Conference call

Q3 2026

29 October 2026

Investor Relations

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Claus Ingar Jensen – Head of Investor Relations

Good morning, everyone. Welcome to the conference call for Danske Bank's financial results for first nine month of 2026.
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 at around 25 minutes.
After the presentation, we will open up for a Q&A session as usual.

Afterwards, feel free to contact the Investor Relations department if you have any more questions.

I will now hand over to Carsten

Slide 2, please.

Carsten Egeriis – CEO

Thanks Claus. Good morning and thank you for joining us for our Q3 conference call where I am pleased to share the highlights of Danske Bank's financial results for the first nine months.

We delivered a solid third quarter, supported by good customer activity and continued execution of our strategy. Core income grew 9 per cent year on year, alongside disciplined cost management and strong credit quality.

Let me start with our customers. The Nordic operating environment remains supportive of commercial activity. Corporate lending grew by more than 5 per cent year on year, supporting market-share gains across the Nordics. Deposits also remained strong and within asset management, customers added more than 5 billion of net inflows during the quarter, with contributions from both Private Banking and mass retail.

Credit demand as reflected in volumes was slightly affected by seasonal effects, while fair-value movements in Realkredit Danmark bonds also impacted lending volumes. Against that backdrop, the overall commercial performance remained resilient.

This activity translated into solid financial results. Our RoE for Q3 came in at a record-high 15.1 per cent and the cost-to-income ratio of 43.9 tracks well with our full year guidance of below 45 per cent. Credit quality remained strong, with net reversals of impairments.

We also maintained a strong capital position. Our CET1 capital ratio increased to 17.2 per cent, reflecting strong capital generation after dividend accrual. The confirmed Pillar 2 release reduced regulatory requirements by 40 basis points in line with previous communication.

Given the solid financial performance in Q3, we have also narrowed our net profit guidance for the full year to a range between DKK 24 and 25 billion, driven by an improved outlook for loan impairment charges, which we now expect to be no higher than DKK 600 million.

Overall, the quarter shows continued strategic execution supported by resilient customer activity. So despite a seasonally slower quarter we are confident in our trajectory and the performance of our franchise going forward.

Please turn to slide 3.

Let me now turn to the performance of our business units.

The key message is that customer activity remains resilient across the Group. All three business units delivered income above the level a year ago, and each generated returns above its 2026 target. That broad-based performance gives us confidence in the strength of our franchise and in the progress we are making against our strategic priorities.

In Personal Customers, good activity and deposit margin effects supported income, while continued strong credit quality also contributed to a ROAC of 40 per cent. Total income was just under 5 billion, significantly above the level a year ago. Nominal lending was up 1% year over year and stable compared to Q2, while deposits remained strong, growing 4 per cent from last year which should also be seen in light of the positive net inflow to assets under management.

Business Customers continued to build momentum. Higher customer activity, growing fee income and progress in our corporate offering supported both income and volume growth, with ROAC increasing to 23 per cent. Total income reached 3.8 billion with growth in both lending and deposits, reflecting continued strength in business relationships.

In Large Corporates & Institutions, we saw continued strength across lending, asset management, financing and advisory activities. Our DCM franchise also benefited from constructive bond issuance activity, and ROAC remained strong at 22 per cent. Total income was 4.7 billion, above the level a year ago. Lending was stable quarter on quarter, reflecting seasonal effects while deposits increased 3%. Relative to the same period last year, lending and deposits were up 5 and 13 per cent respectively.

Across the three businesses, this is a solid and sustained performance. It reflects our strong customer franchise, continued momentum, and attractive profitability across the Group.

Slide 4, please and over to Cecile.

Cecile Hillary, CFO

Thank you Carsten. Looking at the income statement, Q3 was another quarter of solid financial performance, with good momentum in our core income lines, continued cost management and strong credit quality.

For the first nine months, total income was supported by growth in net interest income and fee income, underpinned by customer activity and higher volumes. Trading income was affected by market volatility, while income from our insurance business has performed well in the context of changing interest rate expectations.
Other income normalised after the 231 million one-off in Q2.

Compared with Q2, NII grew 3% driven primarily by deposit margin expansion, and fee income was stable. Both trading and insurance income were affected by volatile market conditions.

Costs remain in line with our guidance and reflect our continued focus on efficiency driven by our tech and AI investments. Credit quality continues to be strong, with a well-provisioned portfolio and net reversals of impairments in Q3.

Overall, the quarter shows resilient earnings quality where NII further benefitted from the rate hike; fee income continues to be strong, and costs are under control.

