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 half 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 25 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 half of 2024.

We are now six months into our new strategy period, and I am pleased that we continue to execute on our strategic priorities according to plan. We are clearly making progress on our Forward'28 strategy, and we see a satisfactory development in our financial performance, which clearly is on track to meet our 2026 financial targets.

Our performance in the first six months of the year was characterized by an increase in customer activity that gained momentum in the second quarter, primarily from corporate lending demand and demand for investment products, but also from a broad increase in daily customer transactions. Our ability to leverage our strong position within debt capital markets activities added to the positive performance in the first six months. This included continually strong traction for sustainability-linked finance, where we maintained our position as the leading Nordic bank.

The macroeconomic situation in Denmark has improved slightly, supported by strong employment, and our latest economic outlook from June is based on higher growth and lower interest rates, thus supporting growth going forward. The outlook for the other Nordic countries is more stable, although mixed.

Financially, the first six months 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.

Net profit for the first six month came in at 11.5 billion, equivalent to a RoE of 13.1 per cent.

The result was based on a strong increase in the core banking income lines, which combined were up 11 per cent compared to the same period last year. Fee income in particular continued to improve in the

second quarter, representing the highest quarterly fee income we have reported for two and a half years.

Together with the satisfactory uplift in business activity, operating expenses were stable due to our strong focus on cost discipline.

The resilient macroeconomic environment continued to support our strong credit quality, and on the basis of the reversals of loan impairment charges in the second quarter, we issued a profit upgrade at the end of June. Against this background, we now expect loan impairment charges for the full year of up to 0.6 billion and a net profit in the range of 21 to 23 billion.

We maintained a strong capital and liquidity position. As planned, the execution of the 5.5 billion share buy-back programme started in the first quarter and it is progressing as intended. The CET1 ratio stood at 18.5 per cent at the end of Q2 including the majority of the expected impact from CRR3.

And then, I would like to comment on capital distribution.

Based on our strong performance in the first half of 2024 and our strong capital position, I am pleased to announce that the Board of Directors has decided to distribute an interim dividend of 7.5 kroner per share based on net profit of 11.5 billion kroner for the first six months of 2024, equivalent to a pay-out ratio of 56 per cent.

This is similar to the dividend payment schedule for the first half of 2023 and should be seen as a one-off event similar to last year's dividend payout following years with no or limited pay-outs.

Please note, that from the financial year 2025, this pay-out frequency will cease, and we will resume annual dividend payments on the basis of the full-year result announced in February.

In respect to the sale of our Personal Customer business in Norway, it is our intention to distribute the release of capital of approximately 5.5 billion through an extraordinary dividend once the sale to Nordea has closed in Q4.

And finally, for full-year 2024, we intend to distribute all of the net profit, subject to continued delivery of continued strong financial performance and relevant approvals. Important to emphasise, that our combined distributions will not exceed capital generated through net profits or REA relief from divestments before the end of 2025.

On this background, I am pleased with the execution on capital distribution of 30 billion by year-end, which is slightly ahead of the ambition we announced on our CMD last year.

We maintain our CET1 target of above 16 per cent by the end of 2026. We do so on the basis of a prudent assessment that also takes into account the probation period that applies to Danske Bank until the end of next year.

It is important for me to emphasise that with the current target, we believe that we strike a good balance between our ambition to grow the business and our ambition to distribute capital. For now, it reflects a prudent level of capitalisation based on an ongoing and constructive dialogue with our local regulator.

I will now continue with comments on the performance of our business units before Stephan will comment on the financial results in more detail.

Slide 2, please.
At Personal Customers, we have seen improved financial performance, driven by higher total income which grew another 3 per cent in Q2.

The top line growth in Q2 was driven by a resilient contribution from net interest income, and the positive trend in core banking income benefited further from higher fee income on the back of customer activity. Activity-driven fees therefore continued to improve, and investment fees also provided a solid contribution – a direct result of the strategic ramp-up within wealth management and Private Banking.

