Conference call

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Investor Relations

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SPEECH

Claus Ingar Jensen – Head of Investor Relations

Welcome to the conference call for Danske Bank's financial results for the first quarter of 2025. 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 new CFO, Cecile Hillary.
We aim to keep this presentation to around 20 minutes, and after the presentation we will open for a Q&A session as usual. Afterwards, feel free to contact the Investor Relations Department if you have any more questions.
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I will now hand over to Carsten.

Slide 1, please.

Carsten Rasch Egeriis – CEO

Thanks Claus, and I would also like to welcome you to our conference call for the first quarter of 2025.

Despite the fact that the past month has seen increased uncertainty regarding the global economic outlook, the first quarter has been solid.

With a net profit of 5.8 billion, equivalent to a return on shareholders' equity of 13.3 per cent, we have had a good start to the year.

The macroeconomic backdrop in Q1 was strong, primarily in Denmark, where GDP growth reached 3.7 per cent in 2024 and the economy has continued along the same path in the first quarter.

When comparing to the first quarter of last year, the result came in 2 per cent higher, mainly due to an uplift in fee income where we continue to benefit from expanding our customer interactions. Overall, total income reflects strong customer activity particularly for our corporate customers.

Operating expenses were stable on the back of prudent cost management and improved efficiency, and our cost/income ratio was in line with our target level of 45%.

Compared to the previous quarter, the result for core income was in line with our outlook of slightly lower income from the expected decline in market rates. The lower fee income was driven by the usual seasonality for primarily investment and capital markets related fees whereas the underlying trend derived from customer activity continued to add momentum.

Credit quality continued to be strong and supported by favourable macroeconomic conditions. Loan impairment charges in the first quarter were maintained at a low level and below our outlook for the full year. For the first quarter, it reflects only a few cases with actual credit deterioration and no impact from model-driven charges.

As such, we maintain our outlook for the full year.

Before I continue with the performance of our business units, I would like to add some comment on the situation around the growing tensions affecting global trade relations and how we are positioned to address the situation and to support our customers.

Slide 2, please.

There is no doubt that the geopolitical environment has become more complex since the beginning of April and the situation around tariffs has affected consumer and business sentiment.

We are looking into a rapidly changing geopolitical agenda but based on what we currently know about the magnitude of a global trade war, we estimate a limited direct effect on the Danish and Nordic economies.

I would like to update you on three important take-aways for Danske Bank.

Firstly, the current macroeconomic backdrop is strong. This is the case for all our markets in the Nordic region and for Denmark in particular. If we apply the impact from a potentially prolonged trade war to our recent economic outlook, we have a solid starting point to weather any potential slowdown.

Secondly, as it will appear from today's financial report, the credit quality of our loan portfolio continues to be strong, based on a very diversified credit exposure with limited direct exposure to tariffs. We also maintain a strong level of PMAs and have prudent macroeconomic scenarios in place. In addition, our strong capital and liquidity positions add to the picture of a very robust balance sheet.

Thirdly, as part of our prudent risk management, we have launched several actions across the bank to monitor and assess the situation, and to identify corporate customers most vulnerable in the current situation. These actions are comparable to the initiatives taken during the Covid pandemic and in relation to the invasion of Ukraine.

I strongly believe this forms a strong background for us to manage a potential slowdown in growth and to support our customers in challenging times.

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

Slide 3, please.

In Business Customers, the financial performance reflected solid growth in lending in the context of an expanding customer base. Total income increased 1 per cent year-over-year and 7 per cent quarter-over-quarter, with an uplift across each of our core income lines.

Net interest income increased 3 per cent year-over-year, driven by growth in lending as well as continued expansion of our customer base in the mid-sized segment and subsidiaries of multi-national corporates. We also saw an uplift in fee income year-over-year across our markets, supported by sustained customer activity and our subscription-based service-model.

Return on allocated capital now exceeds our 2026 target of 21 per cent. The Cost/Income ratio likewise continues to be ahead of our 2026 goal, based on prudent cost management while we continue to invest in and build our business.

Lending grew 3 per cent year-over-year, driven by activities across all our Nordic markets, while deposits declined by 3 per cent due primarily to build-up ahead of a larger bond repayment. We continue to execute on our strategy, and in Q1, we made further improvements to our digital offerings and launched upskilling programmes in sales and advisory services to enhance our advisers' ability to support customers efficiently across the region.

Slide 5 please.