I will now go through the key lines in more detail.

Slide 5, please.

Turning now to net interest income, we delivered a solid performance, with NII up 4% year on year, supported by improved volumes and the contribution from our structural hedge.

The quarterly development was also positive, with higher rates supporting an improvement in deposit margins. Alongside the positive volume trend, this underpinned the resilience of our net interest income.

The 'Other' category primarily reflects Treasury's internal fund transfer pricing allocations. Importantly, these allocations have no impact on net interest income at Group level.

Our structural hedge was impacted by higher short-term rates in Q3, but this was partly countered by higher income from our shareholder equity base which remains unhedged and benefitted from higher central bank rates. The notional of the structural hedge, including bonds and derivatives, was kept stable in Q3 at around 190 billion and as such the structural hedge remains a key stabilizing feature of our NII profile.

Finally, we have updated our interest-rate sensitivity. All else equal, a 25-basis-point increase in rates would add approximately 400 million kroner to NII in year 1, 350 million in year 2, and 100 million in year 3. A 25 basis points decrease will lead to an impact of around minus 550 million in year 1, minus 250 million in year 2, and minus 100 million in year 3.

The revised sensitivity reflects the current balance sheet composition. For example corporate lending facilities have pushed the NII benefit slightly further out in year 2. Note however, that the combined upside is the same total of 850 million over three years as previously communicated.

So, in summary, we see the NII trajectory as solid: customer volumes are contributing positively, and with the recent rate hikes, this supports our income trajectory.

And finally, to address questions about expectations for NII for the full year, we reaffirm our expectation of NII to be slightly above 38 billion for FY2026 driven by continued volume growth and based on current market implied rates, which do not include another hike until late in the year.

Slide 6, please.

Turning to fee income, this was a solid quarter despite typical Q3 seasonality.

For the first nine months, net fee income increased by 14%. Importantly, the growth was broad based across all four fee categories. Investment fees were the largest contributor, driven by higher assets under management from consistently positive net inflows together with rising asset prices. Everyday banking fees were supported by continued demand for FX and cash-management solutions. Lending and guarantee fees were driven by higher customer activity, particular due to corporate credit demand. Capital markets fees were underpinned by a good performance from our DCM and advisory franchise.

Compared with the second quarter, net fee income was broadly stable at DKK 4.1 billion. Lending and guarantee fees declined, mainly due to seasonality including lower refinancing volumes for adjustable-rate mortgages. This was mitigated by Investment fee income which remained a strong driver.

Overall, the fee income development demonstrates the breadth of customer activity across our franchise and the benefit of a diversified fee base even in a seasonally slower quarter. Looking towards Q4 we expect the current trend to continue, however, given recent market volatility, we expect Q4 performance fees to be well below the historical average of around 400 million. This development relates to fixed income funds performance given current volatility in fixed income markets.

Slide 7, please.

Turning to trading income, the result was lower year-over-year and quarter-over-quarter, reflecting both softer customer activity and negative fair-value effects in Group Treasury.

Net trading income for the first nine months was DKK 1.5 billion, down 37% from the same period last year. The main driver was a lower result in LC&I, where customer activity in secondary fixed-income markets remained subdued.

For the third quarter, net trading income was DKK 397 million. We saw better customer activity in foreign-exchange trading, but this was more than offset by lower income from fixed-income trading in what is also a seasonally slower quarter.
The quarter was also affected by unrealised market-value adjustments together with other balance-sheet movements in Group Treasury, which created negative accounting effects. These items fluctuate from quarter to quarter and do not reflect a corresponding change in business activity.

Finally, as far as Q4 trading income is concerned, if the current market conditions persist we expect trading income to be in line with Q3, all things equal. In addition there are typically seasonal effects leading to lower customer activity in trading at the end of the fourth quarter.

I will now move on to the expense line.

Slide 8, please

Turning to expenses, our cost trajectory remains in line with our full-year guidance, with a Q3 cost/income ratio of 43.9 per cent.

Year on year, expenses were slightly higher mainly due to staff costs, including severance and performance-based compensation. This was more than offset by lower FCRP and remediation costs, showing continued progress in reducing legacy cost items, and allowing for increased investments in tech and AI, in line with our plans.

Quarter on quarter, this trend was confirmed and despite higher investment spend, the underlying cost development remains well controlled. We continue to make targeted Forward '28 investments in our digital and technology platform. These investments support AI enabled growth and overall enhance our efficiency and resilience.