The increase in income coupled with continually strong credit quality along with prudent cost management in line with our investment plan, underpinned the satisfactory level of Return on Allocated Capital and Cost/Income ratio, in line with our targets.

Looking at volumes in our core markets, the development in our deposit position remained strong with positive inflow into both transaction accounts and savings products as total deposits increased by 15 billion of which 8 billion was attributed to our recognised savings products. Generally, we find that migration effects have moderated and the positive trend should also be seen in light of an increase in retail asset under management of more than 10 billion.

In terms of lending volumes, activity in the housing markets started to recover as many households are starting to experience real wage growth and there is clarity around property taxes and the path for policy rates. The stock of residential lending in Realkredit Denmark was however impacted by redemptions and amortisation, largely countered by our customers' preference for the Danske BoligFri home loans with another quarterly increase of 4 per cent in Q2. At the same time, I also believe we have an untapped potential and need to regain our fair share of the mortgage market in Denmark.

In respect to our strategic KPIs we see our improved position reflected in the traction we have with our existing customer base along with a net inflow of new customers in the growth segments along with tangible progress in customer satisfaction and reputational aspect in general.

Slide 3 please.
At Business Customers, our financial performance was supported by our enhanced product offerings and customer focus as well as higher activity with improved sentiment across our businesses. Core banking income benefitted from sustained level of NII and a continued fee

contribution related to daily-banking activities as well as our subscription-based service-model which is gradually taking hold.

Profitability rebounded from Q1 as impairments also recovered, lifting the return on allocated capital back above our target. Also, with continually prudent cost management, we maintained a Cost/Income ratio ahead of our 2026 target, which all together is encouraging when we are ramping up our commercial focus and investing in upskilling specialised advisers along with our analytical capabilities.

In respect to volume development, the commercial momentum is also reflected in a solid uplift in lending growth, which was evident across all Nordic markets in Q2.

Deposit levels were largely stable in Q2 as positive development in Finland was off-set by primarily Norway.

We already see progress on the commercial ambitions we have highlighted as part of our Forward 28 strategy, and while I continue to see a potential to further leverage our strong corporate franchise in the SME space, we are starting to see the growth potential along with more efficient ways of operating, for example in our credit decision-making process. Ultimately, this should support the increasing number of customers that are highly satisfied with our advisory services.

Slide 4 please.
Turning to LC&I, where our market-leading franchise continued to gain momentum highlighted by our ability to actively support our customers with advisory services backed by our strong product offering and balance sheet.

In the second quarter, we continued to deliver solid total income and strong profitability, also relative to our 2026 target, despite a lower contribution from net trading income. Core banking income benefited in particular from higher fee income, up 15 per cent from the preceding quarter and 22 per cent relative to the same quarter last year. The positive development was underpinned by strong activity and improved diversification, which in turn was supported by our leading cash management offerings that enabled us to win new house bank mandates.

We also saw a sustained strong contribution to fee income from high Capital Markets activity as conditions have been attractive, and we continue to be the leading Nordic Bank in both Nordic and European debt capital markets in terms of volumes supported.

In addition to the strong DCM activity, we also saw positive demand for lending in the quarter. Deposits were largely stable, and all together, the sound development in our volumes contributed to the uplift in NII.

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

With that, let me hand it over to Stephan for a more detailed review of our financials.

Slide 5 please.
Thank you, Carsten.

As Carsten just mentioned, we saw a strong improvement in our financial result. Relative to the same period last year as well as the preceding quarter, profit before tax was up 18 and 3 per cent respectively.

Relative to the first half of last year, the improvement in total income was driven by stronger core income lines and a recovery in net income from insurance business, whereas net trading income in the same period last year benefited from extraordinarily good market conditions.

Furthermore, other income was impacted by 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 and resulted in net reversal due to continually strong credit quality.

Relative to last quarter, fee income in particular gained momentum, driven by increased customer activity. Total income was up slightly, as the higher fee income more than offset the softer development in income from trading activities, insurance and other income.