In the first quarter of 2025, LC&I continued the strong performance that we saw in 2024. Total income was up 13 per cent year-on-year driven by solid customer activity and higher volumes, and contributed to a return on allocated capital of 23 per cent. It was also satisfactory that lending volumes grew 6 per cent year-on-year, supported by activities in Sweden and Norway, as we continue to execute our strategy to grow the franchise outside our home market in Denmark.

We typically see some seasonality in the first quarter across our wholesale offering, and this was also the case in the first quarter of 2025, with total income 13 per cent lower than in the fourth quarter last year given lower capital markets activity and after record-high performance fees of 0.7 billion in Q4.

Fee income came in 16 per cent higher in the first quarter of 2025 compared to the same period last year, driven by solid customer activity. Notably, in DCM, some of the largest corporate issuers in the Nordics trusted us with significant capital markets transactions. Also, our leading cash management offering continued to increase our market share in the first quarter of 2025, adding eight new house bank mandates. Lastly, total Assets under Management grew 7 per cent year-on-year driven not only by higher asset prices but also by robust net sales.

Net trading income increased more than 50 per cent relative to the level in the preceding quarter, driven by customer activity in fixed income and FX. But was 6 per cent lower year-on-year, due to adjustments of the methodology for calculating the fair value of the derivatives portfolio.

With that, let me hand over to Cecile for a walkthrough of our Group financial results.

Slide 6 please

Cecile Hillary, CFO

Thank you, Carsten.

As Carsten just mentioned, we saw a solid financial performance in Q1. Net profit for the Group was up 2 per cent year-on-year, with a decline of 4 per cent quarter-on-quarter due mainly to seasonality effects relating to fee income.

Total income for the first quarter came in at 13.9 billion, in line with the result from last year and represents further good progress towards our financial ambitions for 2025 and 2026. In Q1, total income decreased 4 per cent relative to the preceding quarter as a result of slightly lower NII and lower fee income due to seasonality effects primarily for investment and capital markets activities.

Net trading income increased in Q1, due mainly to seasonally higher customer activity, whereas income from insurance activities saw a negative impact from a provision of 0.2 billion related to a legacy pension plan. Excluding this one-off, insurance income was in line with expectations, and claims in the Health & Accident business were in line with the level a year ago.

At 6.3 billion, operating expenses were 1 per cent lower compared to the same period last year and 6 per cent lower than the preceding quarter due to year-end seasonality.

And finally, due to continually strong credit quality, loan impairment charges were maintained at a low level with a minor charge of 50 million in the first quarter.

Slide 7, please.

Let us take a closer look at the key income lines, starting with net interest income.

Overall, NII remained stable despite the impact on deposit margins from lower rates, fewer days and the remaining impact from PC Norway.

When comparing net interest income not only with the same period last year but also with the preceding quarter, NII has benefited from improved lending margins based on lower funding costs and from a continually positive development in volumes. This is particularly evident on the corporate side. In addition, our deposit hedge has mitigated the impact from rate cuts on deposit margins, and the lower return on shareholders' equity.

With respect to NII expectations for the full year, I would like to stress that they are based on the current rate environment, with forward rates as of the end of April and subject to balance sheet development. As such, we reiterate our expectation of NII of above 35 billion in 2025.

Now, let us turn to fee income.

Slide 8, please

Fee income continued the positive trajectory we have seen in previous quarters. Compared to the level in the same period last year, fee income rose 8 per cent, driven by all categories of fee income.

As I mentioned in my comments on the income statement, seasonality effects for primarily investment and capital market activities have an impact when we compare Q1 with the preceding quarter.

Fee income from everyday banking activities increased by 7 per cent year-over-year and by 8 per cent compared to Q4, as we continue to expand business relations with our customers.

Fee income related to lending activities was stable relative to the level last year as higher contribution from strong corporate lending activity was offset by lower retail lending activity. The quarterly development was impacted by lower contribution from refinancing auctions in Q1.

The continued customer activity was also clearly visible in fee income generated from our capital market activities which was up 32 per cent from the level last year. The decline from the preceding quarter was mainly due to lower ECM and M&A activity. However, strong DCM primary market activity, was able to offset much of the quarterly effect.

And finally, investment fees, where we saw an increase of 7 per cent year-over-year, based on a good trend in our Asset Management business and on continually strong strategy execution in our Private banking activities.
When comparing to the previous quarter, please be mindful of the annual performance fee income in Q4 which amounted to 0.7 billion. Assets under management in Q1 were slightly down however, partly mitigated by positive net sales within the retail as well as the private banking segment.

Slide 9, please.

Next, let us look at net trading income.