Overall, we reaffirm our full-year 2026 cost outlook of 26 - 26.5 billion, with a cost/income ratio expected to be below 45 per cent. The message remains centred around increased efficiency and continued investment in strategic priorities.

I will now move on to asset quality.

Slide 9, please

Turning to asset quality, the picture remains strong. Our diversified and stable credit portfolio continues to perform well whilst we remain prudently provisioned given the macro and geopolitical environment.
In Q3, further improvement in credit quality led to a net reversal of 200 million. With a year-to-date level of impairment charges at DKK 65 million, we have revised our full-year impairment guidance from around 1 billion to no more than 600 million, corresponding to approximately 3 basis points cost of risk.

Macroeconomic charges remained modest in the quarter. Our scenarios continue to reflect elevated uncertainty, including geopolitical risks, trade tensions and market volatility, so that we capture the potential impact of a more severe and prolonged adverse environment.

Post-model adjustments stood at 5.2 billion, with a reallocation of provisions towards agriculture given additional political tail risks. We continue to take a prudent approach in light of potential disruptions and uncertainty. The total overlay of around 30 basis points is equivalent to almost four years of normalised cost of risk.

Overall, asset quality continues to support the earnings profile and capital generation of the bank. I will now move on to capital.

Slide 10, please.

Turning to capital, our position remains strong.

Our CET1 ratio increased by 20 basis points during the quarter to 17.2%, driven by retained earnings after the accrual of dividend. Capital generation continued to be strong at 302 basis points on an annualized basis. Our total capital ratio increased to 21.3%, further supported by the issuance of a 5 billion Danish Krone equivalent AT1 transaction to a broad Nordic investor base in Q3.

Risk exposure amounts were broadly stable at DKK 847 billion. Lower credit risk exposure was countered by higher market risk REA that mainly reflected interest-rate volatility.

Following the formal SREP review of the resolved legacy cases, our CET1 capital requirement has been reduced by around 40 basis points to 14.3%, as previously guided. This means that our management buffer to the regulatory requirement has improved to around 300 basis points.

We continue to manage capital prudently. Our capital framework already includes an REA buffer of more than DKK 110 billion to absorb the transition and implementation of our IRB models, and that buffer has been recently reviewed in close alignment with our regulator, the Danish FSA.

Looking ahead, our CET1 trajectory remains consistent with the glide path to move gradually towards our stated CET1 target of around 16% in 2028. This allows us to finance our growth plan, and deliver on our capital distribution agenda.

So, in summary, the third quarter demonstrated strong capital generation, stable balance sheet management, and continued ability to deliver on both growth and distribution.

Slide 11, please.

Finally, turning to the financial outlook for 2026, we have narrowed our net profit guidance to a range of DKK 24 to 25 billion, corresponding to a return on equity above 14 per cent.

The revised guidance is a result of impairment charges now expected to be no higher than DKK 600 million, to reflect the quality of our credit portfolio.

We continue to expect total income to be somewhat above 59 billion, supported by higher core banking income from strong customer activity, growing volumes, and the effects of recent policy rate hikes. We continue to see good commercial momentum across our businesses.

We expect operating expenses to be in the range of 26 to 26.5 billion. This reflects our focus on growth, Tech and AI investment, and cost management. We expect our cost/income ratio to be below 45 per cent for FY2026.

Slide 12, please and back to Claus

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

Operator (Operator Instructions) We will now begin with our first question. This is from Gulnara Saitkulova from Morgan Stanley.

Gulnara Saitkulova The first question on capital headwinds or tailwinds.

So you recently published the press release reforming your capital framework, including the 110 billion plus REA buffer for IRB model implementation. And clearly, we've seen some sizable capital headwinds emerging from model reviews to the Nordic peers.

So I wanted to understand how much comfort we should take from your announcement. That's the existing buffer fully captured potential impact of outstanding model reviews, including those that have not yet received the final regulatory approval.

And could you provide some more color on which material reviews are still outstanding, the expected timing and whether there are any additional capital headwinds and tailwinds that investors should consider as we look towards 2028.

Carsten Egeriis Yes. Thank you very much. No. I think on the REA and modeling side, we're very comfortable with our position. We have the buffer that was mentioned.

And that buffer, in fact, has been updated regularly over the last few years as we have been updating our model frameworks and applications and in line with regular reviews from the Danish FSA.

We continue to work on the various different model applications that have been approved and some are still in pipeline, but all of them have been sort of regularly discussed with the regulators.

So again, we feel very comfortable with the REA buffer that we have in place today.

