

Interim report – first half 2017

Danske Bank Group



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Financial highlights – Danske Bank Group

Income statement (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Net interest income	11,431	10,747	106	5,692	5,739	99	5,489	104	22,028
Net fee income	7,593	6,737	113	3,743	3,850	97	3,354	112	14,183
Net trading income	4,519	3,735	121	1,814	2,705	67	2,138	85	8,607
Other income	843	1,794	47	487	356	137	562	87	3,140
Total income	24,385	23,012	106	11,736	12,649	93	11,543	102	47,959
Operating expenses	11,484	11,115	103	5,760	5,724	101	5,805	99	22,642
Profit before loan impairment charges	12,901	11,897	108	5,976	6,925	86	5,738	104	25,317
Loan impairment charges	-466	-107	-	-231	-235	98	22	-	-3
Profit before tax, core	13,368	12,004	111	6,208	7,160	87	5,715	109	25,320
Profit before tax, Non-core	-45	47	-	-25	-19	132	65	-	37
Profit before tax	13,323	12,051	111	6,182	7,140	87	5,780	107	25,357
Tax	3,002	2,688	112	1,392	1,610	86	1,362	102	5,500
Net profit for the period	10,321	9,363	110	4,790	5,530	87	4,418	108	19,858
Attributable to additional tier 1 etc.	391	322	121	197	194	102	161	122	663

Balance sheet (end of period) (DKK millions)

Due from credit institutions and central banks	286,541	167,665	171	286,541	288,956	99	167,665	171	200,544
Repo loans	225,869	233,098	97	225,869	236,614	95	233,098	97	244,474
Loans	1,707,291	1,663,698	103	1,707,291	1,705,483	100	1,663,698	103	1,689,155
Trading portfolio assets	489,463	577,414	85	489,463	463,751	106	577,414	85	509,678
Investment securities	331,817	333,321	100	331,817	337,105	98	333,321	100	343,337
Assets under insurance contracts	290,620	294,647	99	290,620	289,697	100	294,647	99	285,398
Total assets in Non-core	17,492	21,555	81	17,492	18,476	95	21,555	81	19,039
Other assets	223,625	191,928	117	223,625	203,457	110	191,928	117	192,046
Total assets	3,572,717	3,483,327	103	3,572,717	3,543,540	101	3,483,327	103	3,483,670
Due to credit institutions and central banks	147,448	146,484	101	147,448	150,017	98	146,484	101	155,085
Repo deposits	234,219	237,162	99	234,219	208,196	112	237,162	99	199,724
Deposits	913,639	854,518	107	913,639	883,538	103	854,518	107	859,435
Bonds issued by Realkredit Danmark	733,172	706,503	104	733,172	734,250	100	706,503	104	726,732
Other issued bonds	428,134	391,477	109	428,134	449,234	95	391,477	109	392,512
Trading portfolio liabilities	451,663	487,322	93	451,663	446,325	101	487,322	93	478,301
Liabilities under insurance contracts	309,933	319,351	97	309,933	314,759	98	319,351	97	314,977
Total liabilities in Non-core	2,499	4,008	62	2,499	2,892	86	4,008	62	2,816
Other liabilities	159,001	139,687	114	159,001	157,870	101	139,687	114	149,641
Subordinated debt	30,110	38,726	78	30,110	35,922	84	38,726	78	37,831
Additional tier 1 etc.	14,334	11,308	127	14,334	14,389	100	11,308	127	14,343
Shareholders' equity	148,564	146,779	101	148,564	146,149	102	146,779	101	152,272
Total liabilities and equity	3,572,717	3,483,327	103	3,572,717	3,543,540	101	3,483,327	103	3,483,670

Ratios and key figures

Dividend per share (DKK)									9.0
Earnings per share (DKK)	10.8	9.4		5.0	5.8		4.4		20.2
Return on avg. shareholders' equity (% p.a.)	13.5	12.4		12.6	14.4		11.8		13.1
Return on avg. tangible equity (% p.a.)	14.4	13.3		13.5	15.4		12.6		14.0
Net interest income as % p.a. of loans and deposits	0.87	0.85		0.87	0.89		0.87		0.86
Cost/income ratio (%)	47.1	48.3		49.1	45.3		50.3		47.2
Total capital ratio (%)	21.1	21.1		21.1	20.4		21.1		21.8
Common equity tier 1 capital ratio (%)	16.2	15.8		16.2	15.5		15.8		16.3
Share price (end of period) (DKK)	250.4	175.4		250.4	237.5		175.4		214.2
Book value per share (DKK)	162.5	153.2		162.5	158.3		153.2		162.8
Full-time-equivalent staff (end of period)	19,490	19,394	100	19,490	19,316	101	19,394	100	19,303

See note 2 to the financial statements for an explanation of differences in the presentation between IFRS and the financial highlights. For a definition of ratios, see Definition of Alternative Performance Measures on page 27.

Executive summary

“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.”

Danske Bank delivered a satisfactory result for the first half of 2017. Net profit was DKK 10.3 billion, against DKK 9.4 billion in the first half of 2016, which benefited from one-off gains. The return on shareholders' equity after tax was 13.5%, against 12.4% in the first half of 2016. The strong underlying business momentum continued.

The Nordic economies saw positive trends in the first half of 2017. GDP growth in Denmark, Norway and Finland increased from modest levels, and the Swedish economy continued to perform well. Driven especially by our activities in Norway and Sweden, aggregate lending grew 1% in the first half of 2017 and was 3% higher than lending for the year-earlier period, despite currency headwinds.

In the first half of 2017, we saw good results from our efforts to realise our Nordic potential. At Personal Banking, our partnerships with Akademikerne in Norway and Saco in Sweden continued to generate good activity with customer inflows and increased volumes, and our new partnership with TCO in Sweden was off to a good start in the second quarter. At Business Banking, we saw lending growth across markets, and at Corporates & Institutions, we saw higher customer activity than in the first half of 2016. At Wealth Management, total assets under management were 12% higher than for the year-earlier period.

Net interest income and net fee income increased from the level in the first half of 2016, driven mainly by volume growth and higher customer activity, respectively. Net trading income was also higher, driven especially by high activity in the financial markets in the first quarter of 2017 as a result of geopolitical events.

Operating expenses were affected by increased activity and increased costs related primarily to compliance, regulation and digitalisation. We are investing significant resources in implementing regulatory requirements regarding, for example, financial instruments (MiFID II), data protection (GDPR) and payment services (PSD2). Credit quality remained strong, and we saw continued net reversals driven by improving macroeconomic conditions and higher collateral values in the first half of 2017.

Capital, funding and liquidity

Our capital position remained strong, with a total capital ratio of 21.1% and a CET1 capital ratio of 16.2%. On the basis of

fully phased-in CRR and CRD IV rules and requirements, our CET1 capital ratio stood at 16.1%, versus our current, fully phased-in regulatory CET1 capital requirement of 12.0% and our target range of 14-15% in the short to medium term.

At 30 June 2017, DKK 4.2 billion of the DKK 10.0 billion share buy-back programme had been bought back.

In the first half of 2017, issuance of covered bonds, senior bonds and additional tier 1 capital totalled DKK 40 billion. At 30 June 2017, our liquidity coverage ratio stood at 163%.

Customer satisfaction

Customer satisfaction remains a key priority. Business Banking and Corporates & Institutions continued the leading performance on customer satisfaction, while Wealth Management was stable and Personal Banking experienced intensified competition. We are working hard to constantly improve the customer experience.

Outlook for 2017

The outlook has been revised.

We expect net interest income to be higher than in 2016, as we will benefit from volume growth and lower funding costs.

Net fee income is now expected to be higher than in 2016, subject to customer activity. Net trading income and Other income are expected to be less impacted by positive special items compared to 2016. Expenses are now expected to be around the level in 2016. Loan impairments are expected to remain low.

We now expect net profit to be in the range of DKK 18-20 billion.

We previously expected net profit for 2017 to be in the range of DKK 17-19 billion.

The outlook is subject to uncertainty and macroeconomic developments.

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

Financial review

In the first half of 2017, Danske Bank Group posted a profit before tax from core activities of DKK 13.4 billion, an increase of 11% from the level in the first half of 2016.

Income

Total income amounted to DKK 24.4 billion, up 6% from the level in the first half of 2016, with increases in most income lines when adjusting for the effect of the sale of domicile properties.