Overall, trading income added positively to the result both year-over-year as well as quarter-over-quarter with an increase of 15 and 58 per cent, respectively.

The increase was driven by LC&I with higher customer activity in the secondary fixed income market, offset by xVA valuation adjustments.

There was a further uplift in Group Functions due to a negative market value adjustment in the first quarter of last year.

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

Slide 10, please.

Looking at the cost development for the first quarter, I am pleased to report that our focus on cost management and improved efficiency continues to yield results.

The trajectory for operating expenses is progressing according to our full-year guidance of up to 26 billion and the cost/income ratio at 45.2 per cent is in line with our 2026 target.

Compared to the level in the first quarter of last year, costs were down 1 per cent as structural cost takeouts mitigated the impact from wage inflation, performance-based compensation and the planned investment ramp-up.

Relative to the preceding quarter, costs were down by 6 per cent. However, please bear in mind the seasonality we have for higher costs in the last quarter of the year.

Slide 11, please.

Let us look at our strong asset quality and the trend in impairments.

Our well-diversified and low-risk credit portfolio continued to perform well, with a benign macroeconomic environment including healthy and steadily improving household finances. Impairments in Q1 amounted to just 50 million as actual single-name credit deterioration and stage migration were negligible.

Increasing geopolitical and economic risks from tariffs do have an impact on consumer and business sentiment in the context of the Nordic economies. So far, the outlook remains benign across our markets and especially in Denmark. But we have maintained our prudent approach with a severe and prolonged downturn scenario that includes a decline of around 40 per cent in property prices.

In addition, we have kept our significant PMA buffer and repurposed part of the allocation from commercial real estate and construction towards Global tensions.
As tail risks related to Commercial Real Estate ease, this reallocation mitigates the potential impact of tariffs and trade uncertainties.

We will continue to review our macroeconomic scenarios in conjunction with the PMA buffer but given the current state of our strong asset quality, we remain comfortable with the full year guidance for impairment charges.

Slide 12, please.

Our capital position remained strong and was further supported by another quarter of healthy capital generation post dividend accrual. At the end of Q1, the reported CET1 ratio increased to 18.4 per cent, up from 17.8 per cent in Q4.

A reduction in Risk Exposure Amount in Q1 also contributed to the positive development in the CET1 capital ratio. Our prudent front-loading of CRR3, in Q2 2024, was more than sufficient to mitigate the implementation that took effect on January 1st. Operational risk REA ended up being lower than initially anticipated due to improved data quality and governance. Credit risk REA also benefited as other mitigating actions decreased the effect of implementing CRR3. This countered otherwise higher credit volumes. Accordingly, we have released the CRR3 buffer.

We continue to operate with a healthy CET1 buffer versus the regulatory requirement, as we steadily progress towards our stated capital target of a CET 1 ratio above 16 per cent.

The ongoing share buy-back programme we announced in February is being executed and will continue to provide support throughout the year.

Now let us turn to the final slide and our financial outlook for 2025.

Slide 13, please

As previously mentioned, we reiterate our outlook for net profit to be in the range of 21 to 23 billion with no changes to individual lines.

And finally, our financial targets for 2026 also remain unchanged, subject to our current economic and market expectations.

Slide 13, please and back to Claus.

Claus Ingar Jensen – Head of Investor Relations

Thank you, Cecile. 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 e-mail. A transcript of this conference call will be added to our website within the next few days.
Operator, we are ready for the Q&A session.

Q&A

Gulnara Saitkulova (Morgan Stanley): Hi, this is Gulnara. Thanks for taking my questions. First question on the end of the probation period. Now you are approaching the end of this three-year probation period with the US Department of Justice. Can you clarify whether this unlocks any strategic operational flexibility for you? How should we think about the potential uses of the excess capital that will free up at the end of the probation? Would you prefer to top up shareholder return, support loan growth or new product rollout and thus, the end of the probation period could potentially open the door for the M&A opportunities?
And the second question on the market share in Denmark. You previously acknowledged market share losses during the AML crisis period. What exact initiatives are you implementing to win back lost customers, and how are you measuring success of those efforts? And what type of annual growth would you target for the coming years? Thank you.

Carsten Egeriis: Thanks, Gulnara. Morning. Let me take those questions.

Let me start by the end of the probation period question, which, as you state, ends at the end of this year. And as I have also previously said, we will look at excess capital as we go into 2026. I think all the options that you mentioned are options.

We would clearly like to grow our business even further. So that is certainly first priority is to grow our business and to continue to make improvements on profitability and the returns we are making. I think that is a strong return for investors on that capital to continue to invest capital at the improvement rates of return that we are seeing.