Gulnara Saitkulova And other question on deposit mix shift. You previously highlighted the gradual shift towards high-yielding savings products. Could you elaborate on what's driving that mix shift?

Is it primarily customers optimizing the balances within Danske Bank? Or are you seeing increasing competitive pressure on deposit pricing?

And looking ahead in Q4 and beginning of 2027, how should we think about the pace of that migration and the implications for deposit betas, particularly across the personal customers, business customers and LC&I.

Cecile Hillary Thank you for your question. Gulnara, actually, let me clarify things on the deposit side.

I mean, the first thing to say is that we continue to see good growth on our deposit stock.

Obviously, we guided in April towards a growth of 1% to 2%. On the deposit side, we've seen deposits actually stronger, right?

I mean year-on-year, actually, we've seen more around the sort of 7%. So the first thing to mention is, obviously, the strength that we see in our deposit development.

The second thing to say is that clearly, we have benefited from the rate hike. Clearly, in Q3, the June hike is fully embedded, and obviously the -- in Q4, the September hike will also play a part in NII development.

The deposit EBITDA that we have seen so far has been lower than our expectations.

Now, of course, over time especially if we've got more rate hikes in December, et cetera, the things might obviously evolve. But so far, it's been lower. But that is captured in our NII sensitivity.

Then to address the deposit mix shift.

We actually don't see currently evidence of mix shift appearing in any material way. As a matter of fact, and you'll see that in our fact book, the time deposits that we have as a proportion to our deposits remains fairly low including in personal customers sector.

So, of course, it could change. Of course, it could evolve, but right now we're not seeing any evidence of any material shift. And certainly, we're not seeing any impact in our numbers either.

Operator We'll now take our next question. This is from Shrey Srivastava from Citi.

Shrey Srivastava Two please from me. The first is on the fee prints.

I know that despite the substantially stronger fee print today, you have not upgraded your guidance on core banking income. And I assume that means you haven't upgraded your guidance on fees.

Can you explain why that is? Can you break down the components of the fee beat, which you expect to occur, which you expect not to?

And second question is on the negative in this quarter from short-term rates and the structural hedge.

In connection with the move from bonds to swaps, have you altered the duration characteristics of the replicating portfolio at all. When can we expect to see sort of positive quarter-on-quarter development here with the interest rate assumptions from your economists?

Carsten Egeriis Thanks very much.

Let me take the fee question and then I'll let Cecile talk around the bonds to swaps and the associated duration dynamics.

On the fee print, as you say, we printed a solid Q3 fee print both quarter-on-quarter, given typical seasonality in Q3, but also certainly year-on-year, and we see good momentum in our fee lines. The Q4 specific question, when we talk about how we think about the fee line in Q4 is that in general, you should see that we continue to see momentum in all core fee lines, general banking, investment fees, financing fees.

However, what we also noted is that there is a fee component that we have, which is related to our fixed income hedge funds, which will be impacted as of today from the movements in spreads the last couple of months.

So last year, I think we added around 900 million fee related to fixed income hedge funds. The average is somewhere between 400 million to 500 million.

If we look at the last many years and given how fixed income has moved in the last few months, we expect the current fees associated with that particular asset class to be well below the average.

So that is the dynamic, but you should think about that all other fee lines and the core trajectory and momentum, we feel very comfortable with.

Cecile Hillary I'll take the second question on the structural hedge.

So the shift from bond to swaps is gradual. So we still hold majority of bonds in our structural hedge portfolio in any case.

But it doesn't change the duration of the structural hedge, which remains around three years. I obviously remind you that we also have a loan hedge which also remains around two years.

The notional doesn't change either for the bond and derivative hedge, which is at 190 billion. And again, what I would say is that it's a significant lift to income in 2026.

Then given the current rate environment, the effect tails off next year and the year after.

I will remind you as well that clearly the structural impact is fully baked into the NII sensitivity that we give you.

Shrey Srivastava And so, the negative on the structural hedge quarter-on-quarter is to do with the swap component, if I'm not mistaken?

Cecile Hillary Well, this -- so this year, no, I wouldn't focus on it.

I mean, obviously, on a quarterly basis, given the various maturities and when they roll off, it can be slightly positive or slightly negative, but you focus on that.

I mean, overall, for the year, it remains a strong positive.

Operator We will now take the next question. This is from Namita Samtani from Barclays.

Namita Samtani My first one, just a follow-up on the structural hedge.

Can I just confirm it's going to be a neutral impact in 2027 and 2028?