The result for the period of 11.5 billion is equivalent to a RoE of 13.1 per cent.

Slide 6, please.
Let's take a closer look at the development in net interest income.

During the quarter, we saw the first rate cut from the ECB and the Danish central bank as the inflation outlook appears to be under control. While market expectations around timing and number of future rate cuts change frequently, our NII development remain constructive in line with our expectations. For the third quarter, we thus expect slightly higher NII, subject to volume growth.

Importantly, I would like to highlight that NII showed the expected resilience in Q2 as our portfolio hedge and positive contribution from both lending and deposit volumes mitigated the impact on margins from lower market rates.

The favourable development in deposit volumes was supplemented by a larger inflow into our savings products, which offset the impact from policy rates, while our adjustments of deposit pricing have yet to flow through due to the timing of implementation. On the asset side, lending margins have stabilised and together with the volume uplift, this contributed positively to the development in NII in Q2.

As such, the sustained uplift in NII is expected to continue, and in terms of 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 in fee income we have seen since Q4 last year continues to reflect strong customer activity and gained further momentum in the second quarter, supported by our attractive product offerings. As Carsten mentioned earlier, the fee income we have reported in the second quarter is the highest level for two and a half years.

Relative to the same period last year as well as the preceding quarter, fee income rose 13 and 10 per cent, respectively. The increase was driven by activity-related income which also included a positive impact of 0.1 billion due to a non-recurring reduction in fee expenses in Q2. Investments fee continued its positive trend and we also saw a strong contribution from capital markets fees in the quarter.

The continually high activity in Q2 came primarily from our corporate customers from whom we continue to see strong demand for our cash management solutions. Investment 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, although we saw a gradual improvement towards the end of the period. Income from the refinancing of adjustable-rate mortgages in the first half of the year partly mitigated the low housing market activity.

Income from our capital markets activities increased in Q2, and was up 38 per cent from the level in Q1 and 21 per cent from the level last year. Our DCM business in particular was a strong contributor of income, and all other business areas within Capital Markets saw a positive development in the recent quarter.

Slide 8, please.

Now, let me briefly comment on net trading income.

Relative to last year, income came in lower due to exceptionally high customer activity in LC&I in Q1 2023 and a one-off gain of 0.3 billion.

When we look at the quarter-on-quarter development, the contribution from LC&I declined from seasonally higher customer activity in Q1. The fall in activity in the second quarter was largely attributable to our fixed income and derivatives business in Sweden.

For comparison, please be aware that most of our income from automated FX is now booked as fee income at LC&I.

As such, trading income for the first half of the year amounted to 1.4 billion and was just slightly lower compared to our soft guidance for normalised trading income of around 3 billion p.a.

The higher contribution from Group Functions Q-on-Q came primarily from valuation adjustments on our currency portfolios within Treasury.

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

Slide 9, please.

Reported expenses were up slightly from the level in the first half of last year and 2 per cent higher compared to the preceding quarter. I am pleased to see that we continue to manage our costs in line with our plans and guidance for the year of between 26 and 26.5 billion.

Relative to the first half of last year, staff costs were impacted by wage inflation, which was, however, partly mitigated by a 6 per cent reduction in the number of FTEs. As a result of our stronger performance, performance-based compensation increased, whereas the expected decrease in costs for legacy cases had a positive effect.

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

Overall, I feel comfortable with the cost performance in the first half of the year, and on this basis, we reiterate our full-year cost outlook of between 26 and 26.5 billion.

Slide 10, please

Let's look at our credit portfolio and the trend in impairments.

Our well-diversified and low risk balance sheet benefitted further from the improved macroeconomic environment, which led to reversals from our macro model, although we continue to incorporate a severe downturn scenario.

Actual credit deterioration remained very limited, and we saw net reversals of single-name charges in Q2 driven by recoveries from work-out cases.

