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 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 CFO, Cecile Hillary.
We aim to keep this presentation to around 20 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.

Carsten Rasch Egeriis – CEO

Thanks Claus, and I would also like to welcome you to our conference call.

With a net profit of 11.2 billion, equivalent to a return on shareholders' equity of 13 per cent, our financial performance for the first half of the year was solid and met our expectations of delivering sustainable growth and income in line with our financial targets for 2026.

The macroeconomic backdrop in the first half year was strong, primarily in Denmark, measured by all key economic indicators and the outlook of +3 per cent GDP growth this year looks healthy. Despite the high level of geopolitical turmoil and low consumer sentiment, the resilient macroeconomy not only supported our everyday business with customers but also helped ensure continually high credit quality.

The result was based on continued growth across our business. Activity with our corporate customers in particular was high and led to an increase in lending, which was up by 5 per cent compared to last year. This supports our progress towards our financial targets for 2026. Deposits increased 3 per cent in the same period mainly in our large corporate and retail business. Seen in isolation, the second quarter, saw deposits in our retail business grow by 3 per cent reflecting consumer prudence in a time of market uncertainty.

The positive development in lending activities have led to an improved market share for corporate lending across all Nordic countries.

In addition, we executed on other parts of our Nordic growth strategy by expanding our cash management business for example. We have also continued to invest in technology, in line with our Forward'28 strategy.

The result was slightly lower relative to the same period of last year mainly due to a lower result in our insurance business and from loan impairment charges moving from net reversals to small charges. When adjusting for the income related to PC Norway, core income lines increased 1 per cent compared to last year, as they benefitted from volume growth and higher customer activity.

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

And then just a few comments when comparing to the preceding quarter. The result came in slightly lower, mainly due to an expected small increase in loan impairment charges. For the core income lines, NII benefited from strong volume trends within our corporate business and continued benefit from our structural hedge, whereas fee income was mainly impacted by reduced refinancing activity and increasingly cautious investment sentiment. I am pleased to see that towards the end of the quarter, investment activity was recovering.

Credit quality, as I just mentioned, continued to be strong and was supported by favourable macroeconomic conditions. For the first six months, charges of 0.3 billion remained below cycle and well inside our guidance for the full year of around 1 billion.

As such, we maintain our net profit outlook for the full year and our financial targets for 2026. As we have now reached the mid-point of our target period, we are planning to make an update on targets beyond 2026 in connection with our financial results for Q1 next year.

Slide 2, please.

In Personal Customers, the financial performance was supported by deposit growth and healthy customer activity. This was, however, offset by the impact from rate cuts on deposit margins and a decline in fee income caused by reduced investment appetite which reduced the intra-quarter fee contribution as well as seasonally lower refinancing fees at Realkredit Danmark.

We continue to see strong credit quality and prudent cost management, which supports our 2026 financial objectives, and we maintained Return on Allocated Capital in line with our 2026 targets.

In terms of lending, the development in home loans was generally stable, reflecting a somewhat subdued housing market when looking across the Nordics, which remain affected by low consumer sentiment. In Denmark house prices are rising and the market has begun to return to more normalised levels of activity. Total home loans in PC Denmark grew slightly, as our bank home loan product, Danske Bolig Fri grew another 10 per cent in Q2, mitigating a decline in lending volumes at Realkredit Danmark. The flexibility of our offerings continues to benefit our customers in the current environment, and we have continued to adapt our pricing and holistic advice to serve our customers' needs.

As part of our focus on market share at Realkredit Danmark, we have implemented various initiatives in the first half of the year to increase our competitiveness, including recent pricing adjustments and digital enhancements in our mobile banking app.

Finally, in addition to the 3 per cent overall deposit growth, our commercial traction within Private Banking was underpinned by higher net sales and inflow to investment products. This correspondingly drove AuM higher by quarter end. This again shows our ability to expand offerings and support customers' financial needs, regardless of the market environment.

Slide 3, please.

In Business Customers, the financial performance reflected the continued progress on our commercial priorities. In the first half, core banking income was up 2 per cent relative to the same period last year, supported by solid growth in lending on the basis of improved credit demand and our efforts to expand our customer base.

