

Press release

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Net profit of DKK 4.9 billion for the first quarter of 2016 Satisfactory result despite difficult market conditions

Danske Bank has announced its financial results for the first quarter of 2016.

“Despite challenging financial markets and negative short-term interest rates, we had a satisfactory start to the year, which reflects the strength of our business model,” says Thomas F. Borgen, Chief Executive Officer. “The underlying business is robust, and we continued to improve the customer experience by introducing new and innovative solutions. We were able to attract new customers and to increase lending in a market characterised by moderate economic growth and relatively weak credit demand. We reduced costs further, while losses and impairments remained at a low level. Our capital position is solid, and this gives us a good platform for continued value creation for all stakeholders.”

The interim report for the first quarter of 2016 is available at danskebank.com. Highlights are shown below:

First quarter 2016 vs first quarter 2015

The financial highlights for 2015 are restated comparative figures that reflect changes to Danske Bank’s financial reporting as described in the interim report.

- For the first quarter of 2016, Danske Bank delivered a satisfactory net profit of DKK 4.9 billion. The result was at the same level as in the first quarter of 2015.
- The return on shareholders’ equity after tax was 13.1% p.a., against 11.6% before goodwill impairments for full year 2015.
- Total income amounted to DKK 11.5 billion, against DKK 12.5 billion a year ago. The decrease of 9% was caused mainly by lower net fee and trading income.

- Net interest income was unchanged at DKK 5.3 billion. Lending growth of 2% from the same period last year and lower funding costs were able to offset the pressure on interest margins.
- Net fee income amounted to DKK 3.4 billion and fell 9% from the level in the first quarter of 2015, when remortgaging activity was particularly high because of the declining interest rates.
- Net trading income amounted to DKK 1.6 billion and decreased 47% from the first quarter of 2015 as a result of low customer activity and increased negative value adjustments. Market conditions improved towards the end of the quarter, however. In the first quarter of 2015, net trading income was unusually strong, driven by high customer activity.
- Other income amounted to DKK 1.2 billion and rose DKK 0.7 billion. The rise was caused primarily by the sale of properties.
- Operating expenses were reduced by 8% from the year-earlier period and amounted to DKK 5.3 billion. The cost/income ratio stood at 46.3%, against 46.0% a year ago.
- Loan impairments continued to decline and posted a net reversal for the fourth consecutive quarter. For the first quarter of 2016, the net reversal amounted to DKK 0.1 billion and was the result of improved macroeconomic conditions and our ongoing work to improve credit quality. Loan impairments equalled -0.03% of lending and guarantees, against 0.11% a year ago.

Strong capital ratios

At the end of March 2016, the CET1 capital ratio and the total capital ratio were strong at 15.0% and 20.1%, respectively, against 16.1% and 21.0% at the end of 2015. The liquidity coverage ratio (LCR) was 124% at 31 March 2016.

The reduction of the CET1 capital ratio was caused by the share buy-back programme of DKK 9 billion initiated on 4 February 2016. The programme is expected to run until no later than 3 February 2017.

Outlook maintained

We maintain our outlook for net profit for 2016 to be in line with net profit before goodwill impairments for 2015. Our outlook is based on the restated financial highlights for 2015.

Wealth Management

Our new Wealth Management unit, which encompasses Danica Pension, Danske Capital and Private Banking, has reported as a separate unit from the first quarter of 2016.

Developments in the financial markets, particularly at the beginning of the year, had a negative effect on customer activity and income at Wealth Management. Towards the end of the quarter, however, the market trended more positively and customer activity rose.

Danske Bank in Northern Ireland a separate unit

Since 1 January 2016, our business in Northern Ireland has operated as a separate unit. Danske Bank in Northern Ireland has thus also reported as a separate unit from the first quarter of 2016.

Profit before tax for Danske Bank in Northern Ireland was up 4% (12% in GBP) from the level in the first quarter of 2015. The unit thus continues the positive trend in profit, driven by lower expenses and impairment reversals, among other things.

Danske Bank

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