

To the editor

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Danske Bank reports net profit of DKK 5.0 billion (EUR 662.8 million) for the first quarter of 2015

Diversified business model leads to strong results in challenging interest rate environment

Danske Bank has announced its financial results for the first quarter of 2015.

“In the first quarter of 2015, we saw the benefit of our diversified business model and posted strong earnings despite the adverse effect of low interest rates on net interest income,” says Thomas F. Borgen, Chief Executive Officer.

“We saw very high customer activity within mortgage refinancing and in the financial markets, and all in all, we made a good start to the year. It is especially satisfying that our focus on delivering great value to our customers continues to improve our underlying business.”

Although we have posted strong earnings, we maintain our guidance for the year because of considerable uncertainty about future interest rates, developments in the financial markets and the level of customer activity.”

The interim report for the first quarter of 2015 is available at danskebank.com. Highlights are shown below:

First quarter 2015 vs first quarter 2014

- In the first quarter of 2015, Danske Bank Group posted a profit before tax from core activities of DKK 6.3 billion (EUR 839.7 million). Net profit totalled DKK 5.0 billion (EUR 662.8 million), and the increase of 76% from the first quarter of 2014 was driven mainly by higher net trading income owing to high customer activity.
- The return on shareholders' equity after tax was 13.2% p.a., against 7.7% p.a. for the first quarter of 2014.

- Total income amounted to DKK 12.2 billion (EUR 1,634.7 million) and was up 18%.
 - Net interest income totalled DKK 5.3 billion (EUR 711.3 million), and was up 3% from the year-earlier level. Net interest income was positively affected by larger business volumes and the repayment of the hybrid capital raised from the Danish state and adversely affected by the ECB's quantitative easing programme and interest rate cuts by the Danish central bank.
 - Net fee income increased 19% to DKK 3.0 billion (EUR 407.8 million), benefitting from a high level of mortgage refinancing, as many of our customers took advantage of the historically low interest rates.
 - Net trading income rose 43% to DKK 2.7 billion (EUR 363.5 million) owing to higher customer activity and positive value adjustments.
- Operating expenses were flat at DKK 5.4 billion (EUR 727.9 million), and the cost/income ratio improved to 44.5% as a result of stable costs and stronger income.
- Loan impairments in core activities continued to show a declining trend and amounted to DKK 0.5 billion (EUR 67.2 million), or 0.11% of lending and guarantees, against 0.14% in the first quarter of 2014. Impairments thus saw a decline of 22%, reflecting an improvement of macroeconomic conditions.
- Non-core activities posted a profit before tax of DKK 0.1 billion (EUR 12.0 million), against a loss before tax of DKK 0.6 billion (EUR 84.7 million) in the first quarter of 2014. The winding-up of our Non-core activities continues according to plan.

First quarter 2015 vs fourth quarter 2014

- In the first quarter of 2015, net profit amounted to DKK 5.0 billion (EUR 662.8 million), against a negative DKK 6.3 billion (EUR 844.3 million) in the fourth quarter of 2014 that was adversely affected by goodwill impairments of DKK 9.1 billion (EUR 1,222.4 million).
- Total income rose 9% from the fourth quarter of 2014. Net interest income fell 7%, mainly because of pressure on deposit margins as a result of interest rate cuts by the Danish central bank. Net fee income declined 3% since performance fees at Danske Capital are booked mainly in the fourth quarter. Net trading income rose to DKK 2.7 billion (EUR 363.5 million), against DKK 0.9 billion (EUR 124.7 million) in the fourth quarter of 2014. Income increased because of higher customer activity at Corporates & Institutions and value adjustments at Group Treasury.
- Operating expenses declined 11% from the level in the fourth quarter, which was affected by restructuring and other costs being recognised in the fourth quarter of 2014.

- Loan impairments in core activities decreased 41% from the level in the fourth quarter, which was affected by higher charges as a result of the Asset Quality Review.
- At the end of March 2015, total lending was up 3% from the level at the end of 2014. Danske Bank's market shares rose in Denmark and Norway. Total deposits were up 8%, with increases recorded at all banking units, in particular at Corporates & Institutions.

Solid common equity tier 1 capital ratio and total capital ratio

The common equity tier 1 capital ratio and the total capital ratio were solid at 14.1% and 18.4%, respectively, against 15.1% and 19.3% at 31 December 2014. The liquidity coverage ratio (LCR) was 131% at 31 March 2015.

On 30 March 2015, we initiated our DKK 5.0 billion (EUR 669.4 million) share buy-back programme, which may run until 31 December 2015.

Capital structure adjusted

We continued to adjust our capital structure, issuing additional tier 1 capital for EUR 750 million in the euro market in February 2015.

Ratings under review for potential upgrade

In March 2015, Moody's placed Danske Bank's ratings under review for a potential upgrade, continuing the positive trend of rating upgrades from 2014.

Guidance maintained

We reaffirm our guidance for 2015 of a net profit of above DKK 14 billion (EUR 1,874.2 million). We maintain this outlook, even though the first-quarter financial results exceeded our expectations. We base this on a combination of factors: Danish central bank rates remain very uncertain, economic growth remains slow and fragile and the future levels of customer activity in the financial markets are uncertain.

Danske Bank

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