Looking at our commercial performance, we have managed to increase market shares across all four Nordic countries through the execution of our focused growth strategy. This was underpinned by growing lending volumes, up 1 per cent quarter-on-quarter and 4 per cent year-on-year, reflecting good traction across all our Nordic markets.

Total income quarter-on-quarter was impacted by the 4 rate cuts we have seen so far this year. Additionally, the timing of refinancing auctions impacted our fee income.

Even with this in mind, the Cost/Income ratio continues to be in line with our 2026 goal, based on prudent cost management while we continue to invest in and build our business, to continue to increase profitability towards the 2026 targets.

We remain focused on our strategy execution and business potential. 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 where complex solutions are in demand from our customers.

Slide 4 please.

In the first half of the year, our corporate and institutional franchise achieved a solid financial result from a stable development delivered in an uncertain geopolitical environment. Throughout a period characterised by volatility in the financial markets, we continued to provide balance sheet, market making and risk management solutions to our corporate and institutional customers. We continued to execute our strategy to be the leading Nordic wholesale bank, and we successfully attracted new corporate customers outside Denmark and improved our market position, for instance within cash management and primary debt markets.

Total income was up 8 per cent relative to the second quarter last year driven by solid customer activity, and this helped us generate a return on allocated capital ahead of our 2026 target. Our strong commercial momentum was also evident from our lending growth with volumes growing 10 per cent year-on-year and 6 per cent quarter-on-quarter as we participated in several landmark lending transactions. Alongside the positive development in volumes, the observed increase in market share for corporate lending volume adds to the positive trend.

Fee income was affected by financial market volatility in the second quarter, as customers took a more cautious approach. Relative to Q1 the line came in 2 per cent lower in the second quarter.

AuM grew 3 per cent in the second quarter relative to the preceding quarter. The increase in asset prices towards the end of the quarter further supported the increase, and in addition, net sales to new customers were strong in the institutional and private banking segments.

Trading income in in the second quarter was lower due to lower customer activity in the secondary fixed income market.

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

Slide 5 please

Cecile Hillary, CFO

Thank you, Carsten.

As Carsten just mentioned, we saw a solid financial performance in the first half of the year. Net profit for the Group came in at 11.2 billion, down 2 per cent year-on-year, mainly due to lower net income from insurance business and higher loan impairment charges. NII remained stable as the impact from rate cuts have been mitigated by increased volumes and benefits from our structural hedge.

The result for the second quarter came in at 5.5 billion compared to 5.8 billion in Q1 due to higher loan impairment charges and a higher tax expense. Total income however was stable relative to the preceding quarter, supported by resilient NII and higher income from insurance business. The decline in fee income, which I will come back to later, was primarily due to lower refinancing activity for mortgage loans and lower investment activity among our customers.

Trading income improved from the level last year due to higher customer activity and positive valuation effects. In the second quarter, income was only slightly lower despite lower customer activity from increased market uncertainty.

Income from insurance activities in the first half of the year came in lower than the year before mainly due to an increase in provisions in Q1.

Operating expenses were almost unchanged relative to the same period last year as well as the preceding quarter.

And finally, as Carsten mentioned, credit quality remained strong, with loan impairment charges coming in at a low level and well within our full-year guidance.

Slide 6, please.

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

Overall, NII remained stable both year-on-year and quarter-on-quarter despite the impact on deposit margins from lower rates.

When comparing net interest income not only with the same period last year but also with the preceding quarter, NII has benefited from a continually positive development in volumes, 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.

In this context, please be aware that as part of our ongoing focus on asset and liability management, we have slightly increased our bond portfolio hedge to approximately 160 billion.

With respect to expectations for the full year, I would like to highlight that they are based on the current rate environment, with forward rates as of the end of June and subject to balance sheet development.

While we have revised our NII sensitivity guidance for the next 25 basis points of cuts following the repricing actions taken so far, we reiterate the guidance set out at the beginning of the year of NII being above 35 billion for the full year of 2025.

Now, let us turn to fee income.

Slide 7, 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.