Net interest income totalled DKK 11.4 billion, with the increase of 6% being driven by increased lending volumes.

Net fee income amounted to DKK 7.6 billion and was up 13% from the level in the first half of 2016. Net fee income benefited from 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, representing an increase of 21%. The increase was driven especially by high activity in the financial markets as a result of geopolitical events in the first quarter of 2017.

Other income amounted to DKK 0.8 billion, a decrease of 53% from the level in the first half of 2016. The first half of 2016 benefited from the sale of domicile properties.

Expenses

Operating expenses amounted to DKK 11.5 billion, an increase of 3% from the level in the first half of 2016. Expenses were affected by increased activity and by increased costs that related primarily to regulatory compliance and our continued focus on digitalisation. As regards regulatory compliance, considerable resources are invested in implementing regulatory requirements regarding, for example, financial instruments (MiFID II), data protection (GDPR) and the Second Payment Services Directive (PSD2).

Loan impairments

Loan impairment charges remained low, with net reversals higher than in the first half of 2016. Solid credit quality driven by higher property prices and improving macroeconomic conditions meant that loan impairments continued to fall. At Business Banking, the high reversals were attributable primarily to facilities in Denmark due to higher property prices. At Corporates & Institutions, however, impairments against exposures to the shipping/offshore sectors continued.

Loan impairment charges				
(DKK millions)	First half 2017		First half 2016	
	Charges	% of credit exposure*	Charges	% of credit exposure*
Personal Banking	3	0.00	-179	-0.05
Business Banking	-545	-0.16	-23	-0.01
C&I	248	0.12	320	0.16
Wealth Management	-45	-0.12	-74	-0.21
Northern Ireland	-130	-0.58	-151	-0.60
Other Activities	3	0.18	1	0.00
Total	-466	-0.05	-107	-0.01

* Defined as net credit exposure from lending activities in core segments excluding exposures related to credit institutions and central banks and loan commitments.

Tax

Tax on the profit for the period amounted to DKK 3.0 billion, or 22.5% of profit before tax.

Q2 2017 vs Q1 2017

In the second quarter of 2017, Danske Bank posted a net profit of DKK 4.8 billion, against DKK 5.5 billion in the first quarter.

Net interest income amounted to DKK 5.7 billion and was at the same level as in the first quarter.

Net trading income amounted to DKK 1.8 billion, against DKK 2.7 billion in the first quarter. The decrease was due to more normalised market conditions on the back of a first quarter with strong customer activity in the financial markets.

Other income increased 37%. In the second quarter, other income benefited from the sale of shares in an associated company.

Operating expenses amounted to DKK 5.8 billion and were at the same level as in the first quarter.

Loan impairments showed net reversals of DKK 0.2 billion, continuing the stable trend from the level in the first quarter and reflecting consistently strong credit quality supported by high collateral values.

Balance sheet

Lending (end of period) (DKK billions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Full year 2016	Index 17/FY16
Personal Banking	747.6	730.7	102	747.6	745.9	100	741.7	101
Business Banking	678.2	657.5	103	678.2	671.8	101	662.1	102
Corporates & Institutions	192.2	192.1	100	192.2	199.0	97	197.2	97
Wealth Management	73.7	70.7	104	73.7	73.4	100	72.5	102
Northern Ireland	46.1	46.1	100	46.1	46.5	99	45.6	101
Other Activities incl. eliminations	-9.9	-8.8		-9.9	-9.6		-7.1	
Allowance account, lending	20.6	24.6	84	20.6	21.6	95	22.8	90
Total lending	1,707.3	1,663.7	103	1,707.3	1,705.5	100	1,689.2	101

Deposits (end of period) (DKK billions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Full year 2016	Index 17/FY16
Personal Banking	275.1	267.4	103	275.1	267.3	103	267.1	103
Business Banking	245.6	224.2	110	245.6	232.2	106	230.1	107
Corporates & Institutions	265.0	238.8	111	265.0	256.8	103	233.3	114
Wealth Management	66.7	62.9	106	66.7	61.9	108	62.9	106
Northern Ireland	59.0	58.8	100	59.0	58.9	100	59.2	100
Other Activities incl. eliminations	2.2	2.4	92	2.2	6.4	34	6.8	32
Total deposits	913.6	854.5	107	913.6	883.5	103	859.4	106

Covered bonds (DKK billions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Full year 2016	Index 17/FY16
Bonds issued by Realkredit Danmark	733.2	706.5	104	733.2	734.3	100	726.7	101
Own holdings of bonds	44.2	49.5	89	44.2	41.2	107	44.6	99
Total Realkredit Danmark bonds	777.4	756.0	103	777.4	775.4	100	771.3	101
Other covered bonds issued	187.5	174.3	108	187.5	158.6	118	154.3	122
Own holdings of bonds	23.1	50.9	45	23.1	62.5	37	63.1	37
Total other covered bonds	210.6	225.1	94	210.6	221.1	95	217.4	97
Total deposits and issued mortgage bonds etc.	1,901.6	1,835.7	104	1,901.6	1,880.0	101	1,848.1	103
Lending as % of deposits and issued mortgage bonds etc.	89.8	90.6		89.8	90.7		91.4	

Lending

At the end of June 2017, total lending was up 1% from the level at the end of 2016, despite currency headwinds. Lending increased in all markets and across all geographies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 38.6 billion. Lending to personal customers accounted for DKK 18.7 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, rose slightly from 26.6% at the end of 2016 to 26.7% at the end of May 2017. In Finland, Sweden and Norway, our market shares of lending also rose.

Market shares of lending (%)	31 May 2017	31 December 2016
Denmark incl. RD (excl. repo)	26.7	26.6
Finland	9.8	9.6
Sweden (excl. repo)	5.4	5.2
Norway	6.0	5.8

Source: Market shares are based on data from the central banks.

Lending equalled 89.8% of the total amount of deposits, mortgage bonds and other covered bonds, against 91.4% at the end of 2016.

Deposits

At the end of June 2017, total deposits were up 6% from the level at the end of 2016, with increases in almost all markets and across all geographies. The Group maintained its strong funding position.

Market shares of deposits (%)	31 May 2017	31 December 2016
Denmark (excl. repo)	28.9	28.7
Finland	13.1	12.3
Sweden (excl. repo)	4.1	3.7
Norway	5.8	5.5

Source: Market shares are based on data from the central banks.

Credit exposure

Credit exposure from lending activities in core segments totalled DKK 2,668 billion, against DKK 2,534 billion at the end of 2016.

Risk Management 2016, section 4, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remains solid in the light of stable credit conditions. Total gross non-performing loans (NPL) decreased owing to continued reversals and work-outs of large customers. The coverage ratio remained high.

The risk management notes on pp. 49-56 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 June 2017	31 December 2016
Gross NPL	35,880	40,406
Individual allowance account	16,954	18,505
Net NPL	18,926	21,900
Collateral (after haircut)	15,882	18,033
NPL coverage ratio (%)	84.8	82.7
NPL coverage ratio of which is in default (%)	95.4	94.7
NPL as a percentage of total gross exposure	1.3	1.6

The NPL coverage ratio is calculated as individual impairment (allowance account) amounts relative to gross NPL net of collateral (after haircuts).

Accumulated individual impairments amounted to DKK 17.0 billion, or 0.9% of lending and guarantees. Accumulated collective impairments amounted to DKK 4.5 billion, or 0.2% of lending and guarantees. The corresponding figures at 31 December 2016 were DKK 18.5 billion and DKK 5.0 billion, respectively.

Allowance account by business units (DKK millions)	30 June 2017		31 December 2016	
	Accum. impairm. charges*	% of loans and guarantees	Accum. impairm. charges*	% of loans and guarantees
Personal Banking	5,443	0.72	5,584	0.77
Business Banking	12,129	1.78	13,324	2.05
Corporates & Institutions	2,409	0.56	2,762	0.69
Wealth Management	480	0.63	534	0.75
Northern Ireland	989	2.15	1,273	2.48
Other Activities incl. eliminations	2	-	1	-
Total	21,452	1.08	23,479	1.23

* Relating to lending activities in core segments.

Recognised losses amounted to DKK 1.5 billion. Of these losses, DKK 0.1 billion was attributable to facilities not already subject to impairment.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 822 billion at 30 June 2017, against DKK 854 billion at 31 December 2016.

