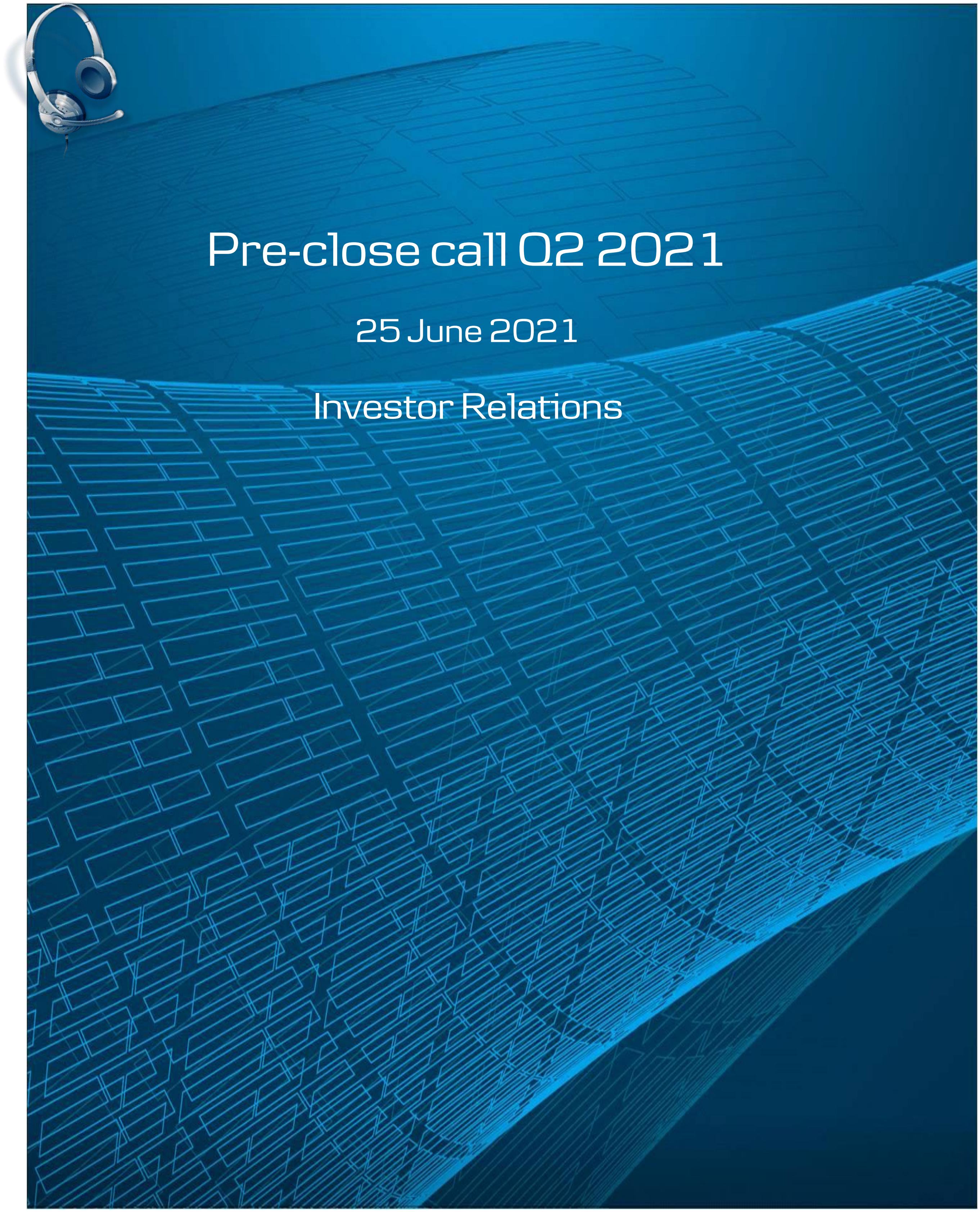

Pre-close call Q2 2021

25 June 2021

Investor Relations

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SPEECH

Claus I. Jensen – Danske Bank – Head of IR

Good afternoon and welcome to the Danske Bank Q2 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, Sofie Friis and Nicolai Tvernø 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 July 2nd ahead of the publication of our Q2 report on the 23rd of July. I will go through the P&L statement line by line and remark 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 only answer questions related to already disclosed information and one-offs as well as publicly available data as of this Monday the 21st of June unless otherwise noted. In this connection, I wish to stress that developments in specific indices may not always have the same effect on our performance.

Let's quickly touch upon the macro economic outlook, before we move through the line items. I want to highlight that a number of macro forecasters, including the Danish central bank, continue to have a positive outlook for the remainder of 2021 and expect a fairly rapid recovery of economic activity once the economy is no longer constrained by the COVID-19 restrictions. We've seen pent up demand throughout May with mobile- and card transaction up 5-10% from the same level in 2019, underpinning the robust economy and the expectation of a positive macroeconomic outlook for the remainder of 2021. In addition, we note that the Danish central bank has released a publication stating, that banks are well-equipped to counter the expiration of the government support packages.

That said; let us start by having a look at net interest income.
Please remember that Q2 have 1 interest day more than Q1 with an NII impact of around DKK 30-40 million per day. During the quarter until this week, the Swedish krona is roughly flat against the Danish krone, while the exchange rates of

the Norwegian krone and the pound sterling have appreciated around 2.5% and 0.5% respectively against the Danish krone on the basis of public data.