Compared to last year, fee income was stable. However, adjusted for a non-recurring item from last year and the divestment of PC Norway, fee income was up 2 per cent. An increase in fee income from everyday banking and capital markets activities was able to offset a small decline in fees from lending and investment activities.

Relative to Q1, fee income was down 7 percent in Q2 as volatile financial markets in April had an adverse effect on customer activity. A more cautious sentiment among both corporate and retail customers impacted income from investment products as well as capital markets and accounted for approximately half of the decline in fee income in Q2.

As Carsten mentioned, investor sentiment turned more robust towards the end of the second quarter, which in combination with strong net sales had a positive impact on assets under management.

Fee income driven by lending activities accounted for the other half of the decline, mainly due to lower refinancing auctions of variable-rate mortgages in the second quarter.

When looking at our fee income from everyday banking activities, I am pleased that we continue to see a good momentum driven by solid corporate activity. Fee income for these activities increased 3 percent against the preceding quarter as well as the year before.

Next, let us look at net trading income.

Slide 8, please.

Trading income increased 26 per cent from the level in the same period last year. The better result came from higher customer activity at LC&I and positive market value adjustments in Treasury partly offset by xVA valuation adjustments

In Q2, net trading income was only slightly down relative to Q1. Customer activity was negatively impacted by volatile market conditions however there were a one-off gain from the sale of the bank's holding in Norwegian financial services provider Eksportfinans and positive value adjustments in Group Treasury.

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

Slide 9, please.

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

Operating expenses are in line with our full-year guidance of up to 26 billion and at 45.4 per cent, the cost/income ratio is progressing towards our 2026 target.

Relative to the level 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 up by 1 per cent including slightly higher investments and costs related to financial crime prevention. Please note, that the normalisation of financial crime prevention costs is being executed according to plan despite a minor increase in the second quarter.

Slide 10, please.

Let us take a look at our credit portfolio and the trend in impairments.

Credit quality continued to be strong, underpinned by a well-diversified and low-risk credit portfolio. The macroeconomic environment remained benign with increasing employment and steadily improving household finances. Consequently, impairments of 0.2 billion in Q2 remained below the normalised level. Charges were related to a few single-name exposures.

The sustained geopolitical and economic uncertainties resulting from tariffs had an impact on consumer and business sentiment. We have therefore reviewed our already prudent approach to enhance the robustness of the scenarios applied for impairment purposes. This now includes a downturn scenario in addition to the existing severe downturn scenario. Overall, we saw reversals related to our macro models of around 70 million in the quarter.

In addition, we have kept a significant PMA buffer but as some of the cyclical sectors have been reviewed in light of our single-name provisioning, we saw around 0.2 billion of releases in the second quarter. Our global tension buffer has been maintained after the ramp up in Q1.

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

Slide 11, please.

Our capital position remained strong and was further supported by another quarter of solid capital generation post dividend accrual. At the end of Q2, the reported CET1 ratio increased to 18.7 per cent, up from 18.4 per cent in Q1 and 17.8 per cent at the end of 2024.

Risk Exposure Amount ended the quarter largely flat, reflecting stable credit risk REA and despite the financial market volatility.

We continue to operate with a healthy CET1 buffer versus the regulatory requirement, now increasing to more than 400 basis points, and we intend to progress steadily, in the coming years, 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 12, please

As previously mentioned, we reiterate our outlook for net profit to be in the range of 21 to 23 billion.

For total income we continue to expect slightly lower income this year compared to 2024. The income will be driven by lower albeit resilient net interest income and supported by our focus on fee income. We will continue our efforts to drive commercial momentum and growth in line with our financial targets for 2026.

Income from trading and insurance activities remains subject to financial market conditions.

We continue to expect operating expenses of up to 26 billion, reflecting our focus on cost management and Cost/Income target for 2026.

We maintain our guidance for loan impairment charges to be around 1 billion as a result of continued strong credit quality.

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 email.
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 good morning and thanks for taking my question. So my first question is on the fee income. It has been relatively soft this quarter. How should we think about the fee income for the coming quarters? Do you see scope for recovery asset management activity or advisory in the second half of the year? And what are the strategic areas for you that you are more focusing on, on the fee income front. And can you comment on the current state of your investment banking pipeline?