And then secondly, it looks like on personal lending, that was growing below the market. And it looks like personal lending was flattish quarter-on-quarter.

So I just wondered whether it's an active decision to not engage in competition which could impact margins? Or any color here would be great.

Carsten Egeriis Thanks, Namita.

On the lending question, if you adjust for the fair value impacts related to the Nykredit Denmark bonds, we see a slight growth quarter-on-quarter in RD lending, and also slight growth on the bank lending side.

And so, we're fully focused on competing in the mortgage space and see relative good momentum. If we also look at it over the last couple of years, relative good momentum in that space.

But clearly, we're also very cognizant of where we want to play and where we want to compete.

And to your point, we -- and you also see that in margins, we're maintaining margins in that space despite the very heavy competition.

So it's an important product for our customers. We continue to focus on delivering a strong value proposition including on the mortgage side. And again, we do see growth in both the mortgage lending products. Do you want to comment on the structural hedge?

Cecile Hillary I'll take the -- yes, I'll take the structural hedge.

So the way we look at structural hedge and not all banks presented in the same way right?

The way we look at the structural hedge income is as a net impact. In terms of the net impact, it was positive this year. It still is positive this year in the current rate environment.

But given market implied rates, it will be negative next year and the year after. But again, this is fully baked into on NII sensitivity. Clearly, we are geared to higher rates.

And obviously, we see impact, net-net, from deposit margins impact as well as structural hedge combined. And equity, shareholder equity investments as well. On a combined basis, clearly, we remain positively geared to rates.

But to answer specifically your question on the structural hedge, Namita, this is indeed going to be a negative contribution next year and the year after.

Operator We'll now take the next question. This is from Sofie Peterzens from Goldman Sachs.

Sofie Peterzens Here is Sofie from Goldman.

So my first question would be around your costs. So you had already a 44% cost-to-income ratio in the first nine months of this year, you upgraded the cost-to-income ratio target for 2026. How should we think about the upside risk to your 2028 cost/income target of below 43%?

Yes, if you can just talk about that.

And then my second question would be, how should we think about excess capital deployment, given that we saw a 40 basis points decline in your requirements, you have more excess capital.

What's the priority for you after growth? Is it share buybacks or special dividends or M&A?

And if it's M&A, what could potentially be of interest?

Carsten Egeriis Let me start with the capital question, and then I'll let Cecile comment on the upside risk to cost versus '28 plan.

On the capital side, as part of our strategy refresh in Q1, we gave an updated capital plan and updated expectations on where we're going to stand with capital including the Pillar II release that we announced today that is very much in line with what we've already said.

The plan is to get to a 16% CET1 at the end of '28. The priority for us is to grow organically.

We have a plan with a 3% to 4% growth rate on the lending side of things. We continue to execute on that plan.

We also, as part of the plans earlier this year, updated our dividend policy to 60% to 70% dividend, and we also committed to extra capital distribution above and beyond that.

So I would say Sofie, very much the capital plans including what you see here in Q3 is very much in line with what we already communicated.

And the strategy remains the same, both in terms of first priority around growth and then around the distribution commitments that we've already made.

Cecile Hillary And let me take, Sofie, your question on the cost-to-income ratio and trajectory towards 2028.

In summary, this trajectory is exactly as planned. So we are confident with delivering the cost-to-income ratio in '28 of up to and no greater than 43%. So that still very much holds.

We continue to see good trajectory when it comes to general cost management but also the AI investments that we are doing right now.

And the benefits that we are seeing already in 2026, the one that we're expecting in 2027, and therefore, the linear trajectory to the 2 billion run rates in terms of benefits from these AI investments by 2028. We see them progressing and materializing in time.

So in summary, we are confident about our cost-to-income ratio trajectory towards 2028 and the guidance we give.

Operator Next question today is from Andreas Hakansson from Nordea.

Andreas Hakansson Cecile, I heard you said that the trading in Q4 is going to be more similar to Q3.

I was just looking at consensus that's looking for probably over 900 million for the fourth quarter.

So I'm just -- if you have that lower trading and your NII sensitivity is a little bit lower, what is it, 50 million lower by 25 bps and were two hikes.

And on Shrey's question, it didn't sound like you wanted committed to higher fees in the fourth quarter.

So what's really driving upgraded guidance apart from loan losses. Is it anything else?

Or are you actually being a bit softer on revenues?

Cecile Hillary No. Look, we continue to see very good development in core banking income. Just to be a bit more precise on the fee income line. Carsten mentioned, I will reiterate that we actually see very good momentum across all four categories of the fee income lines, right?