We continue to cater for potential tail risks and uncertainties not captured on a single-name basis or through our macroeconomic models by carrying a sizeable amount of PMAs. This buffer was kept stable at DKK 6.7 billion, equivalent to 4 years of a normalised through-the-cycle loan loss level.

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

Slide 11, please.

Our capital position remained strong, with the reported CET1 capital ratio standing firm at 18.5 per cent.

This reflects another quarter in which we have accumulated capital and saw a healthy contribution from retained earnings after accruing for dividend. In addition, due to a change in methodology for how Danica's solvency requirements are being set, we have seen a decrease in the Groups statutory deduction for insurance subsidiaries.

These positive contributions were countered by a prudent front-loading of the majority of our anticipated CRR3 impact, adding 20 billion of REA in Q2. In addition to an increase from Credit risk REA we therefore saw our Risk Exposure Amount increase 37 billion in total to 846 billion by the end of Q2.

Our CET1 capital requirement was 14.5 per cent at the end Q2 and continues to include the retail exposures in Norway.

As Carsten mentioned earlier, we have taken this opportunity to reaffirm our CET1 capital target of above 16%, which reflects a prudent buffer to the regulatory requirement.

Finally, with the announcements we have made today regarding distribution we are also tangibly executing towards our target with a capital distribution that is mindful of all stakeholders.

Now let us turn to the final slide and the financial outlook.

Slide 12, please

At the end of June, we revised the outlook for 2024 upwards to a net profit in the range of 21 to 23 billion from previously 20 to 22 billion.

The upgrade follows our continually strong credit quality and net reversals of loan impairment charges in the first half of the year. As such, we now expect full-year loan impairment charges to be up to 0.6 billion.

For the financial targets for 2026, we maintain our assumption for loan impairment charges of approximately 8 basis points through the cycle.

Outlook for income remain unchanged.

Slide 13, please and back to Claus

Claus Ingar Jensen – Head of Investor Relations

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.

Q&A

Sofie Peterzens (JP Morgan): A quick question. First on net interest income. You were guiding that you expect net interest income to be slightly better maybe in the third quarter. But how should we think about net interest income for the full year. Are you still comfortable with the guidance of around DKK37 billion, which would imply relatively strong growth in the second half? So maybe if you could just comment on this? And then also related to this, like how should we think about the hedge benefits still to come in net interest income, especially in 2024 and 2025? And then the second question would be, in the capital bridge that you provide, I can see that the Danica tailwind is quite big this quarter. It has been quite volatile in recent years. How should we think about the Danica deduction going forward and the movement to Core Equity Tier 1 from Danica?

Carsten Egeriis: Sofie, let me take the first question. Then, Stephan, you can just talk into the accounting change in Danica.

From an NII perspective, we continue to feel comfortable with the trend and the guidance around the NII being roughly around consensus. Clearly, growth was a little bit more muted in the first half, but has improved in the second quarter. And therefore, with the current growth trajectory that we see as well as the general NII dynamics that we have updated on before, which are: DKK500 million, year one; DKK300 million, year two; and DKK200 million, year three. We continue to feel comfortable with the NII. And therefore, we expect NII to peak some time in the second half, obviously, depending on timing of rates. Stephan, do you want to talk on Danica?

Stephan Engels: Yes. So Danica, as you may remember, changed to stochastic models like a year ago. We have now reviewed those, and there is a component in there, which creates losses, which you can convert into DTAs. And if we apply these DTAs, which we have not applied before, that reduces the deduction from the statutory capital of the Group by roughly DKK3 billion.

This reduction is permanent and defines basically a new level of the deduction, but it does not affect the volatility. So the volatility component would still be a bit with us going forward.

Sofie Peterzens: So we could see some reversal potentially in coming quarters or potentially even like [inaudible] plus.

Stephan Engels: Now, call it, the effect that you saw in Q2 as the effect is a permanent one. Still the deduction may fluctuate, but then on the lower level.