Danske Bank has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 77.2 billion, against DKK 84.8 billion at the end of 2016, and it was mostly secured through collateral management agreements.

The value of the bond portfolio was DKK 532 billion. Of the total bond portfolio, 73.3% was recognised at fair value and 26.4% at amortised cost.

Bond portfolio (%)	30 June 2017	31 December 2016
Government bonds and bonds guaranteed by central or local governments	34	33
Bonds issued by quasi-government institutions	1	-
Danish mortgage bonds	48	50
Swedish covered bonds	12	12
Other covered bonds	3	3
Corporate bonds	2	2
Total holdings	100	100
Hold-to-maturity bonds included in total holdings	27	26
Available-for-sale bonds included in total holdings	14	14

Other balance sheet items

The financial highlights on page 3 provide information about our balance sheet.

The net position towards central banks, credit institutions and repo counterparties rose DKK 40.5 billion from an asset of DKK 90.2 billion at the end of 2016 to an asset of DKK 130.7 billion at the end of June 2017, primarily due to higher deposits with central banks.

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 31.4 billion at the end of 2016 to net assets of DKK 37.8 billion at the end of June 2017 as a result of fluctuations in the market value of the derivatives portfolio.

As a consequence of the continued winding-up of the Non-core portfolios, total assets in Non-core were reduced by DKK 1.5 billion from the level at the end of 2016 and amounted to DKK 17.5 billion at the end of June 2017.

Other assets is the sum of several small line items. The increase of DKK 31.6 billion from the end of 2016 to the end of June 2017 was caused by higher on-demand deposits with central banks and an increase in assets under pooled schemes and unit-linked investment contracts.

Capital ratios

Our capital management policies and practices support our business strategy and ensure that we are sufficiently capitalised to withstand severe macroeconomic downturns.

In the short to medium term, our capital targets are a total capital ratio of around 19% and a common equity tier 1 (CET1) capital ratio in the range of 14-15%.

The capital targets take the elevated regulatory uncertainty into account and ensure that the Group meets its capital requirements both with normal risk exposure amounts (REA) fluctuations and in a situation with macroeconomic stress. We will reassess the capital targets when future regulatory initiatives have been clarified, especially in relation to the implementation of the Basel Committee's revised standards for calculating REA into EU regulation.

At the end of June 2017, the total capital ratio was 21.1%, and the CET1 capital ratio was 16.2%, against 21.8% and 16.3%, respectively, at the end of 2016. In addition to accumulated net profits, the movement in capital ratios in the first half of 2017 was driven primarily by the DKK 10 billion share buy-back programme initiated on 2 February 2017, planned net redemptions of additional tier 1 capital and a reduction in the REA.

During the first half of 2017, the REA decreased DKK 37 billion to DKK 779 billion at end of June 2017. The decrease was attributable primarily to the implementation of the IRB approach for Finnish retail exposures and a continued improvement of the overall credit quality of the portfolio. The REA for market and counterparty risk also decreased and is historically low due to the currently low volatility in the financial markets.

At the end of June 2017, the Group's leverage ratio was 4.1% when transitional rules are taken into account. Assuming fully phased-in tier 1 capital under CRR/CRD IV without taking into account any refinancing of non-eligible additional tier 1 instruments, the leverage ratio would also be 4.1%.

Capital requirements

Danske Bank's capital management policies and practices are based on the internal capital adequacy assessment process (ICAAP). In this process, Danske Bank determines its solvency need.

At the end of June 2017, the solvency need was 10.5%, which was 0.1% lower than at the end of 2016. The solvency need consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

A combined buffer requirement applies in addition to the solvency need. At the end of June 2017, the Group's combined capital buffer requirement was 3.6%. When fully phased-in, the buffer requirement will be 6.1%, bringing the fully phased-in CET1 capital requirement to 12.0% and the fully phased-in total capital requirement to 16.6%.

Capital ratios and requirements		
(% of the total REA)	First half 2017	Fully phased-in*
Capital ratios		
CET 1 capital ratio	16.2	16.1
Total capital ratio	21.1	20.7
Capital requirements (incl. buffers)**		
CET 1 requirement	9.5	12.0
- portion from countercyclical buffer	0.5	0.6
- portion from capital conservation buffer	1.3	2.5
- portion from SIFI buffer	1.8	3.0
Total capital requirement	14.1	16.6
Excess capital		
CET 1 capital	6.7	4.1
Total capital	7.1	4.1

* Based on fully phased-in CRR and CRD IV rules and requirements.

** The total capital requirement consists of the solvency need and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of the first half of 2017.

The calculation of the solvency need and the combined capital buffer requirement is described in more detail in Risk Management 2016, section 3, which is available at danskebank.com/ir.

Capital distribution policy

Danske Bank's longer-term ambition is to provide shareholders with a competitive return through share price appreciation and ordinary dividend payments of 40-50% of net profit.

We intend to return excess capital to our shareholders if capital is available after we have met our capital targets and paid out ordinary dividends.

At 30 June 2017, we had bought back 17.1 million shares for a total purchase amount of DKK 4.2 billion (figures at trade date) of our planned DKK 10 billion share buy-back programme.

Ratings

During the first half of 2017, all three rating agencies maintained their long-term A-level ratings.

Danske Bank's ratings			
	Moody's	S&P Global	Fitch Ratings
Long-term deposits	A1		
Long-term senior debt	A2	A	A
Short-term deposits	P-1		
Short-term senior debt	P-1	A-1	F1
Outlook	Positive	Stable	Stable

Mortgage bonds and covered bonds (RO+SDRO) issued by Realkredit Danmark are rated AAA by S&P Global (stable outlook). In addition, bonds issued from capital centre S are rated AAA (stable outlook) by Fitch, while bonds issued from capital centre T are rated AA+ (positive outlook).

Covered bonds (SDO) issued by Danske Bank A/S are rated AAA by both S&P Global and Fitch Ratings, while covered bonds issued by Danske Bank Plc are rated AAA by Moody's.

Funding and liquidity

In the first half of 2017, we issued senior debt of DKK 22 billion and covered bonds for DKK 12 billion as well as additional tier 1 capital of DKK 5 billion. We expect our overall funding need for the year to fall in the range of DKK 70-90 billion.

We access various markets and currencies to cover our funding need, as evidenced by our issuance activity in 2016 and in the first half of 2017. This includes regular issues in the EUR benchmark format, both covered bonds and senior unsecured debt, as well as issues on the domestic USD market for senior debt in the Rule 144A format. We supplement the benchmark issues with private placements of bonds.

As part of our ambition to strengthen our position with Swedish personal banking customers, we applied for permission last year to establish a mortgage finance institution in Sweden that would be able to issue covered bonds. The Swedish Financial Supervisory Authority approved the application in June 2017. The mortgage finance institution, Danske Hypotek AB (publ), will gain access to the Swedish capital market through the issuance of covered bonds, which will benefit our customers.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of June 2017, our liquidity coverage ratio stood at 163%, with an LCR liquidity buffer of DKK 603 billion, partly as a result of the duration of our short-term funding being extended.

At 30 June 2017, the total nominal value of outstanding long-term funding, excluding equity accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 357 billion, against DKK 337 billion at the end of 2016.

Danske Bank excluding Realkredit Danmark (DKK billions)	30 June 2017	31 December 2016
Covered bonds	188	154
Senior unsecured debt	139	144
Subordinated debt	30	38
Total	357	337

The Supervisory Diamond

The Danish FSA has identified a number of specific risk indicators for banks and has set threshold values with which all Danish banks must comply. The requirements are known as the Supervisory Diamond.

At 30 June 2017, Danske Bank was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

Realkredit Danmark also complies with all threshold values.

New regulation

Beginning on 1 January 2018, the Group will implement IFRS 9, the new accounting standard for financial instruments. More information is provided in Annual Report 2016. As part of IFRS 9, the International Accounting Standards Board (IASB) introduces a new, expected credit loss impairment model that will require earlier recognition of expected credit losses. Specifically, the Group will be required to account for 12-month expected credit losses at initial recognition of a financial instrument and to make earlier recognition of lifetime expected credit losses.

We have nearly completed the process of making the required changes in our models, data, reporting and governance necessary to ensure compliance with IFRS 9. We will use the second half of 2017 to further validate and enhance the model setup, as well as ensure compliance with the final guidelines by national regulators expected in the second half of 2017.

