just elaborate a little bit about this, the other NII impact of minus DKK 77 million quarter-on-quarter is? And also -- yes. That will be my first question. My second question is that we had some Bloomberg headlines today around, and also in you state in your report, that you might do another AML investigation. Could you just comment on these, why would you need to do another AML investigation? And your local press was, I guess, a couple of weeks ago saying that the potential AML litigation is around DKK 15 billion, assuming all the pending cases are lost. So could you just kind of confirm if this number is reasonable. And if you also could give an update on where we are, especially with the U.S. AML investigation, any clarifications or reclosure at the end or any increased questions that you have got from the U.S.?

Stephan Engels – CFO

Thank you, Sofie. Quickly on the other part in the NII quarter-over-quarter. More than half of the DKK 77 million that you see there is an interest rate charge on a tax matter that has been solved, and that is sitting some years ago, so that we get charged with the interest rate on that one. The other bit is, amongst other things, also the latest Tier 2 issuance, which we had also in Q1. On the AML Estonia, the very simple clear answer is there's absolutely no news. And I think that grabs all of the little questions that you also had around some of the, I think, not completely factual press reports that we have seen. So, absolutely no news.

Sofie Peterzens - JPMorgan
Okay. But just on the NII, the first part, the interest charge on tax matters; is that a one-off? Or will that continue to weigh on Net Interest Income? Or how should we think about that going forward?

Stephan Engels - CFO

My answer would be that is something that is unpredictable in the sense of that you never know how older tax years will finally be settled and what way these things go. Some you win, some you lose. And in that sense, it has a one-off nature in that I don't expect that to happen every quarter. But that's also something that may happen every now and then. For a trajectory, I think you should probably take it out.

Operator
The next question comes from the line of Maria Semikhatova from Citibank.

Maria Semikhatova - Citibank
Two questions from my side, also NII and costs. On NII, you took further actions on deposit pricing in Denmark. I see that you have continuous pressure from deposit margins in LC&I. Given that those are professional clients, not private individuals, is there anything you can do with the deposit pricing in this division to support NII outlook? And then on costs, could you disclose how much you expensed on AML and Estonia in the first quarter? I believe in the presentation, you only include the quarter-over-quarter difference, do you still expect that DKK 3.1 billion that's your best guess on compliance costs this year?

Carsten Rasch Egeriis – CEO
Maria, it's Carsten here. I think on the deposit side, so you all have seen that we updated some of our pricing in Denmark on the deposit side. We've talked about an annualised impact there of about DKK 0.5 billion. Those pricing actions take effect in July this year. We do believe that there is further opportunity on the LC&I side to optimise our deposit pricing. That is, for certain, one of the things that has our focus.

Stephan Engels – CFO

On the cost side, we don't single compliance costs out anymore because we have finished basically the big Estonia forensic and remediation work. In that sense, compliance is more cost now that is part of, call it, business as usual. We still stick to our guidance on compliance costs, but that second-line only, of between 1.5 to 1.7 is our expectation still for 2023. So, that's unchanged and other than that, first-line compliance is considered part of first-line business in that sense, and will not be reported separately. Does that solve it?

Maria Semikhatova - Citibank
Understood. Just maybe a quick follow-up. You had non-recurring costs of around DKK 300 million. So your cost guidance below 24.5, does it include the one-offs in the first quarter and potential further non-recurring charges?

Stephan Engels - CFO

Yes.

Operator
The next question comes from the line of Mads Thinggaard from ABG.

Mads Thinggaard - ABG

Yes. Mads from ABG, here with 2 questions. And I think the first one is for the new CEO. Now we have a new captain and the course is clear. That's quite clear communication. I just wanted to check what it actually means in terms of potential strategy reviews. Can we be sure you won't do a strategy review before 2023? Now, I just heard Stephan say that the compliant cost plans there are intact, so I won't ask that, but then can we be sure the 9% to 10% RoE target for 2023 that that will not be adjusted as well? That would be the first question. And the second question is on the REA uptick you expect in the second half of '21 regarding EBA technical guidelines. Of course, this is not new and something that has been there for -- or been expected for a long time. Could we expect and adjustment of your CET1 target of above 16% at some point as these changes roll in? And could that come soon, that change?

