

Press release

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Positive macroeconomic development, rise in lending and high customer activity. Net profit of DKK 10.3 billion (EUR 1,387.9 million). Return on equity of 13.5%. Outlook revised upwards.

Danske Bank has announced its financial results for the first half of 2017.

“The first half of 2017 was characterised by sound macroeconomic development in our Nordic markets,” says Thomas F. Borgen, Chief Executive Officer. “Customer activity was good throughout the period, contributing to a good income development. The increase was due partly to growth in Norway and Sweden, where we continued to attract new customers. Activity in the financial markets remained high, but subsided in the second quarter, although from a very high level in the first quarter. We have had a satisfactory first half-year, and developments over the past quarters indicate that our ambition to become an even more customer-driven, simple and efficient bank is paying off. As a result of developments in the first half-year, we are revising our outlook to a net profit for the year in the range of DKK 18-20 billion.”

The report is available at danskebank.com. Highlights are shown below:

First half 2017 vs first half 2016

Danske Bank delivered a satisfactory result for the first half of 2017. Net profit was DKK 10.3 billion (EUR 1,387.9 million) – an increase of 10% from the level in the first half of 2016 that was caused by positive macroeconomic developments in the Nordic markets, a continuation of low loan impairment levels, increased lending volumes and high customer activity.

The return on shareholders’ equity after tax was 13.5%, against 12.4% in the first half of 2016.

Total income amounted to DKK 24.4 billion (EUR 3,279.1 million), up 6% from the level in the first half of 2016, with increases in most income lines:

- Net interest income rose 6% to DKK 11.4 billion (EUR 1,537.1 million), reflecting a rise in lending of 3% from the first half of 2016. Lending grew in Norway and Sweden in particular.
- Net fee income amounted to DKK 7.6 billion (EUR 1,021.0 million) and was up 13%, primarily because of an increase in assets under management at Wealth Management and higher customer activity, mainly at Corporates & Institutions.
- Net trading income totalled DKK 4.5 billion (EUR 607.7 million) and was up 21%. Geopolitical events led to high activity in the financial markets in particular in the first quarter of 2017.
- Other income amounted to DKK 0.8 billion (EUR 113.4 million), a decrease of 53%. The decrease was caused primarily by the fact that the first half of 2016 benefited from the sale of domicile properties.

Operating expenses amounted to DKK 11.5 billion (EUR 1,544.3 million), an increase of 3% from the level in the first half of 2016. The increase reflects the high activity level, continued investments in digitalisation and costs relating to implementing new regulatory requirements, for example for financial instruments (MiFID II), data protection (GDPR) and the Second Payment Services Directive (PSD2). The cost/income ratio fell from 48.3% to 47.1%.

Credit quality continued to be solid. As a result, we made net loan impairment reversals for the first half of 2017 of DKK 466 million (EUR 62.7 million).

At the end of June 2017, total lending was up 3% from the year-earlier level. Lending increased in all markets. Total deposits rose 7% from the level in the first half of 2016.

Developments at business units

Personal Banking posted a profit before tax of DKK 2.6 billion (EUR 343.2 million), an increase of 5% from the first half of 2016. Income benefited from a continued increase in business volumes, an inflow of customers in Norway and Sweden and generally high activity levels within financing and investment. The increase in income more than offset a small rise in costs and loan impairments from the year-earlier level. Credit quality remained stable.

Business Banking posted a profit before tax of DKK 4.0 billion (EUR 540.7 million), an increase of 23%. Strong credit quality and favourable macroeconomic developments allowed us to reverse loan impairments of DKK 545 million (EUR 73.3 million), but also an increase in income and falling costs contributed to the result. The activity level was high, and business volumes rose on the Nordic markets, generating a total increase in lending of 3%.

Corporates & Institutions posted a profit before tax of DKK 3.7 billion (EUR 493.5 million) – an increase of 56% from the level in the first half of 2016. The increase reflects higher customer activity in the financial markets, both in terms of trading activity and capital markets transactions. Costs rose because of the high level of activity, while impairments fell as conditions in the offshore sector stabilised.

Wealth Management posted a profit before tax of DKK 2.2 billion (EUR 292.7 million), an increase of 10% from the level in the first half of 2016. The financial performance was driven by a net inflow of customers, strong premium growth in Danica Pension and strong net sales in Asset Management. Costs were higher than in the first half of 2016, mainly because of higher activity and restructuring. Assets under management increased 12% from the level in the first half of 2016.

In **Northern Ireland**, profit before tax fell 12% (in local currency) from the level in the first half of 2016. Income was stable, while costs rose and loan impairment reversals were lower. Income was maintained on the basis of good developments in lending to both personal and business customers. Costs rose 10% due to expenses for pension schemes and investments.

Strong capital ratios

At the end of June 2017, the CET1 capital and total capital ratios were solid at 16.2% and 21.1%, respectively, against 16.3% and 21.8% at the end of 2016. Both ratios are above target. At the end of June 2017, the Liquidity Coverage Ratio (LCR) was 163%.

Outlook revised upwards

As a result of developments in the first half-year, we are revising our outlook to a net profit for the year in the range of DKK 18-20 billion (EUR 2,420.5-2,689.4 million). We previously expected net profit for 2017 to be in the range of DKK 17-19 billion (EUR 2,286.0-2,554.9 million).

We maintain our longer-term ambition for a return on shareholders' equity of at least 12.5%.

Danske Bank

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More information about Danske Bank's financial results is available at danskebank.com/reports.