However, we are also open to looking at, as I have previously said, inorganic opportunities in the Nordics within our focus segments and within the strategy that we have set. And then, of course, there is also an option to look at capital distribution. And we will continue to look at all those options. And this is something that we will continually update on as we get into 2026.

In terms of the market shares in Denmark and initiatives to win back market share, you know, that is at the very heart of our strategy. We said that we had a strategy to really grow market share, both to be a leading bank for large corporate institutions in the Nordics. And there we have a strong position in Denmark. And we continue to see good progress there to gain market share in Business Customers, particularly with focus on customers with more complex needs. And there in Denmark, we continue to see that we are doing more business with our business focus customers. And that is also what you see when you look at the improvements that we are seeing in the fee line.

And then in Personal Customers, which is perhaps where the loss in market share has been most pronounced, there we are seeing improvement. For example, we have seen improvements in market share on the investment side. This is a very important area for us. And it goes to show that we are also taking market share and increasing net customer flows in private banking and also in our focus customer segments within personal banking. And that linked with the increasing market shares and investments and also in bank lending is pleasing.

At the same time, we would like to see more progress, for example, in market shares in the more traditional mortgage product area, like in Denmark. And then we have a large number of initiatives focused on that, both from an advisory technology, but also a product positioning perspective.

Gulnara Saitkulova: Thank you.

Sofie Peterzéns (JP Morgan): Yes, hi. Thanks a lot for taking my questions. My first question would be that if we had not had the uncertainty of all the trade wars, would you have considered upgrading any of your 2025 guidance line?

For example, if I look at the loan impairment charges of DKK 1 billion versus just DKK 50 million in the first quarter and Danske having close to DKK 6 billion of overlay provisions, it just seems like it is quite conservative. So would there have been any upgraded guidance if there had not been any trade wars, would be my first question.

And then my second question is on net interest income. It was very helpful that you said NII would be over DKK 35 billion in 2025. However, how should we think about NII on a quarterly basis? When do you expect net interest income to trough on a quarter-on-quarter basis? And also, when we look at the NII performance in some of the business areas like business banking or SDI, it was up a lot quarter-on-quarter, but Group functions was quite negative, down DKK 300 billion or around DKK 300 billion. So how should we think about the kind of progression in the operational areas and Group functions both in 2025 and on a quarter-on-quarter basis? Thank you.

Carsten Egeriis: Thanks. Thanks, Sophie. I think, look, way too early first quarter to talk too much about what will happen for the rest of the year.

And your question around if the uncertainty around trade wars had not happened, what would then have happened? I think very difficult to say. I think in general, we have a solid asset quality. We guided to around DKK 1 billion of impairment. We hold that guidance. However, you know, I would say there was still uncertainty even before the uncertainty around trade wars and Liberation Day. I mean, those uncertainties were also included when we talked to you all when we did our year-end results and guided for the year.

On NII, I think we said previously that we would sort of peak at well, first we said Q3, then we said Q4. However, I think we got it roughly, roughly right. And we have been able to guide roughly well on NII. I think, quarter-on-quarter, if you look back over the last couple of years, you now see NII coming down somewhat, but clearly in a way where both our hedge, our deposit hedge, but also volumes activity is offsetting lower rates.

In terms of the sort of business unit versus Group functions, you should note that there are some dynamics both around the positives from the deposit hedge, but also the margin compression coming from the shareholders' equity, which clearly comes down as rates come down, and then the allocation of that into the business units.
So I think in general, you should think about NII as coming down somewhat steadily quarter-on-quarter, but offset by volumes activity and the hedge. And that is also, again, why we feel comfortable with the above DKK 35 billion.

Cecile, you want to add?

Cecile Hillary: Just on the staff functions, indeed, I mean, there is nothing there to be read. I mean, what we do each quarter is obviously focus on allocating, as Carsten has mentioned, the NII and all the drivers of the NII, including the deposit hedge, etc., to the business units. So that can create, obviously, some changes at the central level.

However, other than that, it is what you would typically expect. Sometimes we have got some movement due to, for instance, market value of FX swaps, but only the usual. So there is nothing to be read there.

Sofie Peterzéns: Okay. And sorry, the NII drop will be in the third quarter or fourth quarter, it appears.

Carsten Egeriis: Well, I mean, you already see NII coming down somewhat, right, from last quarter, although it is fairly flat. And as I said, you would sort of see a slight decrease, which, I think, is also in line with the above DKK35 that we are giving. So I think it is a gradual kind of slight reduction. Obviously, there can be changes quarter-on-quarter and lending activity and the like.