Carsten Rasch Egeriis - CEO

Thanks, Mads. I think on the strategy side, I hope it was clear. I mean, what I'm also wanting to get across with that is I've, of course, been part of setting the strategy as part of the Executive Leadership Team in the last 4 years and been an integral part of the work, and we will continue to execute on the strategy we have. It is critically important for us that we continue to get -- and continue the commercial momentum that we have, the cost trajectory that we have, as well as continuing to get compliance in control. So, those priorities absolutely continue, full focus on that, our ambition of 9% to 10% 2023 remains. Then if I can just take the REA question as well. You are right. I mean there is nothing new here in terms of the REA impact from the various different EBA products, so to speak. We will, at some point, look at revisiting our CET1 ratio, but we will not do that for now, but you will see us at some point looking at revisiting that.

Operator

Our next question comes from the line of Per Grønborg from SEB.

Per Grønborg – SEB

I also have 2 questions. The first one is follow-up on Jakob's earlier question on the impact of your deposit margin. If I look at slide 9, the upper right-hand corner, Q1 versus Q4, you have a deposit margin of only DKK 25 million. It seems like some DKK 75 million to DKK 100 million is missing. Where have you lost that deposit margin in the first quarter versus the fourth quarter?

Claus I. Jensen – Head of IR

Yes, Per, I don't think we -- you can use the expression where we have lost it because we have been pretty clear at the Q4 call that the guided impact of approximately DKK 0.5 billion for the full year was all else equal, and we continue to see margin pressure. So, we have also made it quite clear in this report that the lower funding value of deposits, especially at LC&I, is having an impact on our deposit margins. So that is essentially where it goes.

Per Grønborg – SEB

So, there is also change in internal pricing going into or explained by the deposit margin only is DKK 25 million positive Q-on-Q on slide 9?

Claus I. Jensen – Head of IR

Yes. That is basically part of our ongoing liquidity management that there are adjustments to the FTP rates according to how the market is developing, yes.

Per Grønborg – SEB

Okay. That, of course, explains why the numbers don't really match up. My second question is more big picture. We've now seen two FSA reviews within the last year, both being quite critical on your loan loss reserves. Any reflections on how you see your communication with the FSA and the demand from the Danish FSA, which has been somewhat harsh on you the last year?

Carsten Rasch Egeriis - CEO

Yes. Thanks, Per. I thought you might ask that question. Look, I actually feel that we have a good relationship with the Danish FSA. And in fact, the feedback that we got from the first inspection of the two that you mentioned, now some time back, we've made good progress. And the latest inspection, very, very limited findings, very limited financial impact of that. It's really less than a handful of cases where they have a different opinion and approach than we've had. In terms of likelihood of bankruptcy in one of the scenarios, and in terms of the degree of explanations or analysis they would like on some of the cases, but when you think about the fact that they reviewed 23% of our corporate book and found less than a handful of cases, we feel very good. I won't comment in general around the tone of FSA type letters, but I don't see that it is different from us than what is generally the approach that they take. So, I feel very good about the relationship and also the improvements, but also the overall impairment position that we have.

Stephan Engels - CFO

And just to be on record that one as well. All of that has been booked already in Q4.

Per Grønborg – SEB

Yes. Of course, I saw that you wrote that in the report. That's, of course, significantly more positive than I had at least how I read the FSA comment where my perception -- or anything the FSA wrote that it was a pretty small sample they had looked at, and they had asked you to do a review based on their findings on the full book, but I hadn't understand, that did not result in any measure or additional provisions to be taken.

Carsten Rasch Egeriis – CEO

That's correct.

Operator

Next question comes from the line of Joakim Svingen from Arctic Securities.

Joakim Svingen - Arctic Securities

I was just -- I have two questions as well. The first one is regarding the growth in Norway. Have you done anything in particular, repriced lending rates or anything to support the strong growth? And the second question is also related to growth in your home market. Should we expect the trend in Q1 to continue into Q2 and Q3 or do you see room for improvement?

Carsten Rasch Egeriis – CEO

Thanks for that, Joakim. I think in Norway, you're right, we have continued to grow both on the personal side and on the business side. On the personal side, of course, through our partnerships there. And on the business side to continue to grow; we've got a good business bank and Mid-Corp platform as well as, of course, also on the larger corporates. So, we feel satisfied with the growth that we're seeing in Norway. In Denmark, it's a bit of a mixed picture. In general, lending growth has been pretty subdued on the business side in Denmark, both in the larger segment, but also in the Mid-Corp segment, and that's largely on the back also of the extensive government support, which has somewhat substituted bank lending to state lending in the Mid-Corp side. On the larger side, we see large corporates not really utilising some of the credits that they took out during the first half of last year. So, I absolutely think that there is more opportunity for growth. There is more opportunity to do more with our 3.5 million customers across the Nordics, and that's part of our focus when it comes to commercial momentum and also the fact that we've established a Commercial Leadership Team in the first quarter. We meet every other week, and we have full focus on that.