Investment fees, obviously, daily banking activities as well as financing fees and capital markets.

And we expect these in Q4 also being equal, we expect that fee income coming from these four categories should be higher than Q3, this is our expectation. This is what we are seeing in terms of the commercial momentum. The performance fees is a separate topic, right? The separate performance fees is obviously linked to the fixed income funds and the fixed income funds performance.

And there, currently, we expect an amount which is, again, well below the average, which is around 400 million, right, compared to 900 million last year.

However, we still see again that the core banking lines together, so NII and fee income will drive total income. Insurance income is developing well, well in line with our expectations.

And trading income, of course, I need to reiterate, will depend on the development in markets in Q4. If it stays the same, it will be as we've guided, if it improves, clearly, it could be better.

Andreas Hakansson Okay. Then a second question.

Looking at Swedish retail, and maybe for Carsten.

When we track the monthly data in Sweden, and you haven't really seen any loan growth in Swedish retail for a long time it's normally shrinking. But a couple of years ago, you said that you want to steer the Swedish Retail Bank more towards mass affluent and so on.

So is that shrinkage in -- do you -- is it planned? And -- or how successful are you to move over to more wealthy accounts?

Carsten Egeriis Yes. No. Thanks very much for that.

Of course, we'd always like to see more growth, but it is absolutely right. You've understood it right that our strategy has been and continues to be to reposition the Swedish business towards a more mass affluent, private banking focus, including rolling out the value proposition that we've also been rolling out in Denmark including Panorama, including the Aladdin investment tools, including the financial system, the mobile bank, including strengthening advisory, that's the primary focus.

Today what we're seeing is that we are increasing the inflow in number of customers in our chosen and focused segments. We also see growth in, for instance, the investment and managed funds side of things.

And that is exactly what we're trying to do is to increase the share of wallet and the profitability focused on those customer segments.

And that does mean that there are certain pockets of the customer segments where we're less focused, and that does, of course, impact the growth on the mortgage side.

But having said that, we're also very much focused on wanting to continue to be competitive on the lending side, and that will also be a continued focus.

Operator We'll now take the next question. This is from Martin Gregers Birk from SEB.

Martin Birk Two questions. The first one on NII.

If I strip out the 92 million one-off base effect from last quarter, strip out the FX effect and also the day effect, I guess underlying NII is only up by 80 million Q-on-Q and Q3.

So could you please help me walk through sort of your own NII assumptions for the coming two, three quarters?

And since, I don't know I sit back with the feeling that it's perhaps a little bit out of the starting blocks than I had expected.

And then last question also on NII or loan growth, I guess. And I guess this is just a follow-up for one of the past questions.

If you take your Danish personal customers loan growth, and if you adjust for the fair value adjustments, your current growth rate is close to a third of what the market is currently growing?

What are sort of the priorities here? I guess you're -- sorry, your 39% return on allocated capital you can't grow new lending on that return ratio.

And so, is this going to be -- are you happy with it and then happy with a pure [margin] business if [they] can put it on [needle]?

Carsten Egeriis Yes. Thanks a lot, Martin, for the questions.

Look, first of all, on NII, we feel very good about the NII momentum and the trajectory.

If I look at the last couple of years, I think, actually, we've been in our own internal views and guidance that we've been giving, been pretty close to the guidance and the forecast that we've given.

And that's because we feel very comfortable about understanding the dynamics of our business, the growth of our business and the underlying NII.

So rather than maybe small one-offs, quarter-to-quarter here and there, again, I look back at the several many last quarters.

We felt very comfortable and good about both the guidance and the actual deliver on NII, and we're guiding to NII slightly above 38, continue to feel good about that given the trajectory. You see the bridge in the presentation. I think the NII continues to be robust when you look quarter-on-quarter, driven both by volumes and margins.

And there, again, I think important to look at it not just quarter-on-quarter, but also year-on-year.

On the loan growth question, this is, of course, specific again to PC Denmark. It's true that we're not growing as fast as the market in the mortgage space.

But it is also true that we're really focused on building a strong value proposition, particularly focused on the mass affluent and private banking space.

There, of course, some of the key metrics to look at is the fact that we're taking market share on the investment side, and we're number one in Denmark on the investment side and also see really good momentum there that we've seen strong growth on the deposit side, at the same time as seeing more funds flow into the asset management side of things. Very strong increase in the daily banking, everyday banking our customers do with us.