Sofie Peterzéns: Thank you. That is very helpful.

Namita Samtani (Barclays): Good morning, and thanks for taking my questions. Firstly, just on capital return, is it still only around 100% of earnings payout possible per year? I just wonder, because you have got tonnes of capital now, CRR3 is a tailwind. You could even get a reversal of commercial real estate buffer, plus a couple of add-ons in your CET1 requirement. So I am trying to ask, can you do above 100% payout? And secondly, the DKK 35 billion NII guidance, what assumption is that based on terminal rates and loan growth? Thank you.

Carsten Egeriis: Thanks, Namita. On capital returns, look, as we also showed last year, yes, you can pay above 100% theoretically. Last year, it was due to the sale of PC Norway.

And I think the primary question both for us and our regulator is, that we have a strong capital base that can withstand severe stress. So really, the discussions with regulators is around stress testing and ensuring the capital is robust under severe stresses, both Danish FSA stresses and EBA stresses and so forth. So there is no hard and fast rule around that. And I think, as I said previously, we will continually look at our capital position, our buffers, and what the options are for excess capital, but with a primary focus on organic growth.

On the assumptions that go into the DKK 35 billion, above DKK 35 billion NII, I would say it continues to be the same assumptions and the same way that we have guided the market is that we look at latest market implied rates. And then we look at the dynamics of our balance sheet and the growth, as well as the balance sheet effects and the hedges.

So we have not changed anything in the way we are guiding. And as I said, I think we have been fairly good at understanding sort of the dynamics of the balance sheet and how that linked through to NII over the last many quarters. And we continue to, under the current environment and market implied rates, comfortable with this guidance.

Cecile Hillary: And just to give a few more details there as well, and obviously, you have got our NII sensitivity, around DKK 500 million for the first year, DKK 300 and DKK 200 million, respectively, for year two and three, based on 25 basis points parallel shift. However, obviously, and as we have seen, clearly, the first quarter, the rates are coming down, it has not been a parallel shift. Obviously, there has been actually some steepening.

So all of this matters, particularly as we have obviously a deposit hedge, the shape of the curve also matters. However, obviously looking forward again, we are basing our guidance on the current market implied rates and the other assumptions on volumes that Carsten mentioned.

Namita Samtani: That is very helpful. Thanks very much.

Johannes Thormann: Morning, everybody. Johannes from HSBC. Some questions on my side as well, please.

So first of all, your cost mix changed a bit over the last years. Now, seeing continued increase in IT costs and then other costs going down, especially due to regulated costs coming down this quarter. Is this something we should factor in also for the next years?

And then the second technical question, just on the tax rate for the full year in the future, what is your best guess for that level?
And last but not least, a most strategic one, your insurance business delivered several disappointments, partly due to legacy cases in the last years and quarters. What is the benefit of keeping this business instead of selling it to a partner and distributing his products? Thank you.

Carsten Egeriis: Thanks, Johannes. Let me take the last question, and I will hand over to Cecile for the cost and the tax question.
Look, first of all, we agree that there have been a number of negative one-offs over the last quarters in our insurance business, mostly led and driven by the unfortunate trend in society around more illness, which has increased provisions for the health and accident insurance. And we are working hard to get that back to breakeven. However, clearly, there is timing differences between repricing those contracts and the provisions.

However, strategically, we like the business. It is a very important product for our customers. And actually, if you look at the underlying results of Danica, the increase in premiums, the increase in customers, our ability to do more between the Danske Bank Group and Danica, we see this as a significant opportunity.

We see good progress on that. And we believe that as that business transitions more from the guaranteed insurance products, where clearly there is market risk and larger capital implications to more unit-linked type of insurance products, this will be a business that can accrete to the overall Group returns and, again, be an important part of the product set that we have for our customers.
Cecile, you want to take costs and tax?

Cecile Hillary: Let me take costs first. So costs, obviously, we are at DKK 6.3 billion, down year-on-year and quarter and quarter. And in fact, if I think about the components within costs, I think about three different parts.

The first one is the sort of "run the bank". The second part is everything to do with investments, indeed, digital and non-digital, including obviously the IT costs that you mentioned. And the third is around our financial crime and resolution type costs.