Joakim Svingen - Arctic Securities

Okay. Just to clarify, but it's merely a question of demand in Norway. So you haven't done any major price changes in Q1?

Carsten Rasch Egeriis – CEO

No, we have not.

Operator

(*Next question comes from the line of Jacob Kruse from Autonomous*) Let's try the next question from the line of Riccardo Rovere from Mediobanca.

Riccardo Rovere - Mediobanca

Just one question from my side. You charge roughly DKK 500 million this quarter in credit losses, and the guidance is unchanged, which bought -- embed a sharp deterioration in the coming quarters. Is there any reason why the amount of provisions should, all of a sudden, kind of -- tend to double for the foreseeable 3 quarters from what you can see on the ground at the moment? And then, a clarification in the guidance you provide of maximum DKK 3.5 billion. What is the treatment of the post-model adjustments? Are you assuming to kind of recover to use those provisions? Or is this eventually a buffer that you eventually have?

Carsten Rasch Egeriis – CEO

Yes. Thanks, Riccardo. No, I think overall, in Q1 we see -- it's a reflection, I think, of the diversified portfolio and good credit quality; we see a limited credit deterioration, much in line with what we also saw before the pandemic in terms of run rate, if you will. We remain cautious. The macro environment, I think, continues to be uncertain. And particularly also in light of what will happen once the government support stops, and we sort of normalised to -- more normalised levels without the same amount of liquidity support both from central banks and from government. So, we would like to see a more sustainable trend, I think, as Stephan also talked about at the beginning of his presentation, before we update on overall credit losses for the year. On the post-model adjustment side, we continue to hold those post-model adjustments exactly because we would like to wait and see a more sustainable trend. In general, our approach is that when we see actual credit deterioration moving into stage 2 and 3, then we offset that with

PMA on an ongoing basis. But clearly, we have not seen that yet.

Riccardo Rovere - Mediobanca

Okay, Carsten. Just for me to really understand and not to misunderstand your statement. There is some -- if I understand correctly, there is some degree of conservatism based on what you have seen so far. And the post-model adjustment is technically a buffer that maybe, maybe one day or you release it, or you have to allocate it to stage 1 and stage 3. So, it is technically above, isn't it?

Carsten Rasch Egeriis – CEO

Yes. I would like to use a slightly different language. We, of course, take a prudent and cautious approach because what we are saying is, on the post-model adjustment is, we believe that there will be some increase in bankruptcies and will be some credit deterioration when liquidity starts to get pulled, whether it's from central banks or government support or whatever it is. And when that happens, and you cannot see that in the models today, we require impairments and allowance account against that, and that is what the post-model adjustment is covering.

Claus Ingar Jensen - Head of IR
Can we have the last question, Operator, please?

Operator
And the last question comes from the line of Robin Rane from Kepler Cheuvreux.

Robin Rane – Kepler Cheauvreux

Yes. So, my first question is, what have you seen as reception on the customers in Denmark following the lowering of the deposit threshold at the start of the year. And have you had any -- has this presented an opportunity to channel flows into AuM? Then secondly, on mortgage lending in Sweden, I can see it looks like you have taken quite a low market share of new lending in the first quarter. So, any thoughts around your ambitions in the Swedish mortgage market?

Carsten Rasch Egeriis – CEO

Yes. Thanks, Robin. Maybe I'll take the first one. On the deposit and the pricing side, as you have seen, we've continued to see quite a strong inflow of deposits across all markets, despite the repricing earlier in the year. So, I think directly to the repricing that we have done, we have not seen any significant customer outflow. On the contrary, we've actually seen an increase in deposits. We are fully focused, and we see that as an important growth driver and growth opportunity, to help advice our customers on investments and AuM, and we've also seen some positive customer activity on that front.

Claus Ingar Jensen - Head of IR
Yes. When it comes to your second question around Sweden, we can confirm that our growth strategy and our ambitions are unchanged. We aim for continued growth utilising the agreements we have with some of the unions in Sweden. There are fluctuations from quarter-to-quarter, and the development you have seen in the first quarter cannot be seen as a sign that we are relaxing on our ambitions in Sweden.

Carsten Rasch Egeriis - CEO

Good. I think that was all, really appreciate all your questions and your interest in Danske Bank. And look, as always, you're welcome, of course, to contact Claus and our Investor Relations department if you have more questions after you've had time to also look at the financial results in more detail. So thanks very much. Appreciate your time.