

Press release 22 July 2015

Danske Bank Plc Group's Interim Report January-June 2015

Risto Tornivaara, CEO: Pleasing development in credit and deposit portfolios in difficult market conditions

“The operating environment continued to be very challenging during the first half-year. Interest rates remained exceptionally low, and the Greek crisis increased uncertainty in the financial market. Danske Bank Plc Group, the Finnish subsidiary of the Danske Bank A/S Group, was able to improve its result in the challenging operating environment. The profit before taxes for the first half-year was EUR 113 million, which is 9 per cent more than in the same period of 2014. The positive profit performance was due to our determined efforts to improve the bank’s cost structure and the reduction of loan impairment charges.

Our cost-to-income ratio improved by 2 percentage points on the previous year and was 60.5 per cent. The interest rate environment had a negative impact on our net interest income, which declined by 2 per cent. Net fee income was almost at previous year’s level. Operating income totaled EUR 293 million in January-June, which is 3 per cent less than a year earlier.

Danske Bank’s objective is to be the most trusted banking partner for Finns. Customer satisfaction improved in all our business units, especially among our medium-sized and large corporate customers. Our customers’ trust was reflected in the development of our credit and deposit portfolios in both Personal and Business Banking, which is very pleasing, especially considering the difficult market conditions.

The number of new housing loans grew by over 20 per cent on the previous year, boosted by our campaigns focusing on effortless banking. More than 22,000 of our household customers utilised the opportunity to have an interest-only period on their home loans, which released some EUR 110 million in assets for households to use.

After a long downturn, there are positive signs regarding Finnish companies’ willingness to invest. The corporate bond market has been utilised actively in financing, and there have also been new listings on the stock market after a long hiatus. The first half-year was successful for Danske Bank’s Corporate Finance business: we were chosen to participate in arranging the largest IPOs since 2006, and we played a key role in several major financing arrangements.

Danske Bank Plc Group’s capital adequacy is very strong, and our capital adequacy ratio was 15.5 per cent (14.5% at the end of 2014) at the end of the period. Our aim is to grow in Finland, and our strong capital adequacy provides a good foundation for this.”

Danske Bank Plc Group's Financial Highlights

		1-6/2015	1-6/2014	1-12/2014
Net interest income	EURm	151	154	315
Total operating income	EURm	293	302	603
Total operating expenses	EURm	177	189	373
Impairment charges on loans and receivables 1)	EURm	3	10	17
Profit before taxes	EURm	113	104	214
Cost to income ratio	%	60.5	62.5	61.8
Total amount of balance sheet at the end of the period	EURm	31,647	27,037	29,692
Equity at the end of the period	EURm	2,428	2,416	2,502
Return on equity 2)	%	6.3	6.9	6.9
Group solvency ratios	%	15.5	14.2	14.5
Number of staff (FTE) at the end of the period 3)		1,923	1,811	1,709
Return on assets 2)	%	0.5	0.6	0.6
Equity/assets ratio	%	7.7	8.9	8.4

1) Impairment on loans and receivables includes impairment charges, reversals of them, write-offs and recoveries.

2) Annualized

3) Presentation has been changed for 2015, so that hourly paid staff has been included in FTE. Comparative figures have not been changed.

Danske Bank Plc is part of the Danske Bank Group. In addition to Danske Bank Plc, Danske Bank's operations in Finland include the Helsinki Branch of Danske Bank A/S.

Financial Highlights of Danske Bank's operations in Finland

		1-6/2015	1-6/2014	1-12/2014
Total operating income	EURm	326	333	663
Profit before taxes	EURm	136	125	249
Total assets at the end of the period	EURm	33,017	28,578	31,128
Number of staff (FTE) at the end of the period		2,228	2,122	1,999

Events after the reporting period

Financial Supervisory Authority (FIN-FSA) has, in their press release on 6th July 2015, designated Danske Bank Plc as systemically important credit institution (O-SII) in Finland in accordance with the Act on Credit Institutions. At the same time FIN-FSA imposed an additional capital requirement of 0.5 per cent, which has to be covered by Common Equity Tier 1 capital (CET1 capital). The new requirement must be fulfilled as of 7th January 2016.

In July 2015 Danske Bank Plc also received the Finnish FSA's approval to use the F-IRB approach for calculating credit Risk Exposure amount (REA) for the asset class corporate in Finland. The approval will be implemented during Q3 2015.

Outlook for 2015

Growth in Finnish economy is expected to remain on a very modest level also during the rest of the year 2015 and mainly driven by growth in exports to Western markets and USA.

Lending to personal and corporate customers is expected to continue a slight increase also during the rest of the year. However, due to the low domestic demand, relatively quiet activity on the housing markets and continuing low level of interest rates, we expect the net interest income and total income to decrease slightly compared to the previous year.

Expenses are expected to be lowered compared to previous year as we continue to have a strong focus on improving our cost efficiency and operational processes during the second half of 2015. Overall, we expect that our profit before loan impairment charges for 2015 will be slightly better than 2014.

Impairment charges are expected to in broadly line with 2014 thus net profit is expected to be at the same level as 2014.

This guidance is generally subject to uncertainty and depends on economic conditions. Our trading income and loan loss charges are particularly uncertain.

Full interim report

The Danske Bank Plc Group's full Interim Report for January – June 2015 is attached to this release as a pdf file and is available at the bank's website www.danskebank.fi.

For further information:

Risto Tornivaara, CEO of Danske Bank Plc

For an interview with Risto Tornivaara, please contact Irja Kukkola/Communications, tel. + 358 10 546 8006.

Danske Bank is a leading Nordic financial services organisation with retail, corporate and institutional customers in 15 countries. In Finland, the bank produces customer-oriented banking solutions for over 1 million customers. Danske Bank has an excellent international network of experts and is at the forefront in the provision of modern mobile and tablet services.