



Pre-close call Q1 2025

4 April 2025

Danske Bank – Investor Relations

SCRIPT - Q1-2025 PRE-CLOSE CALL, 4TH APRIL 2025

Claus I. Jensen – Danske Bank – Head of IR

Intro

Good afternoon and welcome to the Danske Bank Q1 2025 pre-close call. My name is Claus Ingar Jensen, and I am Head of Investor Relations. With me, I have Nicolai Tvernø, Olav Jørgensen and Lewis West 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. I will go through the relevant P&L lines and comment on capital at the end. Afterwards, we will open 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 information, unless otherwise noted. Connected to this, I wish to highlight 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 published in early March.

During the first quarter of the year, we have continued to see declining inflation across the Nordics, and GDP growth has improved further along with a robust development in the labour markets, with increasing level of employment and real-wage growth supporting households.

Specifically in Denmark, the macro-economic indicators look particularly strong, and while our growth outlook for 2025 of almost 4% is clearly supported by the strong performance of the pharmaceutical sector, it is also broad-based as many sectors are supported by increased economic activity.

Despite this positive macro-economic development and outlook, geopolitical uncertainty has clearly increased in Q1, especially regarding the impact on global trade and security policies, which significantly affects consumer sentiment. All else equal, this has led higher savings rates and modest credit demand according to latest statistics. Nevertheless, consumer spending continues to hold up well.

When looking at the housing market, we also observe a moderate positive trend in activity and the lower interest rates along with a relatively modest supply of homes for sale should support house price development throughout the year.

Corporate sentiment and activity have remained encouraging, despite tariff concerns and geopolitical uncertainty, with the significant fiscal stimulus package implemented in Germany playing a positive role. While this is not a near-term catalyst, the Danish economy is naturally interlinked with the increased investments from Germany, one of our closest trading partners.

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

Net interest income

Let me start off by highlighting the relevant changes to the central bank policy rates. Following the two cuts in Q424 which will have full quarter impact in Q1, we have seen two additional rate cuts of 0.25% by the ECB which were followed by the Danish Central Bank in the first quarter. Subsequent to the cuts that occurred in January and March, we have made selective changes to our customer rates. Most notably was the recent change in retail transaction accounts in Denmark which was reduced by 15bps to 0.10% for deposits up to 25,000 Danish. However, this will not come into effect until early May. Rates on savings products have generally reflected the full policy rate cuts. Similarly, we have selectively adjusted relevant lending rates to various degrees on front and back-book.

In Sweden, Riksbanken decided to reduce its policy rate by 25bps in January but kept the rate at 2.25% at its March meeting. As a response, we adjusted rates on certain savings products as well as

on lending products. Transaction account rates, however, had already been lowered to 0% as a response to the lower policy rates last year.

Rates on business customer products have in general been lowered in tandem with central bank rate cuts with varying effective dates.

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

In terms of lending volumes, we note that overall credit demand has modestly improved, though we still observe a cautious approach in both the housing market and corporate investment appetite.

In terms of deposits, we note that the savings rate among Danish households has remained elevated, while corporate deposits can be more volatile in Q1 due to tax and dividend payments.

Please note that Q1 has two fewer interest days than Q4, and the day effect is estimated to be around DKK 75 million.

As always, please be mindful of currency fluctuations in the markets where we operate. GBP depreciated around 1% in the first quarter, while NOK and SEK appreciated almost 4% and 6% respectively against DKK.

Looking at funding costs, we note that CIBOR, STIBOR and NIBOR have decreased during the quarter with CIBOR lower by 42bps, STIBOR lower by 39bps and NIBOR lower by around 15 bps, all based on quarterly averages.

In terms of wholesale funding, we have issued around DKK 20 billion during the first quarter, and we are progressing well according to our FY funding plan of DKK 70 - 90bn of debt issuance across instruments. The amount issued compares to the around DKK 18bn of matured or redeemed funding during the first quarter.

Most notable issue, was our 500 million dollar AT1 transaction launched on February 12th. It was well received by investors, highlighted by the final order book being more than 8x oversubscribed. The AT1 has a coupon of 7%, equivalent to a spread in Euribor terms of 3M EUR + 287bps.