Carsten Egeriis: Thanks for that. Good morning. On the fee income, it's a little bit softer than we had expected. But if you really sort of break down the fee income lines, we continue, in fact, to see strong trajectory and growth on sort of the everyday banking cash management fee income. And really what has driven the slightly softer fee income in Q2 is two things. One is the investment side of things, where clearly, April was a difficult month.

But then we saw improvement into May and June. And so to your question around sort of looking forward, AUMs ended at record high from our perspective towards the end of the period. And therefore, we see a good momentum on the investment side. The other sort of softer spot was the lending fees associated with refinancing activity in the acute space, particularly PC and that is driven by lower auction activity in Q2.

So we feel confident with our overall sort of strategy and focus on fee income coming from everyday banking across the corporate space, and we do expect that investments will pick up and therefore, strengthen the fee trajectory. We do think that second half of the year is likely to see more activity in the capital markets. Pipeline looks pretty solid. Q3, keep in mind, it's typically a little bit slower month because you've got July, August holiday period in it.

But I mean for a second half, overall, we believe that advisory and capital market fees should pick up. And again, also that we should see continued solid growth Strategy-wise, our key focus continues to be what it has been in sort of what we presented in our strategy to really focus on being a leading wholesale bank in the Nordics on developing our leading business on the SME side across the Nordics and then retail and private banking in Denmark, Finland, with a focus on continuing to really help the -- our clients that have more sort of complex needs across the board.

And we see that strategy working, both in terms of increased market shares, but also increased share of wallet and again, also seeing that come through in the fee activity in the everyday banking.

Gulnara Saitkulova: Thank you. And the second question, can I ask on the capital allocation. So you have a very solid buffer above the requirement of more than 2% and also solid buffer above your target. Can you remind us your latest thoughts when deciding on whether to use excess capital for dividends, buybacks or M&A? What are your key priorities there for you?

Carsten Egeriis: Yes. So on the capital side, again, we continue to generate healthy capital and clearly a strong CET1 of 18.7% here in -- at the end of the first half. We continue to be focused on distributing in-year earnings, as previously said. And then as I mentioned in the speech, we'll do an update as part of Q1 next year. where we'll focus on updated financial targets, give an update on the strategy. And there will also give an update on capital distribution strategy.

As you all know we've sort of had a view that let's call it, legacy capital that we've sort of waited to look at exactly how we sort of look at that capital until we are finalized with the observation period from the DOJ, which ends at the end of this year. And I'll again say that our first priority is to continue to grow our business, and we see good progress on that. And then we'll also look at if there's opportunities for other potential for either potential distribution from a capital perspective if we don't see that growth coming as expected.

Gulnara Saitkulova: Thank you so much.

Shrey Srivastava ((Citigrou): HI and thank you very much for taking my question. The first one, on your guidance, the numbers are the same, but it seems in the word in the mix a little bit to higher NII and lower fees going forward. Is that fair? And you've previously stated it's greater than DKK 35 billion NII for the year. If anything, that's looking a lot prudent. So do you think consensus of about 35.5? Is that okay? Or is that a little bit prudent as well? That's my first. Thank you.

Carsten Egeriis: Yes. Sure. Yes. You're right. We have changed the wording slightly in the guidance exactly as you state. And the reason for that is clearly because fees is a little bit weaker in Q2. Clearly, when we did the outlook. We weren't expecting financial markets to turn out the way they did. And in Q2.

But aside from the financial markets and the impact that had on AUM and capital market fees, we continue to be very positive on our strategy including the fee side of things. So we're not changing anything in terms of how we look at fees and the opportunities around that. But we've just changed the wording to reflect basically what we've seen in Q2. And then I think on the NII guidance, yes, we continue to feel good about the above DKK 35 billion.

I mean we see, as we had also previously guided and expected that strong volume growth as well as the structural hedge is somewhat offsetting the margin pressure coming from lower rates. So I think we'll just stick to continuing to say above DKK 35 billion. But again, we continue to feel good about the trajectory and the way that, that's playing out.