On the basis of our work, the current expectations for the national regulator guidelines, and the loan portfolio at 30 June 2017, we expect the implementation of IFRS 9 to result in an increase in the allowance account of DKK 2-3 billion (the previous estimate was DKK 3-5 billion). The current estimated range is based on a more developed model set-up in combination with reduced regulatory uncertainty, which allows for a more precise estimate range. Further, we have seen continued improvement in credit quality. The effect, net of tax, will be recognised as a reduction in shareholders' equity at 1 January 2018.

We expect that the impact on capital ratios will be subject to a gradual phase-in through the ongoing revision of the EU capital requirements regulation. The transitional rules are expected to be finalised towards the end of 2017 and to come into effect on 1 January 2018.

Shareholders

On 25 April 2017, BlackRock, Inc. flagged that they held, indirectly via shares and other financial instruments with similar economic effect, 5.10% of the shares and the voting rights of Danske Bank A/S.

Merging of activities in Finland

As part of our efforts to simplify the organisation, we are planning to merge our activities in Finland - Danske Bank Plc and Danske Bank A/S, Helsinki branch - into a single branch. In doing so, the Danske Bank Group will achieve a uniform organisational structure across the Nordic markets.

As part of this process, the two Board of Directors have approved a plan aiming at merging the two entities. The merger is proceeding according to plan, and we have applied for the required approvals.

The change will be primarily of a technical nature and will not change the way in which we serve our customers, nor will employees experience changes.

Personal Banking

Profit before tax increased 5% from the level in the first half of 2016, as income increased more than loan impairment charges. Operating expenses increased 2%. Income benefited from the continued increase in business volumes, the inflow of new customers in Sweden and Norway, and generally high activity levels within financing and investment.

Personal Banking (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Net interest income	3,926	3,823	103	1,963	1,963	100	1,919	102	7,660
Net fee income	1,731	1,596	108	891	841	106	808	110	3,306
Net trading income	310	264	117	110	200	55	103	107	562
Other income	384	312	123	205	178	115	187	110	613
Total income	6,351	5,995	106	3,169	3,182	100	3,017	105	12,141
Operating expenses	3,796	3,735	102	1,900	1,896	100	1,939	98	7,654
Profit before loan impairment charges	2,555	2,260	113	1,269	1,286	99	1,079	118	4,486
Loan impairment charges	3	-179	-	-53	56	-	-14	-	-477
Profit before tax	2,552	2,440	105	1,322	1,230	107	1,093	121	4,963
Loans, excluding reverse transactions before impairments	747,647	730,694	102	747,647	745,903	100	730,694	102	741,651
Allowance account, loans	5,067	5,583	91	5,067	5,170	98	5,583	91	5,133
Deposits, excluding repo deposits	275,137	267,351	103	275,137	267,266	103	267,351	103	267,067
Bonds issued by Realkredit Danmark	405,127	395,484	102	405,127	400,681	101	395,484	102	398,766
Allowance account, guarantees	376	530	71	376	379	99	530	71	450
Allocated capital (average)	23,529	22,243	106	23,224	23,838	97	22,335	104	22,759
Net interest income as % p.a. of loans and deposits	0.77	0.77		0.77	0.78		0.77		0.76
Profit before tax as % p.a. of allocated capital (ROAC)	21.7	21.9		22.8	20.6		19.6		21.8
Cost/income ratio (%)	59.8	62.3		60.0	59.6		64.3		63.0
Full-time-equivalent staff	4,640	5,070	92	4,640	4,558	102	5,070	92	4,623

Fact Book Q2 2017 provides financial highlights at country level for Personal Banking. Fact Book Q2 2017 is available at danskebank.com/ir.

First half 2017 vs first half 2016

We continued to attract new customers in Norway and Sweden, driven by our strategic partnerships with Akademikerne in Norway and with Saco and the Confederation of Professional Employees (TCO) (from April) in Sweden.

Although low interest rate levels remained a challenge, our activities in Denmark and Finland contributed to the increase in income, while operating expenses were a bit higher than in the first half of 2016. Market shares in Denmark and Finland were stable.

Profit before tax increased 5% to DKK 2.6 billion. The increase reflects a rise in income, which was up DKK 0.4 billion to DKK 6.4 billion. The higher income more than offset the small increase in operating expenses and the rise in loan impairment charges from the first half of 2016, which saw a net reversal of charges. Profit before loan impairment charges was up 13%.

Total income grew, owing to a continued increase in business volumes and generally high activity levels within investment and financing. The increase in business volumes was supported by growth in Norway and Sweden.

Net interest income increased, mainly as a result of growing lending volumes.

The high investment and financing activity lifted net fee income 8% and net trading income 17% relative to the levels in the first half of 2016.

Operating expenses increased 2%, reflecting increasing IT development costs and costs relating to regulatory compliance.

Looking ahead, we expect that our partnership agreement with TCO in Sweden and our newly acquired national license to issue covered bonds will support further growth in Sweden.

Credit quality

Credit quality was generally stable. Most of our markets are still supported by favourable macroeconomic conditions and the low level of interest rates.

Loan impairment charges were low in the first half of 2017. The charges of DKK 3 million reflect a strong and stable portfolio credit quality and increased collateral values.

The delinquency rate at Realkredit Danmark remained low and stable throughout the first half of 2017.

Overall, the LTV level was stable throughout the first half of 2017.

Loan-to-value ratio, home loans	30 June 2017		31 December 2016	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	65.4	460	65.5	459
Finland	61.1	84	60.7	83
Sweden	58.2	75	59.0	70
Norway	60.6	93	62.5	93
Total	63.5	712	63.9	706

Credit exposure

Credit exposure increased to DKK 780 billion in the first half of 2017, driven by growth in Sweden and Norway stemming from our strategic partnerships.

Growth in Norway was partly off-set by the weakening of the Norwegian krone during 2017, however.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	30 June 2017	31 December 2016	30 June 2017
Denmark	492,745	489,455	0.01
Finland	90,890	90,514	0.03
Sweden	83,449	77,955	-0.04
Norway	112,967	113,432	-0.02
Other	-	-	-
Total	780,051	771,357	0.00

Business initiatives

At Personal Banking, we aim to make daily banking and financial decisions easy for our customers and to create the best experience for them through personalised service and advice based on their life situation, regardless of where and when they choose to meet us.

Strengthening our presence across touchpoints

To become an integral part of our customers' lives, we continually work to develop and strengthen our customer offering and dialogue.

Among our initiatives was a further upgrade of both capacity and specialist competencies at our call centres in Sweden to accommodate growing demand from our increasing customer base for instant access to banking and advisory services.

In Denmark, we now offer customers the option of booking an advisory meeting directly at danskebank.dk. It is a simple and quick way to get an appointment with an adviser either online or at the branch, whichever the customer prefers.

We also completed the launch of life-event-based websites in all four markets. The sites offer customers advice and information relevant to their specific life situation, and customers can easily continue the dialogue by calling or chatting with us directly on the site.

Building life-long relations

Supporting our customers in their financial decision-making is a cornerstone of our value proposition, regardless of whether it is helping homeowners design the financing of their home to fit their lives and dreams or helping our young customers and their parents with new ways of managing pocket money.

In the first half of 2017, we launched the next generation of the Sunday universe in Denmark and expanded the testing of Sunday as the advisory tool for our advisers, reflecting our ambition to make the customer experience seamless and intuitive.

With the Sunday universe that consists of Sunday.dk, SundayGo and SundayOwn, we offer homebuyers overview and support throughout the search and buying process. Homeowners get a full overview of their finances, mortgage loans and the value of their home, and thus a clear indication of the financial potential of their home.

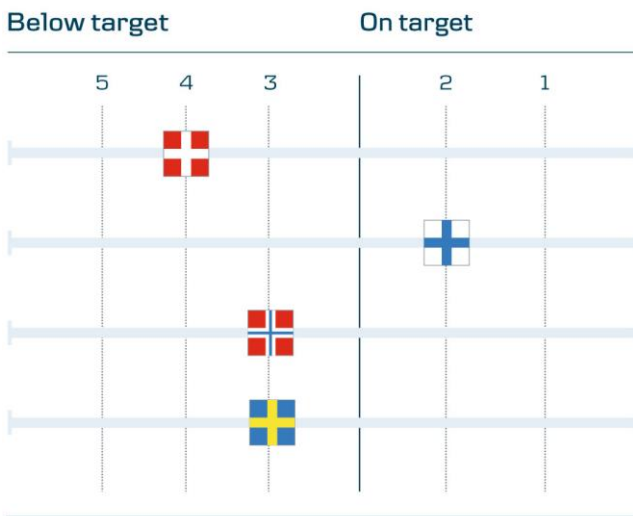
We also released the third generation of our Mobile Banking app on the Danish market. The app comprises all the familiar features plus a range of new ones, for example, a savings goal feature and a loan overview to support customers' control over and planning of their finances, and more new features will follow.

