



# Pre-close call Q2 2024

21 June 2024

Danske Bank – Investor Relations

## SPEECH

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**Claus I. Jensen – Danske Bank – Head of IR**

### Intro

Good afternoon and welcome to the Danske Bank Q2 2024 pre-close call. My name is Claus Ingar Jensen, and I am Head of Investor Relations. With me, I have Lewis West and Olav Jørgensen 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. Given that we conduct this call via Teams, please be aware that if you want to ask questions, you must log on via the Teams app or your browser. If you participate via a telephone line, the IR team will be available for questions after the call.

In today's call, I will highlight relevant public data and macroeconomic trends in our markets before the start of the silent period on 28<sup>th</sup> June ahead of the publication of our Q2-24 report on 19<sup>th</sup> July. I will go through the P&L statement line by line and comment on capital at the end. Afterwards, we will open-up for a Q&A session.

For the sake of good order, I would also like to highlight the following. I will only answer questions related to already disclosed information as well as publicly available data. Connected to this, I wish to stress that developments in specific indices may not always have the same effect on our performance.

### Macro

Before going through the income lines, I would like to start with a brief comment on the most recent macroeconomic development based on our Nordic Outlook from June.

Through the second quarter of 2024, the Nordic economies have continued to show resilience in the higher rates environment. Recent economic data has furthermore been better than expected in early 2024 and expectations for some growth are now back across the Nordic region.

In Denmark, the outlook for H2 has improved, and we now expect a moderate expansion even outside the already strong pharmaceutical sector. Household finances remain solid supported by high employment and higher real wages. The expectation that growth will resume, combined with potentially lower interest rates are likely to be positive factors for housing market activity, however, the effects will probably only be visible in the second half of the year.

Although the outlook has turned more positive, uncertainty persists, driven by the geopolitical environment.

Now, let us have a look at net interest income.

### Net interest income

We will start by reminding you that during the second quarter there have been two central bank rate decisions. On 8<sup>th</sup> May, the Swedish Central Bank decided to lower its policy rate with 25 bps to 3.75%. ECB lowered its policy rates on 6<sup>th</sup> June, which was also followed by Nationalbanken in Denmark.

Following the cut by Nationalbanken, Danske Bank also lowered rates across our product portfolio as relevant.

Changes to retail customer rates will be effective from 1<sup>st</sup> of August, while changes to business customer rates will be effective from 1<sup>st</sup> July and mid-August. As these changes have no impact in the second quarter, we will not go into further details on this call.

Kindly note that Q2 2024 has the same number of interest days as Q1 2024. The day effect is estimated around DKK 90 million.

Regarding recent volume developments, we refer to publicly available data.

In terms of lending, we note that overall credit demand remained muted. In addition, we remind you that we cannot exclude continued attrition from the PC Norway portfolio, which may have a negative effect on NII, as we saw in the first quarter.

Looking at funding costs, we note that NIBOR has been flat whereas STIBOR has been lower during the quarter.

As always, please be mindful of currency fluctuations in the markets where we operate. Both SEK, NOK and GBP appreciated around 2% in the second quarter.

In terms of wholesale funding, we issued around DKK 57 bn during Q1 and Q2, with around DKK 27 bn done in Q2 alone, progressing in line with our full year guidance of DKK 80-100 bn of debt issuance across instruments. Our issuance in Q2 includes a SEK Tier-2 Benchmark transaction of SEK 4.25bn, priced at 3M EURIBOR + 166 bps, executed on 16 May.

Please visit [Danskebank.com Debt section](https://www.danskebank.com/Debt-section) for further details on terms and pricing for each issuance.

Finally, on NII sensitivity, we reiterate our guidance of approximately DKK +500 and -500 million per 25 bps change across all currencies, on average over the next 100 bps within a 12-month period.