Carsten Egeriis: Yes. So just to be clear, this accounting change is a permanent accounting change, so it does not affect volatility. So ongoing volatility will be part of the business as usual, effects coming from investment results and other things.

Stephan Engels: Yes, but on the lower starting level.

Martin Ekstedt (Handelsbanken): First question, in light of significant capital distribution near to medium term, why did not you take this opportunity to tighten the dividend payout ratio target range, which remains at 40% to 60%? So large cap Nordic banking peers of yours are generally at 50% or above, and you will remain above as well from what I can tell.

Then my second question, could you share your reasons for abandoning the interim dividend policy and moving back to an annual dividend?

Carsten Egeriis: So your first question, look, we were very clear at Capital Markets Day last year, and that is also what we have showed

that in the plan period, we plan to pay at the upper end of the dividend range, 40% to 60%. So a fair question on why we keep a broader range. But I think that just keeps flexibility as we go forward, but again, with a clear intention to pay at the upper side of that range.

And then in terms of the semi annual dividend, look, we did that last year. We are doing it this year. It is not common that that is done in Nordic banking, but we have decided to do it given both several years of not having distributed capital due to reasons you know well. And therefore, we wanted to send a very clear signal that we have a strong capital base that we are very comfortable with where we are and that we want to execute on this distribution plan. But in general, our policy is to pay an annual dividend. And that is why we are communicating clearly not to expect that we do that as we go forward.

Jan Erik Gjerland (ABG Sundal Collier): I have two. The first one is on capital. It was a little bit unclear because the line was disrupted, etc. Could you just clarify on the capital side, what do you intend to pay for 2024? If I understood you correctly, you said you will pay out all of your earnings for 2024 in connection with your full year results in January, February 2025, or did I miss something there? And then you will have this extraordinary dividend of DKK5.5 billion on top of it? Just to clarify, what you intended to distribute for the full year? And how and when we should see it?

And then as back to the Martin's question, are you now moving back to an annual level of dividends after this last semi annual one? So that was on the capital.

On net interest income, you mentioned something, I think, on a savings product that, that was not fully into the numbers into the second half of this year. Could you just allude a little bit more to how much that is intended to contribute with? And the peak in NII, how should we think about this second and third year as changes to the DKK200 million and DKK300 million versus the 25 basis point change?

So if the interest rates go down 25 basis points, you would change your NII by minus DKK500 million for the first year and then DKK300 million and DKK200 million. Is that how we should read it because of the hedges? So it is lower in the second and third year. Just to clarify this deviation to the NII going forward.

Carsten Egeriis: Yes. Thanks for that. And yes, again, apologies for the technical difficulties at the start of the call. But you are absolutely right in terms of the way you reiterated the capital plan. So again, we plan to distribute all of 2024 earnings. And what we do not do as a dividend, we will do otherwise, and we will announce that as part of the year-end results. But again, that we will pay out all of 2024 earnings. And in addition to that, we will distribute the capital from the sale of the Norway retail business when the deal closes currently expected towards end of Q4, and we would do that as an extraordinary dividend.

In terms of NII, I think on the first point, the point on savings products, I believe was that the repricing that we have done on the savings products on the back of the last rate increase, those will come through in Q3 because of the time lag, and that then offsets some of the immediate downside, if you will, when the rate decrease happens.

In terms of the NII peak, so we said it would peak towards Q3. I said in general, some time in the second half depending on timing of further rate decreases. I think the year two, year three, it is a bit more complicated than that, right? Because at the end of the day, again, it goes back to that we have got a hedge, it is roughly DKK150 billion. It is roughly an average term of just over three years. And it basically matures and then gets replenished on a rolling basis. And that is why you have the DKK500 million, then DKK300 million, then DKK200 million. So you cannot think about it as linearly black and white, as you mentioned it there, but our IR department is happy to go through the dynamics on how it works over the three years.