The new Mobile Banking service also supports our new Pocket Money app. The app encourages children to learn about money in a safe environment and helps parents and children manage the children's pocket money.

Customer satisfaction

Our ambition is to be number one or two in customer satisfaction in all our markets. At the end of the first half of 2017, we ranked number four in Denmark, number two in Finland and number three in both Norway and Sweden. The rankings reflect a close race with competitors and the fierce competition for customers in the markets. We remain committed to creating the best experience for our customers, and we work hard to consistently offer our customers the best services and solutions at all touch points and to proactively provide advisory services that match their expectations and life situation.

 Personal Banking



Source: PB Strategy & Insights, Customer Insights

Q2 2017 vs Q1 2017

Profit before tax increased 7% to DKK 1.3 billion in the second quarter of 2017, owing to lower loan impairment charges.

Total income was stable as higher fee income and other income compensated for lower net trading income.

Net fee income increased 6% as a result of higher activity levels within financing and investment.

Net trading income decreased 45%, primarily due to seasonality in mortgage refinancing in Denmark.

Operating expenses were stable.

The second quarter saw a net reversal of loan impairment charges of DKK 53 million, against a net loss of DKK 56 million in the first quarter, which was adversely affected by technical adjustments of methodology. The decrease was driven by a continued improvement in credit quality.

Business Banking

Profit before tax increased 23% from the level in the first half of 2016, owing partly to improvements in both income and operating expenses, but also to large net reversals of loan impairment charges. Total income increased 3%, primarily driven by good business momentum, which resulted in higher net interest income and net fee income. Loan impairments amounted to net reversals of DKK 545 million as a result of solid credit quality driven by higher property prices and improving macroeconomic conditions.

Business Banking (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Net interest income	4,311	4,202	103	2,176	2,135	102	2,117	103	8,427
Net fee income	906	789	115	451	455	99	396	114	1,629
Net trading income	261	292	89	115	146	79	138	83	568
Other income	274	288	95	134	141	95	156	86	588
Total income	5,753	5,571	103	2,876	2,877	100	2,808	102	11,212
Operating expenses	2,277	2,329	98	1,164	1,112	105	1,187	98	4,791
Profit before loan impairment charges	3,476	3,242	107	1,711	1,765	97	1,621	106	6,421
Loan impairment charges	-545	-23	-	-261	-285	92	5	-	-235
Profit before tax	4,021	3,265	123	1,972	2,049	96	1,616	122	6,657
Loans, excluding reverse transactions before impairments	678,232	657,462	103	678,232	671,823	101	657,462	103	662,130
Allowance account, loans	11,707	13,929	84	11,707	12,307	95	13,929	84	12,996
Deposits, excluding repo deposits	245,588	224,190	110	245,588	232,210	106	224,190	110	230,096
Bonds issued by Realkredit Danmark	318,051	310,216	103	318,051	323,903	98	310,216	103	323,469
Allowance account, guarantees	421	356	118	421	408	103	356	118	327
Allocated capital (average)	44,959	41,331	109	44,990	44,928	100	40,969	110	41,380
Net interest income as % p.a. of loans and deposits	0.95	0.97		0.95	0.96		0.98		0.96
Profit before tax as % p.a. of allocated capital (ROAC)	17.9	15.8		17.5	18.2		15.8		16.1
Cost/income ratio (%)	39.6	41.8		40.5	38.7		42.3		42.7
Full-time-equivalent staff	2,621	2,704	97	2,621	2,639	99	2,704	97	2,662

Fact Book Q2 2017 provides financial highlights at country level for Business Banking. Fact Book Q2 2017 is available at danskebank.com/ir.

First half 2017 vs first half 2016

Profit before tax increased 23% to DKK 4.0 billion, owing mainly to large net impairment reversals. The result also benefited from higher income and lower operating expenses.

Total income rose 3% as activity in our markets continued to be good.

Net interest income rose 3%. Good business momentum and increasing lending volumes were the main drivers of the improvement and offset the effect of the low interest rates. In the first half of 2017, we continued to see a positive development in deposit volumes.

Net fee income was up, partly due to increased lending volumes and high activity in general. Net trading income was down as mortgage refinancing activity was higher in the first half of last year.

Although regulatory costs continued to rise, operating expenses were down 2%, partly as a result of efficiency improvements.

Credit quality

Favourable macroeconomic conditions in the Nordic countries in the first half of 2017 led to an improvement of the financial performance of customers. Combined with our continued efforts to improve credit quality, this resulted in an improvement of the overall portfolio quality and in net impairment reversals of DKK 545 million in the first half of 2017, against net reversals of DKK 23 million in the same period in 2016. Reversals were primarily attributable to facilities in Denmark, whereas impairment charges were made in Norway for a few individual customers.

Credit exposure

Credit exposure increased DKK 11 billion from the level at the end of 2016, amounting to a total of DKK 779 billion at the end of June 2017.

(DKK millions)	Net credit exposure		Impairments (ann.) [%]
	30 June 2017	31 December 2016	30 June 2017
Denmark	446,686	448,533	-0.29
Finland	75,062	71,337	0.03
Sweden	158,336	150,276	-0.10
Norway	78,296	77,840	0.38
Baltics	20,726	19,801	-0.42
Other	10	7	-
Total	779,116	767,794	-0.16

Business initiatives

At Business Banking, our ambition is to deliver the best customer experience through strong and competitive offerings and by making banking with us easy and efficient. In the first half of 2017, we continued to strengthen our value proposition and delivery model across the Nordic countries. At the core of the improvements were increasingly digital and automated processes for simple banking needs as well as a stronger focus on value-adding services for customers with more complex needs.

Nordic growth potential

Our improved service and delivery model enabled us to do more business with both new and existing customers, which resulted in a stronger business momentum across our Nordic markets.

In the small business segment, we improved our offering by focusing on online sales and easy-to-use packaged solutions. Combined with our focus on onboarding customers digitally, this led to an inflow of new customers.

We continued to attract customers with complex needs across the Nordic markets, and our efforts to provide targeted solutions to this segment generated good results. In Finland in particular, we freed up time for our relationship managers, allowing them to focus more on customers with complex needs. This was the result of a new operating model, where we serve customers with less complex needs out of our customer care unit.

Across our markets, we saw a rise in business volumes, which generally grew slightly more than the market average. We thus consolidated our position as a leading bank for SMEs in the Nordic region.

Customer experience

For large customers with complex needs, we offer tailor-made solutions. This has proven effective for serving existing customers in new ways and areas as well as for attracting new customers. In the first half of 2017, we continued to strengthen our solutions by aiming at specific situations in the lifecycle of companies, such as change of ownership, Nordic expansion and international trade.

With the launch of The Hub in Finland in March, we are now live with our digital platform for small businesses with growth ambitions in all the Nordic countries. The Hub supports ambitious start-ups with recruitment, funding and best-practice

tools. The objective is to support and strengthen the ecosystem around start-ups and for Danske Bank to build relations with this important segment in the start-up phase, earning the right to do business with them when they mature and their banking needs increase.

Digitalisation

We introduced a new interface for large customers in all four Nordic markets with a wide range of features that are important for treasurers in their day-to-day work. The new solution is much more intuitive in relation to conventional banking needs.

The solution is part of our efforts to offer more transparent and open banking solutions, and we also open up for partners and third-party vendors who would like to integrate their systems with ours to the benefit of the customers.

