

# *Danske Bank Allocation Policy for Debt Capital Markets*

Effective June 4, 2024

## **Allocation under MiFID II**

This summary document serves to describe the principles that Danske Bank A/S (“Danske Bank”) will follow in syndicating and allocating new issues of fixed-income securities in the Eurobond market and Nordic Debt Capital Markets, and to describe how we intend to operate in compliance with the Markets in Financial Instruments Directive II (“MiFID II”) regulations, the Market Abuse Regulation (“MAR”) and the International Capital Markets Association (“ICMA”) guidelines. Additionally, the policy described in this document, as well as complementing internal governing information and procedures, are designed to ensure that:

- Syndication and allocation is undertaken in accordance with proper standards and market conduct
- Issuers/sellers as well as investors are treated fairly, and any conflicts of interest are managed in an appropriate manner

This document applies to all branches and entities of Danske Bank.

## **Danske Bank Bond Allocation Principles**

The DCM Syndicate desk (“Syndicate”) is responsible for the pricing and allocation process and has a duty of care to issuers in terms of fair treatment, transparency and appropriate advisory. DCM Origination (“Origination”) has a duty of care to issuers, and although they will not typically be directly involved with the actual allocation or book-building process, they will remain at the issuers’ disposal throughout the process, and must offer best-practice and market advisory based on their duty of care responsibilities.

As is customary in syndicated bond offerings, the ultimate pricing, sizing and allocation recommendations will be determined by means of an initial market assessment/recommendation, and a book-building process. This process enables the DCM to build a picture of investor interest and demand for a transaction.

Prior to the allocation and pricing, Syndicate must ensure that the book remains open for a reasonable period of time, unless otherwise stipulated by the issuer. Syndicate must also ensure all market/hedging risks associated with the issuer’s project are managed with care. Origination and Syndicate must maintain open communication with the issuer throughout the process, ensuring that the issuer is at all times aware of any and all potential factors material to the outcome of the offering.

### Guiding Principles for the Bookbuilding and Allocation Process

Origination and Syndicate must perform due care in terms of ensuring a thorough and appropriate marketing of the issuer's transaction(s). The offering must be made available to any and all relevant yet appropriate investors in harmony with ensuring:

- a) A sensible level of subscription reflecting the issuer's objectives and expectations under normal market conditions
- b) Ensuring appropriate pricing objectives on the part of the issuer may be met
- c) Distribution to an appropriate range of investors within MIFID II regulations target market assessment to achieve reasonable aftermarket price stability
- d) Ultimate allocations in compliance with both regulatory obligations and the commercial and legal imperatives of a particular transaction including as set out in the relevant offering memorandum (selling restrictions)

When acting as a Bookrunner, Origination and Syndicate must, prior to live marketing of any offering, consult with the issuer in terms of any (e.g. post roadshow) preferences and requirements regarding all aspects of the allocation process. This allows for the issuer to voice any and all preferences that might reflect the issuer's strategy regarding geographic distribution of their paper, types of investors being allocated, and any sizing restrictions on individual tickets, or how certain investors who have given supportive feedback should be treated. In addition, the issuer must be provided with Danske Bank's allocation policy and guiding principles. This will provide the issuer with the opportunity to ascertain if Danske Bank's policies are in line with their own, and indeed their transaction objectives.

Danske Bank must not act as a bookrunner and provide allocations to investors on any offering without having

- a) ensured that the issuer is aware of Danske Bank's allocation policies and
  - b) the allocations
- or allocation guidelines have been signed off by the issuer.

When acting as a bookrunner, Syndicate will, in coordination with the other bookrunner(s), prepare an allocation. This allocation may be viewed either as a recommendation to be presented to the issuer, or as an allocation to be confirmed by all bookrunners reflecting the issuer's broader allocation objectives, and all bookrunners' allocation policies. Ultimately, the bookrunners must act in accordance with all policies and regulations, and recognise that the ultimate allocation guidelines rest with the issuer.

Examples of key allocation considerations may be as follows:

1. Geographic location of investor
2. Investor engagement and support
3. Type of investor, including previous behaviour, investment horizon (including "trading" or "fast money accounts")
4. Order sizing as a percentage of deal size

As a bookrunner, Syndicate must ensure consistency in allocations across the above categories and ensure due care has been performed towards all investors. Exceptional treatment should be made exclusively in agreement with the issuer, and as a matter of principle be avoided. When acting as a bookrunner, Syndicate must ensure that it communicates, via market standard plat forms, simultaneously with all investors, regardless of any categorisation above.

In conjunction with the other Joint Bookrunners, Syndicate will record a line-by-line written justification/commentary in relation to any investors that appear in either of the following two rankings of the final allocation: (this is in line with current ICMA guidelines)

- 1) Investors that have received a final allocation in the top 20% of the total allocations by volume of overall deal size ranked by investor in descending order of size of allocation to each investor;

2) Investors that receive a final allocation in the top 20% of the total allocation ranked by investor in descending order of the percentage allocation granted to each investor.

For more information, please contact Johan Hansen ([johan.hansen@danskebank.se](mailto:johan.hansen@danskebank.se)), Global Head of DCM or Morten Grove ([mor@danskebank.dk](mailto:mor@danskebank.dk)), Global Head of Fixed Income Primary Markets.