And if I look at the way that each of these components has evolved, they have evolved according to our expectations. In terms of "run the bank", clearly, we are facing, like everyone else, the pressure on the wage side, in particular, and some compensation. However, these are mitigated through our actions. And that is exactly as we expected it.
If I think about our digital and non-digital investments, they are also progressing according to what we announced in the context of the Forward '28 strategy in 2023, with investments of about DKK 3 billion a year, rising to DKK 4 billion a year. And we are in that higher category now, which is exactly again, as we expected.

When it comes to the financial crime and legacy costs, there clearly they continue to come down. And they come down, again, as far as certainly financial crime costs, according to our expectations. We have got a targeted cost at the end of this year of about DKK 1.7 billion, and we are expecting to get there. And just to remind you that this came down from DKK 2.3 billion a year in 2023. So all of this is progressing and, obviously, that has allowed us to reiterate our guidance of DKK 26 billion at the end of the year, and we are on track there. And obviously, you know our cost to income ratio guidance of 45% in 2026, as well, which we are guiding towards. So that is on the cost side.

Just to take also briefly, obviously, your tax question, I will refer you to our investor presentation on page 59, with the effective and effective tax rates prior to year-end adjustments of just above 25%.

Johannes Thormann: Okay, thank you.

Shrey Srivastava (Citigroup): Hi, and thank you very much for taking my questions. My first is that in light of the better reassessing today from the CRR3 reversal, does your guidance for 1% impact from regulation from 2022 to 2026 still hold?

Carsten Egeriis: Yes, thanks for that question. I think roughly speaking, that still holds, we are not going to change that. There may still be small adjustments here or there. However, I think we should assume that that is broadly in line.

Shrey Srivastava: Understood. Thank you. And my second question is actually on Personal Customer Sweden.
If you look within Personal Customers, the Swedish business actually seems like a relative bright spot. And I would like to ask what are the exact sort of initiatives that are seeming to sort of start to bear fruits in this business? Thanks.

Carsten Egeriis: Your question is on Personal Customer Sweden. Is that right?
Shrey Srivastava: Yes. Yes.

Carsten Egeriis: No, look, I mean, we as part of our strategy, we set out to reposition Personal Customer Sweden to be more focused on the mass affluent segment, particularly focused on doing more business with our partners there. Because a lot of the businesses is originated through third-party partners, as well as looking to do more business between our PC and our BC business in Sweden.

So, a slightly more focused, differentiated business than the strategy that we previously had, which was more, let us say, a mass market personal business. The focus is on driving profitability back towards a place where we are accreting and adding value to overall returns. And this will be done through increasing share wallet within that customer base. And of course, also acquiring new customers, again, within those focus segments.

I would say it is still early days, but we do see some green shoots, and we will continually update that. However, as I said, also during the strategy presentation, it will take a couple of years to get that business, let us say, on track in terms of what we would like it to be. And we continue working on that.

Shrey Srivastava: Understood. Thank you very much.

Jan Erik Gjerland (ABG Sundal Collier): Thank you for taking my questions as well. I have a follow-up on the hedges. It looks like the hedge has increased from DKK 636 million to DKK 767 million this quarter.

Is this a predictor where we should think about it increasing in size, although not fully mitigating the positive margin loss this quarter, mainly because of the larger drop we have seen in the interest rates? How are you on this DKK 150 billion investment? Is this the full return, or is it more to come when it comes to an increase or a further decrease going forward?

Secondly, on your bank lending, it seems like you are moving upwards very positively. Could you shed some more light into what kind of categories or industries you are seeing this sort of good benefit?

And finally, on the cost side, the long-term financial crime cost, how large should it really be down the line, you think, versus the DKK 1.7 billion you mentioned towards the end of this year? Thank you.

Carsten Egeriis: Thanks a lot. On the hedges, I think you should think about the DKK 150 billion as roughly the size of the hedge. It can vary a little bit quarter-on-quarter.

And this is, again, because we are, of course, managing the triangulation, if you will, between the size of the hedge and the associated capital volatility and what requirements there are around interest rate risk in the banking book from a regulatory perspective. We feel DKK 150 billion thereabouts is the right hedge size and provides us with the sort of earnings hedging that we would like. And you could say that there is some more yield pickup in that portfolio, which is also why we feel comfortable with how we think about the NII offsets as rates come down and the offsets on the hedge as we look over coming quarters, as mentioned before.

Bank lending, look, it is broad-based and what we are seeing and what is also part of our strategy is to grow in the business focus segments and Business Customers. And there we have seen growth broad-based, and we also see ourselves growing well outside of Denmark, which has been an important focus for us.