Martin Gregers Birk (SEB): A couple of questions from my side. First question goes on where do you see your risk exposure amount going from the DKK846 billion until 2026? And then, the second question also goes in the line of that because Carsten, I think you left a bit of a cliff-hanger here by being very specific that for 2024 and 2025, you would only distribute earned capital. And in the light of that, do you see that once we go beyond the probation period that there could be room or there could be room for capital distributions exceeding 100% also in the light of your reaffirmed about 16% CET1 target? Those are going to be my two questions.

Carsten Egeriis: Thanks for that. I think, first of all, on the risk earning assets on the REA side of things, I would think about it this way. The front loading of the CRR3 impacts of DKK20 billion is within what we said at the Capital Markets Day of roughly 1% of regulation and other effects that we gave in the summer of last year. And we actually believe we are roughly there. There might be a little bit more, but it will be well within what we said last year in terms of regulation and other effects. So that is one piece.

Then the other piece is, of course, what growth will look like when you think about the REA development over the next couple of years. And we continue to believe that the growth rates that we gave last year, even though we have started out more muted are still very well within reach. And in fact, when we look at annualised lending in Q2 in the corporate banking book more generally, we feel pretty comfortable about that. So again, to extrapolate REA out, I would look at the regulation impacts that I just mentioned and then I would just look at growth from there on.

I think it is important, as we look out into beyond 2025 to look at, first of all, the growth opportunities because we would like to, of course, absorb the excess capital that is not derived from ongoing earnings by growth in line with our strategy. And then to what extent there is further excess capital, we will update and talk about that when we get to that period.

Martin Gregers Birk: But Carsten, is not a fair assumption? I mean, also given how your asset quality is developing, I mean, your annual REA inflation is probably not going to be above 3%. Well, if you need to walk the talk on the 16.5%, then by 2026. I mean plus 100% payout ratio should be the base case.

Carsten Egeriis: Yes, look, again, I mean I hope the growth will be somewhat higher than what you say there, right? Because we said 3% CAGR over the period, which means there is a bit of catch-up to do. And then we will see when we get to that period what opportunity there is on the capital side. But just to be clear, I think the capital distribution that we are communicating today is entirely aligned with what we promised last summer, if anything, it is slightly ahead.

Riccardo Rovere (Mediobanca): A couple, if I may. The DKK20 billion risk-weighted assets front-loading in this quarter is this, let us say, front loading, the impact of Basel IV on January 2025? And if that is the case,

could you please eventually shed some light if implementation of Basel IV over the next few years is going to bring more RWA inflation in 2026 with the FRTB and then going forward?

And the other question I have is the capital requirement that you have in mind, which was above 16%, is this going to stay more or less unchanged over the next few years? Because if I remember well, at some point, you stated that for the moment, we want to keep it at above 16% in, I do not remember if you said short or medium term? If you just could please clarify.

Carsten Egeriis: Sure. Thanks, Riccardo. Yes, remember, we already had front-loaded roughly DKK100 billion of REA that have been in the numbers for the EBIT guidelines. So we largely had already front-loaded what we saw the Basel IV impacts would be. And this DKK20 billion of REA is more or less the last piece of that.

FRTB, we actually believe will be largely neutral. So again, I think we are largely there on front-loading Basel IV for 2025, 2026 yes.

Then in terms of above 16% CET1 over the next few years, yes, look, there is three components here. One is the fact that we want to ensure that we have a prudent capital target to absorb growth, as I talked about before. Then there is clearly the probation period. We are roughly halfway through that. And we feel good about where we are in terms of the dialogue with the authorities and all the work we have done on financial crime. But again, about 1.5 years left of that probation period. And then, of course, there is ongoing discussions with regulators on stress testing and the like. And there, as we continue to execute on our plans and show solid earnings and solid credit, then we will also, I am sure, get to an even better clarity on stress testing and ongoing excess capital. But for now, the above 16% is, I think, a good, prudent place to be for the next couple of years.