As stated previously, 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. Keeping this in mind, let's turn to volume developments. We refer to publicly available sector statistics as the only externally available source of insight. According to these statistics, lending volumes in Denmark remain subdued while business deposits seem to have stabilised at an elevated level. For households, the increase in deposits continues, however, data post the broader re-opening is not yet fully available. We have nothing to add to these statistics.

Coming to the interest rate environment, we note that interest rates generally have risen further since the start of April and yield curves have also steepened with longer term yields rising more than short term yields.
However, we do not expect a significant level of remortgaging activity, but continue to note, that the interest rate development could affect the loan preferences from borrowers.

With regard to margin development, we also refer to publicly available sector statistics as the only externally available source of insight. Our overall observation regarding margin development remain consistent with the trend observed in Q1.

Since Q1, 3-month STIBOR was almost flat while NIBOR has decreased ~19 basis points and CIBOR has increased ~2 basis points, all on the basis of quarterly averages.

Then, on the funding side, we issued two benchmark bonds in Q2. The first one; was an AT1 issuance of USD 750 m at a spread equivalent to 321 basis points over 3-month EURIBOR. The second issuance was our second ever green NPS of EUR 500m at a +93.7 basis point spread to 3M EURIBOR. This represents an about 3-5 basis point net issuance premium to conventional NPS issuances and an estimated grenium of 3bps.
On the other hand, in April we gave notice of early redemption of our EUR 500m Tier 2 notes with a coupon rate of 2.75%. The notes were effectively redeemed on May 19th at par.
Please revisit page 32 of our Q1 2021 conference call presentation to see the redemption profile for maturing funding.

With regards to deposit repricing, we have not announced any further changes since the initiatives we took ahead of the Q1 release. The initiatives announced on April 26th will not take effect until 1st of July, but they are expected to have a positive impact of around DKK 250m, all else equal, in the second half of 2021 and a full year effect of around DKK 500m .
In this regard, please note our previous comment on sustained margin pressure.

This concludes our messages on net interest income.

Looking at net fee income, we want to highlight three proxies; namely the general consumer spending, the development on the equities market and the ECM and DCM activities.
Starting from the top, activity-driven fee income is subject to the economic activity following re-opening initiatives, especially in Denmark, where consumer spending remains above pre-covid levels.

The equity markets have been developing positively during the quarter, with an increase of approximately 7% 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.
Finally, the current market conditions seem to support a good general level of activity in both ECM and DCM, however not as high as the Q1 which was further positively impacted by a few extraordinary transactions.

Turning to net trading income, please note that Q1 saw seasonally high customer activity. Moreover, we have seen a significant widening in spreads on mortgage bonds, where callables have widened ~20-25bps whereas spreads on non-callable bonds have been stable from the level in the last quarter.
The yield spread between Danish bonds and German government bonds has widened with ~2bps in the 10year segment.
Please note that Q1 included a positive one-off on the trading line of DKK 227m, related to the sale of Visa C shares.

Looking at net income from insurance business, please be aware that a strong investment result in the insurance business contributed positively in Q1. And finally, Q1 2021 included a negative one-off of DKK 200m related to ongoing provisions to cover a method change for PAL tax within the H&A portfolio.

We do not have any specific comments on Other Income.

This concludes our comments on the income lines.

On our costs, please be aware, that the Q1 numbers included negative one-offs of DKK 272m, related to provisions for home office allowance to employees and upcoming changes to our VAT setup.
Now, let's turn to the second quarter. On the 24th of June, we received the Swedish authorities' ruling on the Swedish VAT case, related to the VAT setup in Sweden. As a consequence of the ruling, we will make a provision to cover the upcoming changes of approximately DKK 350m on our cost line in our Q2 numbers.
Other than that, we do not have any specific comments regarding our cost development.

In respect to credit quality we have nothing to add from when we published our Q1 report.

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. We re-iterate our guidance on implementation of EBA guidelines, where we expect REA to increase by DKK 50-70bn for 2021. We do expect to front load some of the remaining increase in Q2 with an increase of around DKK 26bn. In Q1 the effect of EBA guideline implementation was DKK 12bn.
The risk exposure amount is, as always, subject to general market volatility and FX movements as well as growth.

Finally, on June 22nd the Danish Systemic Risk Council advised the Minister for Business and Financial affairs to fully reciprocate the Norwegian 4.5% systemic risk buffer and risk weight floors for residential real-estate and commercial real-estate. The Danish Systemic Risk Council however notes the 18 months transition period for the Norwegian Systemic Risk buffer.
We will comment on the impact for the Group once we have further clarity from the ministry.

Further the Council also recommended an increase in the counter-cyclical buffer in Denmark from the current 0% to 1% effective from 30 September 2022 as per the normal 1 year transition period. This is in line with our expectation and planning. The ministry for business and financial affairs has announced that the recommendation will be followed. Preliminary calculations indicate an increase of around 0.5% of the fully-phased-in CET1 capital requirements. The exact number will be disclosed as part of our half-yearly results.

The Council expects to recommend a further increase to 2% before the end of 2021 with effect from start 2023.

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 2nd of July. Shortly, we will also start collecting consensus estimates with a contribution deadline on the 8th of July EOB. Finally, we will publish our Q2 2021 report on 23rd July at 07:30 CET. Please note that the conference call for investors and analysts will take place at 08:30 CET.

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