Same goes on the LC&I side, where you have seen pretty strong year-on-year growth. And again, I would say it is broad-based. However, as I also mentioned in the speech, particularly outside of Denmark and Sweden being an important market for us where, again, we have increased growth in terms of cash management mandates, which has also, in many cases yielded bank lending opportunities as well.
So broad-based both in terms of geography within the Nordics in line with our strategy, but also sort of sector and segment-wise, there is no sort of particular sector, as I would call out.

And then just lastly, on the cost side, you ask on the financial crime costs. Look, there is some further opportunity as we look into 2026 and 2027. However, I think about those opportunities as being more sort of now going into more business as usual opportunities to look at how we can leverage technology, how we can leverage various different productivity-related opportunities. And we are focused on that, not just in financial crime, but across the business.

Jan Erik Gjerland: Okay, just one follow up on the DKK 150 billion, you said that the running yield is still picking up. For how long do you think it will continue to move upwards when it comes to this versus your reinvestment into the bonds?

Carsten Egeriis: Yes, I mean, you should think about it that there are some opportunities over the coming quarters, but we are not going to put a quarter to it.

Jan Erik Gjerland: Okay.

Cecile Hillary: Sorry, just to add to the deposit hedge, obviously, think about it in terms of it is we are obviously investing, and there is a rollover in bonds. We have got slightly above three-year average life. So that is how you should think about it.

However, obviously, it is not a mechanical just sort of three-year bond reinvestment. I mean, we have got some shorter bonds, some slightly longer bonds. So in a nutshell, it will continue to increase and pick up throughout this year and next year and beyond. However, it is not linear.

Jan Erik Gjerland: Okay. And on the bank lending, have you seen any changes in the customer behaviour or interest in doing bank lending with you after the start of the turmoil and the tariff trade situation?

Carsten Egeriis: Look, I think in general, we still see pretty good activity and reasonable pipeline. So I think on the bank lending side, still sort of cautiously optimistic that as inflation normalises and interest rates come down in the Nordics and with various different things happening around needing to invest in supply chains and production and also spending in infrastructure, defence, green transition and so forth, we still remain cautiously optimistic. And that is also what we see from our clients.

However, there are clearly some sectors and some customers that are harder hit than others from the uncertainties. You also see that, I think, just in the recent week with some downgrades on guidance from certain companies that are particularly hit with the trade uncertainty. So I would say across sectors and broad-base, still optimistic around activity, but certainly some customers and sectors hit harder than others.

Jan Erik Gjerland: Thanks for your comments. Appreciate it.

Mathias Nielsen (Nordea): Thank you very much. Following on the last question from Jan Erik, maybe could you also say a bit about how it has started on the asset management side? What have you seen on this side in Q2 so far?

Obviously, the market development that we can figure out ourselves, but maybe also like what are the discussions with clients? Have you seen significant changes to your flows on that part?

And then the second question. We also see some of your peers now reversing some of those PMAs. And it seems like you are just moving around the different brackets. So you could either say in a positive way, you seem more cautious and conservative, while the others are more aggressive. And if you take the negative approach, you hold a lot of capital buffers that way around as well. What should we think about those PMAs? When should we think them to be released? It seems like it is just moving around the brackets instead of actually seeing any releases.

Carsten Egeriis: Yes. Thanks, Mathias. Let me take your last question first.

Look, I think we have shown over the last quarter is that, in fact, we will review our PMAs regularly. And we have, in fact, released some of our PMAs in the last few quarters. And I think I have been asked before also on these calls what is the right level or the normalised level perhaps is a better word on PMAs.

And what I have said is I think our PMAs are now at the higher end of what a normalised level of PMAs would be. However, I think that is expected given the large uncertainty that there is right now.
So we are prudent. We believe, yes, it is a reallocation this quarter. In other quarters, we have actually seen net releases of PMAs. We will continue to look at these. And for us, it puts us in a good position to continue having a lot of flexibility around how we manage the dynamics around the uncertainty and the credit book.

Then on asset management, no question that there has been a change in dynamics and flows in the first quarter and first four months of the year. We have seen our large institutional customers reallocate from the United States to Europe and other jurisdictions, more hedging of US dollar to diversify and de-risk. I would not say that there is a huge conviction around are there any particular geographies that are going to outperform. However, I think in general, there has been a view that we are probably too heavily allocated towards the US, and with kind of European equities perhaps being somewhat undervalued, but also with confidence that a normalisation of inflation, lower interest rates, more focus on competitiveness, more focus on growth, more government spending in Europe, I would say that is the kind of thinking that we are seeing from our clients. And that is why we are seeing some of this asset reallocation. Then there is also clearly some level of diversification and maybe being slightly more careful given the uncertainty around how this trade restructuring of global trade plays out.