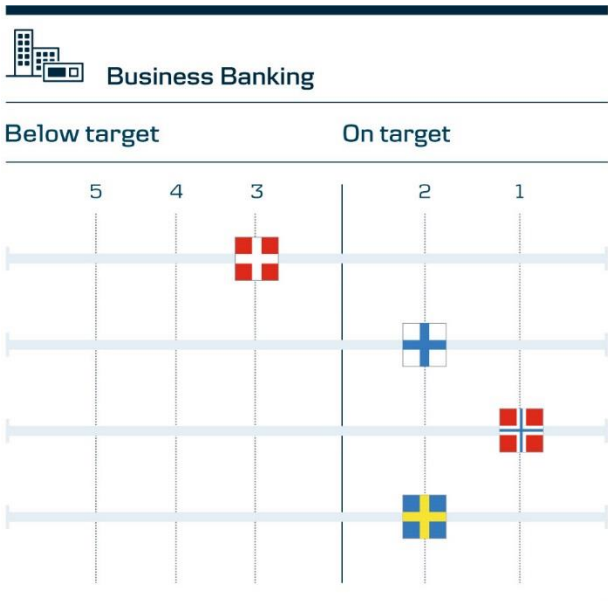
We offer MobilePay Business in Denmark, Norway and Finland. The full range of solutions, which is available only in Denmark at the moment, is the market-leading offer in the area. The solutions make it easier for all types of business customers to receive payments and process bills with point-of-sale, e-commerce and invoice features, for example. As a result of the agreement with Nordea and the majority of Danish banks, the expansion of MobilePay Business accelerated in the first half of the year.

Customer satisfaction

Our goal is to be number one or two among customers in our prioritised segments in all our Nordic markets. At the end of June 2017, we were on target in Sweden, Norway and Finland, with a particularly strong performance in Norway, where we were ranked number one in all segments.

In Denmark, satisfaction among customers in our prioritised segments rose slightly from the level at the end of 2016. However, we moved from second to third position due to improved competitor performance.

Towards 2020, our goal is to reach a position as number one on customer satisfaction among customers in all our segments in all our Nordic markets.



Source: BD Sales & Customer Engagement, Customer Insights

Q2 2017 vs Q1 2017

Profit before tax decreased 4% due to higher operating expenses and lower net impairment reversals.

Total income remained at the same level as in the previous quarter. Net interest income increased as a result of good business momentum and higher lending volumes.

Net trading income was down as a result of mortgage refinancing activity being higher in the first quarter.

Operating expenses rose 5%, owing partly to higher regulatory costs. A 1% fall in the number of full-time employees had a positive effect on operating expenses.

Loan impairments remained at a low level, amounting to net reversals of DKK 261 million in the second quarter of 2017.

Corporates & Institutions

Profit before tax amounted to DKK 3.7 billion, an increase of DKK 1.3 billion from the level in the first half of 2016. The increase was based primarily on higher customer activity in the financial markets, driving both fee and trading income. Operating expenses increased due to higher activity, and loan impairment charges decreased owing to stabilisation in the offshore sector.

Corporates & Institutions (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Net interest income	1,543	1,488	104	785	758	104	761	103	3,061
Net fee income	1,355	1,117	121	632	722	88	574	110	2,221
Net trading income	3,423	2,374	144	1,349	2,075	65	1,284	105	5,263
Other income	1	16	6	1	-	-	3	33	16
Total income	6,322	4,996	127	2,767	3,556	78	2,622	106	10,561
Operating expenses	2,404	2,322	104	1,187	1,217	98	1,219	97	4,648
Profit before loan impairment charges	3,918	2,673	147	1,580	2,338	68	1,403	113	5,913
Loan impairment charges	248	320	78	168	80	210	125	134	1,071
Profit before tax	3,670	2,353	156	1,411	2,259	62	1,278	110	4,842
Loans, excluding reverse transactions before impairments	192,201	192,100	100	192,201	198,999	97	192,100	100	197,212
Allowance account, loans	2,058	1,825	113	2,058	2,159	95	1,825	113	2,466
Allowance account, credit institutions	12	40	30	12	13	92	40	30	40
Deposits, excluding repo deposits	265,045	238,847	111	265,045	256,832	103	238,847	111	233,315
Bonds issued by Realkredit Danmark	19,455	19,686	99	19,455	18,620	104	19,686	99	17,722
Allowance account, guarantees	453	228	199	453	289	157	228	199	256
Allocated capital (average)	38,071	38,603	99	37,141	39,011	95	36,864	101	38,024
Net interest income as % p.a. of loans and deposits	0.68	0.69		0.69	0.67		0.71		0.72
Profit before tax as % p.a. of allocated capital (ROAC)	19.3	12.2		15.2	23.2		13.9		12.7
Cost/income ratio (%)	38.0	46.5		42.9	34.2		46.5		44.0
Full-time-equivalent staff	1,774	1,828	97	1,774	1,781	100	1,828	97	1,796

Total income (DKK millions)									
FICC	2,982	2,033	147	1,129	1,853	61	1,078	105	4,525
Capital Markets	1,045	824	127	505	540	94	455	111	1,670
General Banking	2,295	2,139	107	1,133	1,162	98	1,089	104	4,366
Total income	6,322	4,996	127	2,767	3,556	78	2,622	106	10,561

First half 2017 vs first half 2016

Corporates & Institutions experienced higher customer activity than in the first half of 2016, which was characterised by challenging market conditions.

The high level of activity was fuelled especially by geopolitical events early in the period, which led to high income in FICC in the first quarter. Concerns before the French election adversely affected liquidity in the European bond markets, which in turn led to increased customer activity in our core markets (the Nordic countries). The outcome of the French election reversed the effect somewhat in the second quarter. However, this triggered a rise in equity markets that resulted in increased customer activity in Equities in the second quarter of 2017.

Towards the end of 2016, Corporates & Institutions saw an increase in advisory-related services, especially within mergers and acquisitions (M&A), and this continued through the first half of 2017. Combined with a high number of new bond issues in Debt Capital Markets (DCM) in the beginning of the

period, this led to an increase in fee income at Corporates & Institutions in the first half of 2017. Overall, total income increased 27% to DKK 6.3 billion.

Net interest income rose 4% following increased deposit volumes from both corporate and institutional customers.

Net fee income increased 21% owing to increased customer activity, mainly in Capital Markets (DCM, Equities and Corporate Finance) and a number of large customer transactions in General Banking.

Net trading income rose 44% to DKK 3.4 billion. The improvement was driven by customer trading activity in the financial markets, especially in the beginning of the year.

Total income from Fixed Income, Currencies and Commodities (FICC) amounted to DKK 3.0 billion, an increase of 47% from the level in the first half of 2016 that was due to a combination of high daily customer activity and event-driven transactions during a period of geopolitical events.

Capital Markets income amounted to DKK 1.0 billion, an increase of 27% from the same period last year. The high activity in Corporate Finance in the last quarter of 2016 continued into 2017, especially within the area of mergers and acquisitions (M&A). Debt Capital Markets saw a large number of new bond issues, assisting customers in entering the debt capital markets and at the same time facilitating investor interest. The high level of activity related partly to issuers entering the market ahead of events later in 2017.

Income from General Banking was up 7% from the same period in 2016, owing to higher volumes and increased transaction banking services.

Operating expenses increased 4%, primarily due to increased activity in 2017 and the first quarter of 2016 benefiting from positive one-offs.

Credit quality

In the first half of 2017, loan impairments totalled DKK 248 million and were made mainly against exposures to the shipping/offshore sectors. At 30 June 2017, total credit exposure from lending activities, including repo transactions, amounted to DKK 933 billion. The total portfolio rose 14% from the level at the end of 2016 (and 3% from the level at the end of the first quarter of 2017). The rise was caused mainly by increased cash deposits with central banks.

(DKK millions)	Net credit exposure		Impairments
	30 June 2017	31 December 2016	(ann.) (%) 30 June 2017
Sovereign	396,584	248,195	-
Financial Institutions	157,550	197,811	-0.11
Corporate	378,568	370,988	0.20
Other	235	145	-
Total	932,937	817,139	0.07

The sovereign portfolio consists primarily of exposures to the stable, highly-rated Nordic sovereigns and to central banks. Most of the exposure to financial institutions consists of repo lending facilities. The corporate portfolio is diverse, consisting mainly of large companies based in the Nordic countries and large international customers with activities in the Nordic region.

Business initiatives

The repositioning of FICC towards a more customer-driven business model continued throughout the first half of 2017. The customer business is being balanced better between corporate and institutional customers. Market risk utilisation was adjusted to the new business model, which decreased capital consumption. In addition, FICC continued to expand the services for customers in the foreign exchange and Nordic fixed income area, which further contributed to diversifying the aggregated offering.

