

Press release

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**Danske Bank: Net profit of DKK 9.4 billion for first half 2016  
Return on shareholders' equity of 12.4%**

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

*“We have had a satisfactory first half of 2016 despite difficult market conditions with continued negative interest rates, low economic growth and subdued demand. Generally, the period has been characterised by low activity, except within financial markets. The results reflect our well-diversified business model, increased lending and our efforts to become an even more customer-focused, simple and efficient bank,”* says Thomas F. Borgen, Chief Executive Officer.

*“We have launched a number of new products and solutions to support our customers with their financial needs, and we have seen a positive customer inflow in key markets. Our lending book grew while we maintained high credit quality and kept impairments at a very low level.*

*Even though the market conditions have become more challenging owing to the UK's vote to leave the EU, we maintain our outlook for 2016.”*

The interim report for the first half of 2016 is available at [danskebank.com](http://danskebank.com). Highlights are shown below:

**First half 2016 vs first half 2015**

- For the first half of 2016, Danske Bank delivered a satisfactory net profit of DKK 9.4 billion. The result was at the same level as in the first half of 2015.
- The return on shareholders' equity after tax was 12.4%, against 12.5% in the first half of 2015.

- Total income amounted to DKK 23.0 billion, against DKK 23.8 billion a year ago. The decrease of 3% was caused mainly by lower net fee and net trading income.
  - Net interest income totalled DKK 10.7 billion and was unchanged from the year-earlier level. Lending growth of 4% from the level in the first half of 2015 and lower funding costs were able to offset the pressure on margins.
  - Net fee income amounted to DKK 6.7 billion and decreased 10% from the level in the first half of 2015, among other things because remortgaging activity normalised compared with the high level in the first half of 2015.
  - Net trading income totalled DKK 3.7 billion, representing a decrease of 15% from the extraordinarily high level in the first half of 2015, even though market conditions, which were difficult in the first quarter, improved in the second quarter.
  - Other income amounted to DKK 1.8 billion and rose 59%. The rise was caused primarily by the sale of properties in the first quarter of 2016.
- Operating expenses amounted to DKK 11.1 billion and were reduced 3% from the level in the first half of 2015. The main reasons for the fall in expenses were our ongoing efforts to reduce operational costs, a lower net contribution to the Danish Resolution Fund and the Deposit Guarantee Fund and lower amortisation of intangibles. Regulatory costs increased in the period, especially in relation to anti-money-laundering activities. The cost/income ratio stood at 48.3%, against 47.9% a year ago.
- Loan impairments continued to decline and posted a net reversal of DKK 107 million. The lower impairment level reflected higher collateral values and our ongoing work to improve credit quality. In the agricultural and oil sectors, however, impairments increased. Loan impairments in core activities equalled -0.01% of lending and guarantees, against 0.03% a year ago.

### **Strong capital ratios**

At the end of June 2016, the CET1 capital ratio and the total capital ratio were strong at 15.8% and 21.1%, respectively, against 16.1% and 21.0% at the end of 2015. The liquidity coverage ratio (LCR) was 136% at 30 June 2016.

The reduction of the CET1 capital ratio in the first half of 2016 was expected and caused primarily 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.

**Increased uncertainty after the UK referendum**

The outcome of the UK referendum on EU membership will not have any significant short-term impact on Danske Bank. Our business in Northern Ireland accounted for 3% of total lending at 30 June 2016 and 5% of total income in the first half of 2016. The outcome will probably impact economic activity in all of our markets, however. It is too early to predict the extent of the impact, but uncertainty concerning future growth has increased.

**Outlook maintained**

In the light of weak activity levels and uncertainty in the financial markets, we expect net fee income in 2016 to be lower than in 2015. On net interest income, we now expect somewhat less pressure on margins for the remainder of 2016, and we will benefit from volume growth and somewhat lower funding costs. We therefore maintain our outlook for net profit for 2016 to be in line with net profit before goodwill impairments in 2015.

Danske Bank

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More information about Danske Bank Group's financial results is available at [danskebank.com/reports](http://danskebank.com/reports).