We're seeing, again, increased inflows in customers in our chosen segments. So we believe we're taking market share on that front as well.

Lending is, of course, an important product. And as I mentioned earlier in the call we, of course, compete on that, and we price selectively in our chosen market segments, but it is just one product as a part of a much broader franchise where, as you will know, the large income and profitability drivers are very substantial when you take in the savings, the investments and the everyday banking fee side of things.

Martin Birk All right. Then maybe just a last question.

I guess a lesson for 2026 has been that loan growth on a group level, it doesn't really cost you anything in terms of risk exposure amount. You are now closing into a headroom of close to 300 bps and even with a 100% payout ratio over the coming year. And how do you see that trajectory heading down to 16%?

Carsten Egeriis Yes. So I mean, you should see it as we previously guided on 3% to 4% lending growth. And we continue to feel good about that forecast.

So you should see the REA dynamics moving.

Of course, it's always depending on mix and asset quality and so forth, but you should see that as moving in a way that it sort of supports that we'll get to the 16% CET1 in 2028.

I think it's very difficult to comment because REA is a mix of, again customer dynamics, asset quality, customer mix.

As you all know, a lot of the growth has been driven the last couple of years by LC&I. We spoke about that in the speech, 13% year-on-year growth. That's typically investment grade, lower REA relative consuming business, just to give one example.

So it really depends on the dynamics, but you should see the REA growth moving somewhat in line with lending growth.

Do you want to comment, Cecile, on any one of these?

Cecile Hillary I'll just comment briefly indeed on the capital trajectory.

I mean, it is true, obviously, that we have a large buffer of 300 basis points, larger the management buffer of 150 to 200 basis points that we've guided towards, whilst I would say that the regulatory capital risk or headwind, et cetera, is reducing, right?

We've actually seen the materialization of reduction of Pillar II, et cetera.

So if anything, we've got what I feel is a very good level of clarity towards 2028 when it comes to capital. Just to let you know that the 300 basis points management buffer, in part is covering from some of our AT1 deficit which is, of course, deliberate. We don't want to have outstanding extra capital if we can avoid it, so some of this 300 basis points covers AT1.

And the glide path remains the same towards the 16% 2028 target. Whilst we expect the customer was mentioning, it will be, therefore, will allow us to maintain our capital distribution policy alongside our growth objectives.

Operator And the next question today comes from Riccardo Rovere from Mediobanca.

Riccardo Rovere Just one, when I look at your financial statements, your balance sheet and I sum up all the values, assets that should generate credit risk.

So loans to banks, loans to customers, loans at fair value and investment securities, ultimately (inaudible), or through other comprehensive income, the balance sheet, if the numbers have turned to me are kind of correct, is up almost DKK70 billion, and the credit risk RWA under IRB standardized and counterparty risk is down 4 billion in the quarter.

Can you elaborate how this can be possible? Is there a rating migration? Is -- PMAs are unchanged. So it looks like there is a risk profile you see in general is unchanged.

How can it be?

Cecile Hillary Yes. Yes, absolutely. Riccardo, thank you for the question.

I would say a good observation, particularly in a shorter timeframe since we released our results this morning.

So our data and system -- the main sort of evolution because, obviously, we have indeed increased the -- on the credit exposure, whilst you see, in fact, a stabilization of REA, which includes, in fact, a reduction of credit risk REA with a slight increase of market risk at REA which is, obviously, due to the current market.

So why do we see this credit risk REA reduction? This is because our data and systems become better over time with the investments that we're doing in our digital capabilities that allows us to be more precise and more accurate in calculating these REAs.

And that explains the last few months, in particular, explains why we've seen this reduction. Clearly, I mean taking a step back, the quality of our portfolio obviously supports that.

Riccardo Rovere Sorry, Cecile. Is it a matter of better allocating the collaterals?

Cecile Hillary So better calculations, more accurate data, allowing us to effectively remove some buffers linked to uncertainty in calculations. That's how it would go.

Operator We'll now take our next question. This is from Alexander Vilstrup-Jorgensen from DNB Carnegie.

Alexander Vilstrup-Jorgensen I have two.

So first, on competition within your various segments, how do you see the competition in the sector, both within PC, BC and LC&I?

Should we expect pressure on lending margins from here? Or do you see pricing discipline improving?

That would be my first question.

Carsten Egeriis Thanks for that.

Look, I think I would describe competition as being strong and intense competition.

In fact, as has been the case, I think from the last many years. So I wouldn't -- my observation there is anything specific to call out that's changed in Q3 or even the last few quarters.