Capital Markets continued to develop the Nordic footprint with a stronger focus on advisory services. As a result, a number of important mandates and transactions were executed in the first half of the year, including an M&A role for

Fortum, arranger of a bond issue for Crayon, joint bookrunner roles in the initial public offerings of Boozt.com and AMBEA, and IPO advisory services and financing for Saferoad and Munters.

General Banking continued to develop the transaction banking offering. This included services to help institutional customers optimise their administration in connection with post-trade activities and regulatory compliance requirements. We centre on scaling our platform to continue to support customers more seamlessly.

In Sweden, we continued to grow our business. This included activities on the green bond market, where we helped Vasakronan issue a SEK 1 billion green bond and the City of Gothenburg with its first green loan. In addition, we assisted Nordic Investment Bank with the issuing of its first 500 million euro-denominated environmental bond.

Digitalisation

We continued our efforts to create digital, value-adding solutions that address both the day-to-day and longer-term financial needs of our customers.

As examples, we launched the SEPA Instant Credit Transfer scheme as a pilot bank, and we remained on track with the development of a customised one-point-of-entry portal that aims to give customers a comprehensive and real-time view of their financial situation. A number of pilot customers were onboarded during the second quarter.

Activities in relation to blockchain were expanded through own pilots and through investment in the R3 consortium. Owned by Danske Bank and more than 40 other banks and technology companies on a global scale, R3 looks into setting global standards for blockchain and preparing a platform for developing new solutions.

Customer satisfaction

Customer satisfaction ratings remained high.

Customers continued to give Danske Bank Nordic number one positions in cash management and trade finance for the fourth and seventh consecutive years, respectively. In addition, Danske Bank maintained a Nordic number one position in Interest Rate Swaps for the third consecutive year and improved the DCM Issuers ranking from third to second place.

In Denmark, Danske Bank remained number one in DCM issuers for the fourth consecutive year, and in Sweden, achieved a number one position for the first time. In Sweden, Danske Bank also maintained the number one position in foreign exchange for the third consecutive year.

In Finland, Danske Bank was given a first position in Domestic Credit Products for the fourth year in a row and improved from second to first place in Nordic Credit products.

In Norway, the position in interest rate swaps improved from third to first place, and within foreign exchange from fourth to first place.



The chart shows current average ranking over a full set of reports for all Prospera surveys to which Corporates & Institutions subscribes (106) in comparison with the main competitors in each geographical market. A number 1 position in a market indicates best average ranking in that market.

Q2 2017 vs Q1 2017

Profit before tax decreased 38%, mainly owing to lower net trading income and an increase in loan impairments.

At FICC, income fell 39% due to more normalised market conditions on the back of a first quarter with high geopolitical events.

At Capital Markets, total income fell 6%, mainly owing to lower activity within new bond issues in Debt Capital Markets.

Operating expenses were down 2% from the level in the preceding quarter, mainly owing to lower performance-based compensation.

Wealth Management

Profit before tax amounted to DKK 2.2 billion, 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. Operating expenses were higher in the first half of 2017, mainly due to increased activity and costs concerning the transformation of the asset management organisation.

Wealth Management (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Net interest income	356	332	107	174	182	96	164	106	675
Net fee income	3,510	3,052	115	1,761	1,749	101	1,501	117	6,732
Net trading income	204	144	142	101	103	98	59	171	591
Other income	97	261	37	69	28	246	158	44	574
Total income	4,168	3,789	110	2,106	2,062	102	1,882	112	8,572
Operating expenses	2,035	1,882	108	1,019	1,016	100	964	106	3,887
Profit before loan impairment charges	2,132	1,907	112	1,087	1,046	104	918	118	4,685
Loan impairment charges	-45	-74	61	-20	-25	80	-23	87	-137
Profit before tax	2,177	1,981	110	1,107	1,070	103	941	118	4,823
Loans, excluding reverse transactions before impairments	73,652	70,744	104	73,652	73,399	100	70,744	104	72,473
Allowance account, loans	438	610	72	438	475	92	610	72	532
Deposits, excluding repo deposits	66,707	62,917	106	66,707	61,911	108	62,917	106	62,881
Bonds issued by Realkredit Danmark	34,750	30,658	113	34,750	32,226	108	30,658	113	31,341
Allowance account, guarantees	42	3	-	42	38	111	3	-	2
Allocated capital (average)	13,969	14,673	95	14,403	13,529	106	13,085	110	14,047
Net interest income as % p.a. of loans and deposits	0.51	0.50		0.50	0.54		0.49		0.50
Profit before tax as % p.a. of allocated capital (ROAC)	31.2	27.0		30.7	31.6		28.8		34.3
Cost/income ratio (%)	48.8	49.7		48.4	49.3		51.2		45.3
Full-time-equivalent staff	1,906	1,983	96	1,906	1,946	98	1,983	96	1,948

Breakdown of assets under management* (DKK billions)

Life conventional	155	166	93	155	158	98	166	93	161
Asset management	878	766	115	878	875	100	766	115	848
Assets under advice	460	403	114	460	429	107	403	114	412
Total assets under management	1,493	1,336	112	1,493	1,463	102	1,336	112	1,420

Breakdown of net fee income (DKK millions)

Management fees	2,941	2,472	119	1,475	1,466	101	1,234	120	4,825
Performance fees	39	14	279	24	16	150	3	-	501
Risk allowance fees	530	566	94	262	268	98	264	99	1,405
Total net fee income	3,510	3,052	115	1,761	1,749	101	1,501	117	6,732

*Assets under management consists of our life conventional business (Danica Traditionel), asset management (Danica unit-linked and Asset Management) and assets under advice (the investment decision is made by the customer) from personal, business and private banking customers.

First half 2017 vs first half 2016

Profit before tax amounted to DKK 2.2 billion, an increase of 10% from the level in the first half of 2016. The financial performance was driven by a net inflow of customers and strong premium growth in Danica Pension and strong net sales in Asset Management.

Net interest income was up 7% to DKK 0.4 billion as a result of a 4% increase in lending volumes.

Net fee income benefited from an increase in assets under management and new product launches. Net fee income thus amounted to DKK 3.5 billion and was up 15% from the level in the first half of 2016.

Net trading income increased 42% to DKK 0.2 billion. The financial market turbulence had a negative impact on net trading income in the first half of 2016.

Operating expenses were up 8% as a consequence of increased activity and an increase in costs that was due to regulatory implementation and costs concerning the transformation of the asset management organisation.

Credit quality

Credit quality was generally stable. Our markets are supported by generally favourable macroeconomic conditions and a low level of interest rates.

Loan impairment charges amounted to net reversals of DKK 45 million in the first half of 2017.

Overall, the LTV level was stable throughout the first half of 2017.

Loan-to-value ratio, home loans	30 June 2017		31 December 2016	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	60.6	39	60.7	38
Finland	64.6	2	65.5	2
Sweden	56.8	3	59.4	3
Norway	58.2	7	59.7	7
Luxembourg	-	-	-	-
Total	60.1	51	60.6	50

Credit exposure

Credit exposure increased to DKK 84 billion in the first half of 2017, driven by growth in Luxembourg, Norway, Sweden and Denmark. Growth in Norway was partly off-set by the weakening of the Norwegian krone during 2017, however.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	30 June 2017	31 December 2016	30 June 2017
Denmark	57,097	56,086	-018
Finland	3,353	3,380	0.03
Sweden	5,902	5,821	-0.02
Norway	10,786	10,599	0.11
Luxembourg	6,747	6,411	-0.05
Other	-	-	-
Total	83,885	82,297	-0.12

Assets under management

Assets under management consist of our life conventional business (*Danica Traditione*), asset management (Danica unit-linked and Asset Management) as well as assets under advice, where the customer makes the investment decision. For the first half of 2017, assets under management totalled DKK 1,493 billion.

Assets under management increased 5%, or DKK 73 billion, from the level at the end of 2016, driven by a positive inflow from net sales and premiums. For Asset Management, net sales in the first half of 2017 amounted to DKK 12.9 billion, which came from institutional and retail customers, against DKK 2.8 billion in the first half of 2016. Net premiums for Danica Pension amounted to DKK 20.4 billion, against DKK 15.9 billion in the first half of 2016.