Cecile Hillary: And maybe I would just add on the assets under management. Obviously, it is still early in the second quarter, but there is nothing that as far as fee income is concerned, the impact of AUM on fee income, there is nothing that we are seeing that shows a massive change from what we have seen in the first quarter.

Mathias Nielsen: Maybe a follow-up question on the flows changing a bit from where they are placed. Is there any difference in your margins across Europe versus US equities? And maybe also, do you see yourself having a competitive advantage on the European equities given being placed in Europe? The same actually could see a bit higher flows from the capital being reallocated towards Europe.

Carsten Egeriis: How I think about at least sort of currently is that clearly there is opportunity to advise our clients as repositioning happens and activity happens. So we can be there, we can give them advice, but also, given particularly the Nordic differentiation we can have around fixed income equities, but also our focus on sort of alternatives, there is an opportunity there. So I would more say broadly speaking, when there is repositioning and there is volatility with the sort of setup we have, the focus we have, the capabilities we have, we think there is opportunity.

I would not say that there was going to be a big change in sort of margins with this repositioning if you just look at Europe equities versus US equities, but where there is opportunity is more advising customers on more illiquid alternative asset sides where margins are typically higher.

Mathias Nielsen: Thanks a lot.

Martin Birk (SEB): Thank you so much. The first question is on mortgage margins, Danish mortgage margins. I see one of your competitors today is out lowering their front book mortgage margins and giving you a performance in RD over the past many quarters and many years. I wonder, why is not that you? That is my first question. Then my second question, just coming back to the talks with Axis Capital. I guess you have a lot of buffers these years that are moving around. Could you please give us an update on your commercial real estate buffer and the buffer that you hold for your maturity portfolio, and also the last remaining bit of your Pillar 2 add-on from the DKK 10 billion buffer that the FSA gave you years ago? Thanks.

Carsten Egeriis: Yes. Martin, thanks for those questions. So we are, and we actually have taken some actions on being more competitive on the RD side, particularly in where we think that we can really differentiate and which plays into our focus on customer segments with more heavy advisory needs.

So we have recently changed pricing on the below 60% interest-only product, which, again, we believe is a product that plays well into where we are focused. Obviously, I am not going to give any views on forward-pricing, but in general, we are just looking at, you know, where does it make sense for us to price more competitively, so we can capture a share while in the customer segments where we believe we can differentiate ourselves. So that is what I would say about mortgage pricing and what we have done so far.

On buffers, CRE buffer, clearly that is one that, as you know, there is a commitment to re-look at that from the Systemic Risk Council in Denmark. And we, of course, believe, not surprisingly, that that is a buffer that is not needed and particularly not with inflation and rates where they are now. So we continue to lobby for that buffer being removed, and we will see what the timing will be around that.

And then on the other kind of Pillar 2 add-ons, and you mentioned specifically some of the add-ons from Estonia, those are add-ons that we continually speak with the regulators about. And of course, there is an expectation that at some point in time those will be reduced. However, I think I have also said before that usually the time for those type of buffers to be released takes time because there is a lot of monitoring and control testing around ensuring that control processes are robust.

And you could also say that, given that we are still in the probation period, once we get out of that probation period, I think it is even more relevant that we continually look at those buffers.

Martin Birk: Okay, thanks. Just maybe a follow-up on mortgage pricing. Obviously, the initiatives that you have taken, but if you look at RD's performance over the past many years, it has just been steadily going down, measured on market share.

And if you look at what TK [TotalKredit] is offering, they are offering a pricing that is second to none. Now, I listen to you guys reiterate your NII guidance, and based on my numbers, it has never been cheaper in relative money to match TK pricing. Why is now not the right time to finally turn around RD and start to get some of those market share gains?

Carsten Egeriis: Again, we look at it both across bank lending and RD lending. Bank lending, we have taken market share. We are pleased with that product. It is a product that our clients have increasingly taken on. Margins are also solid there. Returns are acceptable.
And then, like I said, we will continue to look at RD, and we have repriced some products where we think it is relevant. However, we continue to look at our customers from an overall value proposition perspective, and will continue to do so. And we believe that we can continue to be competitive against Totalkredit.

Thank you very much, all for your interest in Danske Bank. Really appreciate the questions. And as always, please reach out to Claus and the team in Investor Relations if you have any other questions.

[END OF TRANSCRIPT]