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

With respect to our NII sensitivity, we note that structural hedge continue to have impact. We also reiterate our sensitivity guidance of approximately DKK 500 million per 25 bps parallel move across all currencies and on average over the next 100 bps within a 12-month period. With an additional year 2 and 3 effect of DKK 300m and 200m respectively, related to our structural hedge. 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.

Looking at investment fees, these are naturally impacted by the development in assets under management as well as the investment activity among our customers. As fixed income indices and equity markets in general have been impacted by ongoing uncertainties, for example evident by BBG Global bond index being lower by around 1 %-point and the Danish OMX - C25 equity index being down around 7% , this will likely affect our level of AuM.

Please also recall the seasonality around our performance fee booking in Q4, which benefitted by around DKK 0.7bn. For reference Q1 performance fees in 2024 amounted to 10 million.

Turning to activity driven fees, according to the latest consumer spending monitor from Danske Bank Research, we continue to see an increase in spending even compared to the same period last year, which included one extra day. Consumer sentiment in Denmark, as measured by Statistics Denmark, however, remains negative. Corporate activity also remains encouraging, including customer demand for FX risk management solutions as we also observed in Q4.

Turning to fees from our lending activities, we note that we have seen some positive signs in the Danish housing market when it comes to higher prices and outlook for further increases, and we have also noted gradual improvement in number of transactions. Furthermore, we note that Q1, like Q4, includes refinancing auctions for variable rate mortgages. For reference, Q1 24 income amounted to

approximately DKK 100 million, slightly lower than the level observed last quarter. In addition, we can add that remortgaging activity has remained low in the first quarter.

And finally, with respect to capital markets activity, DCM has seen a continuation of the strong customer activity from last year, while similarly primary equity capital markets and M&A activity remain modest.

Trading income

Now turning our focus to trading income.

Market sentiment have been impacted in the first quarter with elevated volatility on the back of material headline risks related to tariffs and geopolitics in general. Looking at the development in the fixed income markets in Q1, we have seen elevated volatility in spreads and yields driven by higher expected issuance in mainly EUR sovereigns due to higher defence spending the coming years.

Overall, we have observed more defensive market behaviour with a cautious approach, as mentioned before in our comments for fee income. All else equal this could impact customer activity.

Danica

Please be aware that Danica's results are always subject to developments in the financial markets. For Q1 we expect an additional one-off impact on the net income from insurance activities of around DKK 0.2bn, related to a higher provision for a legacy life insurance product.

The soft guidance for normalised net income from insurance business remain unchanged.

Other income

Please recall that Other Income recognised in the fourth quarter included a positive one-off of around 180 million related to the sale of Danske Invest Funds in Norway.

During the past year other income has been affected by low value of assets available for resale in our leasing business. With further reduction of EV prices, we expect asset values to continue the declining trend and thus lead to a lower run rate for other income going forward.

Costs

We have no specific comments regarding the quarterly development in costs. We reiterate our outlook for FY expenses of up to DKK 26bn.

Impairments and credit quality

We have no specific comments in respect to the first quarter other than to note that the solid macroeconomic environment continues to support credit quality and no single-name exposure related to renewables or other industries have led to a revision of our impairment guidance of around DKK 1 bn.

Tax

We do not have any comments with respect to tax.

One-offs

There are no new one-off items expected for Q1, other than what I referred to related to Danica.

Capital

On Capital, and as highlighted with the release of our Q4 results, the full dividend distribution approved at the AGM as well as the share buy-back program of DKK 5 billion that is underway, has been fully reflected in the reported CET1 ratio.

You will however see the reduction in our share count reflected in our Q1 report, which reflects the completion of last years' share buyback program. Please refer to company announcement no. 5 from February 3rd where you will see that slightly more than 27 million shares were bought back.

Finally, please note that as communicated previously we have front-loaded the expected Basel IV impact from January 2025 with an additional DKK 20 billion increase in REA in the second quarter last year, and as such we do not expect any significant regulatory impact in Q1.

On Market risk REA we note that it remains subject to market volatility.

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 11th of April. We will shortly start to collect consensus estimates with a contribution deadline on April 11th as well.

Please note that we will publish our Q1 2025 results on the 2nd of May 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.