Shrey Srivastava: Thank you. And my second then, the increase in NII sensitivity for move downwards in rates. Am I correct in assuming that's because of a lot of your deposits, particularly the on-demand saving piece reaching close to 0 there bound now? If you could just provide a bit of commentary increase there?

Cecile Hillary: Yes. Absolutely, Shrey. Let me take that. In fact, in the NII sensitivity table, you will notice three changes compared to Q1. The first one is the one you point out, which is obviously with a 25 basis point decrease. In year one, the sensitivity has increased to minus DKK 650 million from minus DKK 500 million. And you're absolutely right.

I mean as we approach the zero bound, clearly, the ability to pass through the rate changes to deposits is decreasing. So that explains it. You will see the sort of second change is that in year one, plus 25 basis points, a slight decrease to plus DKK 450 from plus DKK 500 million on the way up.

And there, I would say this is minor. This is more about rounding and I wouldn't read too much into it, but I just thought that I pointed out for completeness sake. And then finally, in year three, you'll see that the sensitivity up and down has slightly decreased -- has decreased to plus and minus 100 from plus and minus 200. And there, this is really purely a function of the investments of our deposits bond hedge and the way that effectively it's rolling over and obviously provides NII stability in that respect.

Shrey Srivastava: Okay. Thank you very much.

Tarik El Mejjad (Bofa) : Hi good morning everyone thanks for taking my questions. Really one main one is on the volume growth. There were some divergent trends between dictate reported now. And I want to understand how much stability you see in a very strong volumes this quarter? And maybe you can take us through what are the key moving parts and how you see the outlook for that? Thank you..

Carsten Egeriis Sure thanks Tarik. Look, on the volume growth, actually both on the sort of SME business, business customers and the LC&I business, we see broad-based robust growth, slightly higher on the LC&I space, but again also across the BC space. And as I also mentioned, we see that we're growing faster than market across our Nordic businesses in line with the strategy we have.

We've been investing in advisory capabilities. We've been investing in and digital capabilities and really been focused on increasing share of wallet and doing more with our customers across the corporate space from small to large. And in fact, if you think about it, our base case is that interest rates will continue to come down a little bit and inflation will normalize. And again, we would expect more clarity and less volatility than we've seen in the second half -- the first half as a base case, I'm not saying that we couldn't see more volatility.

But as a base case, you could say that first half has been exceptional volatile and with a very high level of uncertainty. So if anything, if I think about looking forward, with a sort of base case view and, of course, accepting that lots of things can happen that the environment should be supportive for continued growth.

Also when you look at sort of Europe in general and the Nordics and how we're thinking about spending on defense, on infrastructure, on green transition. I think there's a lot to be said that the environment should be supportive for continued growth. So that's how we think about it. And I would say it's pretty broad-based as well sector-wise and country-wise.

Tarik El Mejjad: Thank you. And, I mean I think you commented slightly on this, but if you take the Q2, is there's been a significant pickup in the second part of the quarter or the volatility in the earlier part of the quarter also beneficial for your activity.

Carsten Egeriis: So I mentioned specifically on the investment side that it was picking up towards the end of I would say, in general, also sort of business activity looking pretty solid as we end Q2 and look into the second half of the year. And so the only thing I was just pointing out is that clearly, we should recall -- remember that Q3 is always a bit lower. But in general, ending Q2 with really robust activity levels and a robust pipeline. And I think in general, with sort of a background that's conducive to robust activity.

Tarik El Mejjad: Very helpful thank you very much.

Mathias Nielsen (Nordea): Thank you very much. If I may, I will start on the fee income line. And so especially on the investment fees. So for me, it's a bit tricky to see how the AUM developed within the quarter. Of course, we know the market performance, but even when adjusting for that, it seems like the investment fees was a bit on the soft side despite that AUM actually grew a bit faster than the market as far as I see it. Is there anything underlying that has moved on the flow within the quarter? Or is it some underlying margin pressure that we see during the quarter that is pushing the result out on the fee income from investments. If I may start on that one.

Carsten Egeriis: No. I think on the fee -- how you should think about the fee income related to AUMs and investments is several things. First of all, Clearly, AUM were down going into April and in fact, also early stage May and then picked up significantly, right? I mean let's remember that you look at the S&P 500 Index, I think it was the fifth highest fall in the S&P 500 since the second world war that we saw early April, just to remind ourselves of that.