As the balance sheet effects from our hold-to-maturity portfolio and unhedged fixed-rate assets are gradually taking hold, we would, all else equal, expect to see a year 2 and year 3 impact of another DKK 300 million and DKK 200 million, respectively.

Please note that by far most of our sensitivity relates to DKK and EUR, in that order.

### **Fee income**

In respect to fee income, we will start by noting that development is as always subject to conditions in the financial markets, housing market activity and the general activity level among our customers. Having said that, in general we can note that the underlying positive drivers for our fee income that we saw in the first quarter are likely to continue in the second quarter

Let's then look at investment fees, which naturally are impacted by the development in assets under management as well as the investment activity among our customers. In the second quarter, we have noted that equity markets globally have continued the positive trend observed during the first quarter, with, however, some uncertainty related to development in June. For Danske Invest, we note the publicly available statistics from Finans Danmark that point to a positive development in market share for Danske Invest and a positive trend in inflows.

Turning to activity driven fees, we note that Danish consumer sentiment, as measured by Statistics Denmark, continued its upward trend from the first quarter, though still negative. Looking at the latest consumer spending monitor from Danske Bank Research, we saw an increase in spending in real terms, meaning that consumer spending continues to grow.

Turning to fees from our lending activities, we still note that activity in the Danish housing market remains subdued. Also, please be aware that we saw a positive seasonal effect from refinancing fees in the first quarter of DKK 0.1 bn. In the second quarter, we expect broadly the same level of refinancing fees from, for instance, short-end floating rate mortgages.

We have not seen any significant remortgaging activity in second quarter.

And finally, on capital markets activity, we see good financial market sentiment overall, with DCM especially having good customer activity. Equity capital raising activity, however, is still low.

### **Trading**

Now turning our focus to trading income.

Noting that the main driver of our trading income is customer activity. Overall, bond spreads have been unchanged during the second quarter with some volatility driven by the elevated political risks in France. The strong sentiments on Danish government bonds have continued in the second quarter and spreads to EUR peers have tightened further.

Please be reminded that as mentioned in the Q1-24 interim report, we have fully aligned our reporting to IFRS17. Therefore, we reiterate that this has changed our general expectations for normalized trading income from previous around DKK 4 bn p.a. to now around DKK 3 bn p.a., subject to market conditions.

### **Danica**

No specific comments for Q2. Please be aware that Danica's results are always subject to developments in the financial markets and in the Health & Accident business.

### **Other income**

Kindly note that in the first quarter, Other Income was lower driven by Asset Finance primarily due to lower sales of assets. Assuming a continued low level of assets available for resale in our Leasing business, we expect this to continue in the second quarter.

### **Costs**

We have no specific comments regarding the quarterly development in costs.

In terms of the announced DKK 0.6bn of non-recurring cost for 2024, please note that most of these costs relate to our new domicile and will be distributed over the rest of the year with DKK 0.1 bn recognised in the second quarter.

### **Impairments & credit quality**

We have no specific comments to this line other than to note that the benign macroeconomic environment continues to support credit quality.

### **Tax**

We do not have any comments with respect to tax.

### **One-offs**

There are no new one-off items to be communicated for Q2-24, except as mentioned above.

When comparing year over year, we reiterate the one-off items booked in the second quarter of 2023, which had an effect on other income, trading and the tax line.

### **Capital**

We do not have any specific comments on REA, besides noting that market risk remains subject to volatility in the market.

### **Concluding remarks**

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 28<sup>th</sup> June. At the beginning of next week, we will also start collecting consensus estimates with a contribution deadline Monday, 1<sup>st</sup> July at noon.

Regarding consensus numbers, we reiterate that the number you input wrt. share buyback should be the announced amount for that particular calendar period.

Please note that we will publish our Q2-2024 results on 19<sup>th</sup> July at 7.30am CET and that the conference call for investors and analysts will take place at 8.30am.

We are now ready for the Q&A session. If you wish to ask a question, please use the "raise your hand" function.