I think the pricing discipline is relatively robust, in the sense that there is a focus also from our competition and, in general, in the market of ensuring that we need and exceed cost of capital and meet return targets that are there.

I said earlier in the year that we expected margins to be roughly flat. That's also what we've seen.

And so yes, I mean nothing particularly new to report, continues to be intense, but also, I think continues to be relatively disciplined.

Alexander Vilstrup-Jorgensen Moving over to my second question.

It relates to your Northern Irish business. Would you ever consider divesting your Northern Irish business over time?

I can see that in your 2028 strategy, you outlined ambitions for PC, BC and LC&I across the Nordic markets, but you provide a little detail on the Northern Irish business.

So given that the business appears somewhat outside your broader Nordic strategic focus, how do you see its role in the group going forward?

Carsten Egeriis Yes. Look, I mean, we really like our Northern Irish business. It's a very strong business, strong profitability, very well diversified, very long deposits and a strong team there.

It is a business that sits on our one platform and has all the benefits of sitting on our one platform and that's an important consideration.

Look, I've also said before that it is, of course, not part of our core Nordic strategy.

And therefore, we'll ongoing, of course look at whether there is -- there is or could be a better owner of that business, but we like the business, and we continue to invest in it.

Operator We will now take the next question. This is from Isabel Hetrick from Bernstein Autonomous.

Isabel Hetrick It's Isabel from Autonomous Research.

So my question is actually focused on your announcement last week that you're enabling your business customers to connect their AI agents to your platform and access their banking data?

So my first question is, what drove this development? Was it client interest? And do you have plans to roll out to the retail customers?

Then my second question is, more broadly, what risks do you see from customers using AI agents regarding deposit stickiness, brand loyalty?

And do you have any plans to mitigate potential impacts here?

Carsten Egeriis Yes. No. Thanks for that.

And obviously, this is a hot topic to say the least and developments are just going so fast.

On the MCP side, yes, it is something that our customers demand. And again, just for everybody on the call giving them access to our premium APIs via MCP so they can use their own agentic tools to read their own data is something that's increasingly important, then customers can themselves make their own user interfaces and tools using that data for treasury management, cash management purposes and so forth.

And we, of course, want to enable that for our customers.

We don't immediately have plans on the personal customer side but I could easily see that that is where the market is going as well.

Obviously, there are premium APIs. APIs available.

But in terms of consumer, customers building their own user interfaces, having access to their data, to some extent, they can do that already, but doing it with agentic tools. You could also imagine could be something that will happen.

And certainly, we're very much looking at both risks and opportunities, in terms of how sort of intermediation and disintermediation from agentic capabilities will play out and we're investing very heavily in this space, and we'll continue to look at both how we can support our customers and continue, of course, to build competitive advantage and strengthen our value proposition to our customers.

Operator And we have one more question. The last question today is from Hari Sivakumaran from KBW.

Hari Sivakumaran Can I ask a question on Danica?

We've had a couple of good quarters. I'm just wondering how much of that is kind of operational improvement and how much that may be kind of volatility driven?

And then also on 4Q costs, just the full-year guidance implies a bit of a range. So just maybe some color on where it may end up in 4Q.

Carsten Egeriis Yes. On Danica, it is very much driven by ongoing improvements in the health and accident area, which has previously been a significant challenge for the whole sector. And also, for us, we've significantly improved our operational capabilities around the management both proactively and reactively on the health and accident claims. And seeing improved operational management but also improved trends around that.

So I would very much put the main sort of drivers down to health and accident.

Then at the same time, of course, the investment results swings as per market, but we actually have, in fact, seen pretty strong investment results as we look at those year-to-date.

And then maybe on the cost guidance.

Cecile Hillary On the -- yes, on the cost guidance. So indeed, we've given a guidance of between 26 billion, 26.5 billion for the year, with the cost-to-income ratio below 45%.

I'm not going to refine the guidance further, but I'll say two things.

One, our cost management plan is going exactly as we anticipated at the beginning of the year. So there is nothing that we feel is out of our forecast.

That's the first thing I'd say.

Secondly, of course, we have in mind our trajectory towards the cost-to-income ratio of up to and no greater than 43% in 2028, and we intend to be firmly going in that direction.

But beyond that, I'm not going to make any other comments.

Carsten Egeriis All right. Thank you very much everyone, for your interest in Danske Bank.

We really appreciate it. Thanks for your questions.

As always, please do reach out to Investor Relations if any other questions.

Thanks a lot. Take care.

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