So AUM and then, of course, the rally was significant, the other way coming into me and into June. So one is this timing difference. Then in terms of the flows, we actually saw growth both in institutional and in retail flows during the second quarter, more growth in institutional than retail, but still growth in both segments.

So average margins will reflect the mix between institutional and retail. But in general, margins are still holding up on a relative basis at same level. So I wouldn't say that there is any particular sort of margin compression. So that's how you should think about it. And that's also why we're signaling that we feel good about going into the second half, both with the absolute AUMs, but also with the actual net sales or net flows that we've seen.

Mathias Nielsen: How should we think about the that?

Carsten Egeriis: Yes. Yes. You should think about it that way. So just to give you an example, what's partly driving the lower fee income and investments in PC is that, for example, you had lower brokerage fees in April because customers were more careful. They were staying a little bit on the sidelines. That's also part of what you see in the deposit growth is that some retail investors were a little bit more careful. So exactly, as you'd say, you should think about that the net sales was back-end loaded Q2.

Mathias Nielsen: Thanks. Then on my last question, before I jump back in the queue. On the deposit hit, would it still be fair to expect that you would see some came from that somewhat into '26. Is that still a fair assumption given the changes you have made?

Cecile Hillary: Sure. Yes, let me take that. I mean obviously we continue to see really good traction and good positive contribution to NII from our deposit hedge. You've seen that on the back of, obviously stability, our stability and developments in deposit base as well as, obviously the continued activity in terms of hedging to provide NII stability. We've slightly increased our deposit hedge notional to DKK 160 billion from DKK 150 billion as well. We absolutely see a positive contribution that is starting, obviously this year and will increase into next year. So that is something that will continue to help NII.

Mathias Nielsen: Thank you very much.

Riccardo Rovere (Mediobanca): Thanks. Thanks a lot for taking my questions. Just two, if I may, I was looking at Page 3 of your report. And I noticed that the deposits are down quarter-on-quarter and are down also on this semester, the bond issued by a Realkredit Danmark are down to quarter -- especially quarter-on-quarter.

Other issued bonds are down quarter-on-quarter and also in the semester and also some debt are down quarter-on-quarter and on the semester to while repo deposits are up significantly in the quarter and in the semester. While on the asset side, everything seems to be kind of stable, actually growing a little bit. So why is the funding mix changing? And has this any impact on NII in the quarter, the fact that you have -- you seem to have a less medium- to long-term funding, which I suppose is going to cost you more and more short-term funding, which is a guess.

The other question I have is, Carsten, you mentioned the DKK 35 billion, but you're running a DKK 9 billion in Q1, running a DKK 9 billion in Q2, getting closer and closer to the end of the easing cycle. The deposit hedge seems to be functioning fairly well. What should happen or why should the second part of the year be definitely weaker than the first one, if the insights coming to closer -- closer and closer to an end. Is there a timing effect that we should consider or anything? Thank you.

Carsten Egeriis: Thank you. I'm not sure I completely got everything on funding mix, but I'll let Cecile comment a little bit on kind of how we think about funding mix short term versus long term. Just on your questions on NII. So again, I think we'll keep to above 35.

I think your specific question is why could second half be lower than first half. Look, I think the moving parts are that we've clearly had some rate cuts, which haven't flown completely through the system, right, during the first half. Currently, we do expect a further rate cut in the second half, and then that will be offset by both the hedge, which Cecile talked about before and then volume growth. And we'll see exactly how those dynamics play out.

Cecile Hillary: So let me address the topic on the funding mix. We're not seeing any significant funding mix. So you shouldn't assume that anything is going on there. We still assume between DKK 60 million and DKK 80 billion of wholesale funding to be issued this year. Obviously we're well within that.

Now it is fair to say that obviously the strength of our deposit base means that all things being equal, the wholesale funding tends to be and certainly, the needs are a bit lower than they would otherwise. That is a fair point, but I mean it isn't significant. And I would say from an overall funding cost perspective, I really don't think that there's anything that's that you should focus on there.