Riccardo Rovere: Just as a clarification. It is very clear what you said on about 2025 and 2026. With regard or anything beyond when the output flows is going to be, let us say, 70%, 72%, whatever. Is there going to be more impact going forward on top beyond 2026 beyond FRTB?

Carsten Egeriis: I mean not from what we know at this stage.

Mathias Nielsen (Nordea): Congratulations on the decent results today and the share price reaction as well. Most of my questions have already been asked, but my questions go around the margin pressure in the different countries. What do you actually see on lending margin pressure in the different countries? And then secondly, on Danica, what should be pencilled in as the expected run rate on income from the insurance business?

Carsten Egeriis: So let me start with margins, and thanks for that, Mathias. Margins, we expect flattish margins, if you look at a net interest margin basis, and that is, if you decompose it, slightly increasing lending margins would be our expectations and then slight pressures on the deposit margins, but overall, pretty flat net interest margins.

And then from a Danica perspective, I believe last summer, we gave an indication of roughly DKK1.6 billion of earnings from Danica through the strategy period. So I think that is a reasonable amount to use.

Mathias Nielsen: Sure. And then on the margin in the different countries, is there anything different between the different countries?

Carsten Egeriis: No, I think actually, you would be fairly safe to use those. And obviously, there are pretty high-level assumptions across the markets.

Stephan Engels: Yes. No, forecasting is always difficult. But so far, I would not think that we should expect something that substantially differs between the market, both on the deposit as well as on the lending side. It depends a little bit on whether we get back to a level that is, call it, where demand and supply are in balance. If we get to that, I think pricing will be better, at least the margin should be better. Currently, volumes are still low, and there is a bit of fierce competition out there. So that is still a bit of a drag to the margin. But again, we expect that to improve.

Jan Erik Gjerland: Just on the capital side. Last year, you mentioned you were aiming for DKK170 billion in total equity at the end of the year strategy period, and it was taking you to above 16% Core Equity Tier 1. You have today DKK178 billion. And is this DKK170 billion needed for the future business, excluding Norway? Or is this DKK170 billion being lowered with the excess distribution for Norway, if you can clarify?

Stephan Engels: No. And again, we are talking 2026 in growth assumptions. We still believe that DKK170 billion is probably a good basis for supporting the business and the balance sheet that we expect by then.

Jan Erik Gjerland: Okay. So nothing lower from exiting the Norwegian business as you then would have a growth from which will cover that REA?

Stephan Engels: The way I would look at this is at the Capital Markets Day, we had a clear expectation of, amongst other things, income lines and cost and the income lines should be supported by a balance sheet, and we have not cut the income lines because of the sale of Norway nor will we cut the capital requirement for 2026 because of the sale of the Norway other than the release that we have seen.

Claus Jensen: Can we have the last question, please?

Martin Gregers Birk: I have to say a quick follow-up here on the loan impairment charges. When I read what your macro economists are saying in the report and also in the Danish press, they seem to be more and more optimistic. And given that you have a DKK200 million reversal, and you still maintain your post-model adjustments. Is that how it should be done and why you are not reducing those post-model adjustments in the quarter were you also see net reversals?

Carsten Egeriis: Thanks, Martin. I think it is a fair question. There is no question that so far, I think, let us call it, the soft landing has developed well. And there is no question that there is nothing in our asset quality that signals any significant deterioration anywhere. And if we continue to see that soft landing play out, then, of course, there is a lot of rationale in looking at the post-model adjustments also, and we will continually do that. But I think it is still early days, right? It is still early days, both in terms of the final part of the transmission mechanism from higher rates, but also it is still early days actually to call when exactly those interest rates are in earnest going to start to come down and inflation rate in earnest coming down to a place where we all feel a little bit more comfortable, but something that we are watching closely. Thank you.

Everybody again, thank you for your interest. Again, apologies for the technical mishap at the start, but hopefully you still got the questions that you wanted answered done. And as always, of course, please feel free to contact our IR department if any more questions. Thanks again, everybody. Take care.

(END OF TRANSCRIPT)