Claus Ingar Jensen: If I may supplement Cecile here. If you go to Page 37, Ricardo in our investor presentation, you will see the complete changes in our funding mix and there is no significant changes, as Cecile also said. And please bear in mind, in respect to your comments around the RD funding, RD is completely ring-fenced in this respect. So any changes in the balance sheet will be automatically reflected in the issued RD bonds. There will always be fluctuations on the repo side. But net-net, the repo position only contributes to a small part of the whole funding, at least if you're looking at the changes over the quarter.

Riccardo Rovere: Fair enough thanks. Thanks a lot guys

Patrik Nilsson (Goldman Sachs): Yes hi good morning thanks for taking my question. Many of them have been answered already, but I just had one, and it would be really helpful to hear more on the legislation and regulation, you noted in your report, in particular, around the CRR3 output floors that will not apply for Danish subsidiaries, the Danish group.

So I was just wondering, do you think that, that will have any impact on the competitive dynamics in Denmark? Or is there anything else in regulation that can change sort of your relative position there? Thank you very much.

Carsten Egeriis: No. I mean as I see it, two things. One is that we have already front-loaded the CRR3 impact. And so we're running with all that included in how we run our business today and how we compete today. And you could say that the level field discussion around what you do at country level versus EU level is a good example of how it plays out here because we actually front-loaded it much earlier in Denmark, and that has over some time historically created some unlevel playing field, you could say, but we've been able to navigate through that and compete with that nonetheless.

So I don't see any changes in the competitive dynamics as such. And then, of course, there is the 2032, 2033 questions around Basel IV. That's obviously a long time in the future, lots of political and regulatory discussions around that ongoing. We're obviously keeping a close eye. There's plenty of time to adapt to how that plays out.

I do note, however, that there is a very, very strong focus on European competitiveness and regulatory simplification. So we obviously all hope that this will play out in a way that we continue to see level playing field with U.S. and other regulatory environments, but let's see.

Patrik Nilsson: Thank you very much.

Jan Erik Gjerland (ABG Sundal Collier): Yes thank you for taking my questions as well. The first one is on the full-time employees. You sort of have hiked now for the second time in a quarter. mainly in the business units this time and personal customers last time in large corporates. What kind of level should we expect going forward? Is this sort of this level you want to be at?

Or should we be thinking about your coming below the 20,000 employees in some one to two years down the road? Or is this sort of a continuation of your sort of improving your operations on the business side?

Carsten Egeriis: Yes. No. Thanks very much. Look, if you look at sort of year-on-year, as you point out, we have invested in advisory capabilities in front office and also in the technology space and then reduce head count in financial crime and compliance as also plan anticipated and discussed previously I think you'll see a continued sort of normalization in the compliance financial crime space and you'll see continued investments as part of this growth strategy that we have.

I think medium term, a bit more difficult to say, but I think medium term, and that's why I don't put exactly a year on it, medium term, I would think it's likely that productivity opportunities with AI and so forth will be not only supported for growth and freeing up time for front office and advisory, but also be supportive to streamline more in the back and middle office. But I think for now you should think about FTE as being just short term, roughly flat, where one thing offsetting the other.

Cecile Hillary: And maybe just one thing I would add is there's obviously two ways we look at FTE. One is with respect to cost and there very clearly, we are executing really our cost program and are managing our expenses exactly according to plan. So there's nothing that changes there. And secondly, in terms of FTEs and you mentioned particularly PC, you mentioned LC&I.

We're obviously investing in areas where having the right level of human expertise is important. And in PC, relationship managers, but also in our private banking, wealth managers, obviously are an important component of our strategy, but also in LC&I, in certain investment banking areas some regional capabilities as well. We've made some senior hires and some team hires to ensure that we continue to compete, and we continue to grow.

Jan Gjerland: Has the increased come to the end of the quarter, has it been throughout the quarter, so to speak. So we have to understand the staff cost versus sort of growth in these FTEs?

Carsten Egeriis: No. Look, again, I think second quarter was not material growth, but you should think about it throughout quarter and the second half. You should also think about there's no -- we don't have any large sort of hiring plans. We also don't have any large areas where we're looking at the contrary.

But the kind of additions again coming in more in the advisory areas and the reduction is coming more in the compliance financial crime space. But you shouldn't think about it as being particularly concentrated in one month.

Jan Gjerland: Okay okay. The second question is about further on the cost because you have been managing your costs quite well on especially other items where it's coming, creeping down, I could say. So you hiked your IT expenses just a little bit, and I think you pointed to that should be temporary higher. So where should we point to the other cost now with severance pay coming down with solution fees stabilization around the 80%. Is it more to come on other costs now? Or is it just lower activity that have driven that cost a little bit down in this quarter.

Cecile Hillary: So look, in terms of costs, I'll make a few comments, right? I mean there's some headwinds, and then there is obviously also some tailwinds, right? I mean on the headwind, I mean we continue obviously to see some pressures in terms of wages, wage inflation, some performance-based compensation and bonuses as you'd expect. Those are being clearly managed. And certainly, in terms of tailwinds on the cost side, we continue to execute on our financial cost program.

So there's obviously the investments in technology, et cetera, which you've seen actually in the course of this quarter, but that's exactly as planned. There's always some small up and small down there. But really from a financial cost perspective, we continue to see an attrition of the cost.

I mean they were obviously in the sort of DKK 2.1 billion a few years ago. This year, we're expecting financial crime costs to be around DKK 1.7 billion and then hopefully, some further attrition, although at some point, obviously it's going to tail off in the coming year or that's being executed to plan. Then in terms of investments, we mentioned that, obviously our investments were increasing to about DKK 4 billion a year. That is still the case.

Now clearly, it's not exactly linear. So you'll see some more or less according to quarters, but may is completed on plan and you should expect to see this DKK 4 billion this year. as was originally expected. So as I say, there's really nothing to be seen there. I mean it's broadly linear.

But obviously you always see quarter-on-quarter some small changes based on the timing of investments or other factors. I mean there's nothing to report on other costs. I think you mentioned severance, et cetera. I mean there's really nothing to report that everything is in line with plan.

Jan Gjerland: Thank you for your insight. That's all from my side. Thank you.

Hari Sivakumaran (KBW): yes hi guys. One of your peers talked about having aggressive competition in the corporate space yesterday and also describe Business Banking in Denmark as being very, very competitive. So just wanted to see what you were seeing there. And then my other question, just on your IFRS nine scenario I think you've changed it now to include a severe downside scenario. And also, I think just in terms of the mix of kind of the base upside and the downside scenarios that mix change slightly sort of more tilted towards the downside. So just if you could explain why you made that change. Thanks.

Carsten Egeriis: Yes. Thanks a lot. So look, on the competitive environment and kind of what we see in corporate lending. I think the -- there is a competitive environment, but I wouldn't describe it as a sort of market different in the second quarter. I mean we continue to see healthy competition, but I'm not sure I see certainly from our perspective, my view on this is that we very much keep a pretty consistent credit and underwriting and risk appetite through the cycle.

That's very important for our clients, and it's very important for us that we don't sort of have knee-jerk reactions and big changes in how we look at risk and underwriting and credit parameters in general. Clearly, there could be exceptions based on certain sectors and so forth through the cycle. But we have not changed anything in our underwriting and risk appetite approach. And yes. And again, we don't see a marked difference in the competitive environment, but it is strong. IFRS 9, I mean what we did -- so we didn't change the downside scenario as such.

We added a scenario between base case and downside because our downside scenario was a quite extreme downside scenario. And having sort of looked at what others do, we decided to add a scenario between our base case and downside to be a little bit more to be able to be a bit more nuance and maybe also a bit more reflective of something that's in between, say, a severe scenario and a base case scenario, a currently base case, of course, being a sort of a GDP growth scenario where Nordic growth is somewhere between one and three plus percent all depending on which country. So that's why we did a fourth scenario to kind of be a middle scenario between the base and the downside.

Hari Sivakumaran: Okay thank you.

Well thank you very much all of you for your interest in Danske Bank as always, and for all your questions, much appreciated. And as always, please contact our Investor Relations department if you have other questions. Thanks very much.

[END OF TRANSCRIPT]