Investment return on customer funds

The strengthened investment team continued to deliver satisfactory returns to our customers. For our asset management business, 71% of all investment products generated above-benchmark results. On a 3-year horizon, 76% were above benchmark.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	2017	3-year
	All funds	71
Equity funds	61	77
Fixed-income funds	84	81
Balanced funds etc.	65	63

*Source: Investment Performance, based on results from Global Investment Performance Standard

Customers with *Danica Balance Mix* achieved returns on investments of 2.5% to 6.5%. The return for customers with *Danica Balance* (medium risk profile with 15 years to retirement) was 4.4% and was the fifth-best in Danica Pension's peer group. Compared with the market return, the return was satisfactory.

Business initiatives

We continued to launch new initiatives focusing on delivering digital, proactive and holistic customer solutions that support our long-term ambition of making our customers' lives better.

Digitalisation

The new June investment platform was launched in Denmark in May 2017. June is Danske Bank's first initiative within digital investment management and is created to offer an easy-to-use and affordable investment platform. Through an intuitive and hassle-free user interface with transparent prices, June challenges the perception that investment is only for wealthy or experienced investors. June has been developed together with our customers – and the ongoing development of the platform means that new functionality will be launched on an ongoing basis. Investors can start with as little as DKK 100, set up monthly payments and make withdrawals as they please. Since launch, June has experienced significant growth. More than 20,000 users have signed up and tried June, and today, more than 8,000 Danes have invested, and the total amount invested exceeds DKK 120 million.

Proactive advice

At Wealth Management, it is our aim to help our customers be one step ahead regarding their pension schemes with Danica Pension. By proactively contacting our customers with clear recommendations about their pension and insurance at important life events, such as marriage, change in salary or buying a new home. In doing so, Danica Pension creates security, makes pensions an area where customers need regular advice – and helps customers be one step ahead. Since the beginning of 2017, we have reached out to more than 100,000 customers to provide relevant advice and support. Customer reactions have been very positive, and our customer satisfaction score has improved among those we have contacted proactively. Our aim is to contact a minimum of 150,000 customers before year-end – and all our customers within the next three years.

Strengthening our asset management capabilities

Our two investment teams in Asset Management and Danica Pension were merged in the first half of 2017 in order for us to leverage our investment competencies across Wealth Management and create greater economies of scale. This enables us to provide even more value to our customers by developing our solutions further. Additionally, we have brought Danske Private Equity even closer to Asset Management, so we continue to strengthen our offering within alternative investments – an area of great importance to our customers.

For our institutional customers, we are focusing our strategy on our core capabilities – taking a geographic focus. We can thus prioritise key customers in our home markets in the Nordic countries and Germany, while continuing to serve international strategic customers. Additionally, we are enhancing our solutions offering and customer service and are upgrading our advisory and product specialist capabilities, which are fundamental for covering the entire value chain.

Customer satisfaction

Private Wealth Management

According to Prospera, Private Wealth Management was ranked the number one Private Banking supplier in the Nordics and Danske Forvaltning was also ranked number one by the customers.

Across the markets, Private Wealth Management is ranked the market leader in Denmark. In Norway and in Sweden, Private Wealth Management is ranked second. In Finland, there is still a gap to the market leaders on many of the criteria that are most important to customers.

No new customer surveys within Private Wealth Management have been published since the end of 2016.

Asset Management

Asset Management maintained its strong number one position in Denmark for the second year in a row. In the other Nordic markets, our customer satisfaction scores have developed in line with market averages, however due to stronger developments at close competitors, our ranking has weakened slightly. In Norway, our ranking is down from number three to number four, in Finland from number four to number six, and in Sweden from number nine to number twelve.

Danske Invest

In the first half of 2017, Danske Invest received the Morningstar Award for best equity fund manager in Denmark for the ninth consecutive year.

Danica Pension

According to Aalund Research, Danica Pension's customer satisfaction is number four in Denmark and number two in Norway. There are no rankings for the remaining markets.

Q2 2017 vs Q1 2017

In the second quarter of 2017, profit before tax increased to DKK 1.1 billion, up 3% from the level in the first quarter of 2017.

Total income increased 2%. The increase was owing to higher net fee income and other income due to a higher investment return on guarantees regarding unit-linked products.

Net sales for Asset Management, excluding Danica Pension, amounted to DKK 3.0 billion, against DKK 9.9 billion in the first quarter. Net premiums in Danica Pension amounted to DKK 9.0 billion, against DKK 11.4 billion in the first quarter.

Operating expenses were at the same level as in the first quarter.

Northern Ireland

Profit before tax declined 20% to DKK 487 million on the basis of the negative impact of lower UK interest rates on net interest income, lower loan impairment reversals and movements in the GBP/DKK exchange rate (9%).

Northern Ireland (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Net interest income	692	777	89	350	342	102	392	89	1,458
Net fee income	228	233	98	113	115	98	112	101	471
Net trading income	44	47	94	20	24	83	25	80	126
Other income	6	12	50	3	3	100	3	100	18
Total income	970	1,070	91	486	484	100	532	91	2,072
Operating expenses	613	613	100	304	309	98	328	93	1,243
Profit before loan impairment charges	357	457	78	181	176	103	204	89	829
Loan impairment charges	-130	-151	86	-69	-61	113	-71	97	-234
Profit before tax	487	608	80	250	237	105	275	91	1,063
Loans, excluding reverse transactions before impairments	46,078	46,073	100	46,078	46,541	99	46,073	100	45,575
Allowance account, loans	980	2,127	46	980	1,164	84	2,127	46	1,262
Deposits, excluding repo deposits	58,965	58,786	100	58,965	58,912	100	58,786	100	59,244
Allowance account, guarantees	9	23	39	9	9	100	23	39	11
Allocated capital (average)*	6,044	8,330	73	6,107	5,980	102	8,342	73	7,326
Net interest income as % p.a. of loans and deposits	1.33	1.51		1.35	1.31		1.53		1.41
Profit before tax as % p.a. of allocated capital (ROE)	16.1	14.6		16.4	15.9		13.2		14.5
Cost/income ratio (%)	63.2	57.3		62.6	63.8		61.7		60.0
Full-time-equivalent staff	1,323	1,273	104	1,323	1,306	101	1,273	104	1,289

* Allocated capital equals the legal entity's capital.

First half 2017 vs first half 2016

Profit before tax decreased 20% to DKK 487 million. The decrease was the result of lower total income and lower loan impairment recoveries. Total income stood at DKK 970 million, down 9%, reflecting the ongoing uncertainty following the Brexit vote and the UK election outcome. This resulted in a continuation of low interest rates and a weak GBP, the effect of which was partly offset by growth in balance sheet items and strong fee performance.

Operating expenses remained at DKK 613 million, benefiting from the exchange rate movements.

Loan impairment charges continued to show a net reversal. Even though the reversal was lower than in the first half of 2016, it was indicative of a continuing recovery in property values and in the trading results of our business customers.

First half 2017 vs first half 2016 in local currency

In local currency, profit before tax decreased 12% with income maintained, reflecting growth in balance sheet volume and strong fee performance despite the lower UK interest rates.

Both business and personal lending have grown strongly. In the case of the latter, our home mortgage offering helped drive significant new business in the first half of 2017.

Operating expenses increased 10%, reflecting increased pension-related costs and costs associated with the implementation of our investment programme - introduced

to drive competitiveness, efficiency and the delivery of new solutions for customers. Underlying costs continued to be managed tightly.

Credit quality

Loan impairment reversals amounted to DKK 130 million for the first half of 2017, and thus reflected the higher property values and the improvement of customer financials.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	30 June 2017	31 December 2016	30 June 2017
Personal customers	18,376	18,022	-0.04
Public institutions	15,288	15,992	0.06
Financial customers	152	194	0.96
Commercial customers	29,754	29,348	-1.06
Total	63,570	63,555	-0.58

Business initiatives

Our vision is to be recognised as the best bank in Northern Ireland for customers, employees and society in general. In order to achieve this, we continue to develop our business and products.

Lending activity

The combination of a successful product and channel offering helped drive significant new mortgage business in the first half of the year, delivering an uplift in mortgage lending from the same period last year.

It was also a strong half-year in terms of the small businesses sector, with new lending up year-on-year and an average of 37 new small business relationships being established every week. This has been achieved by setting up teams who are more accessible following feedback from our customers.

Innovation and digitalisation

Apple Pay has been launched for customers in Northern Ireland and represents the first of several new digital enhancements that we plan to introduce to further strengthen our digital offering and the customer experience in Northern Ireland.

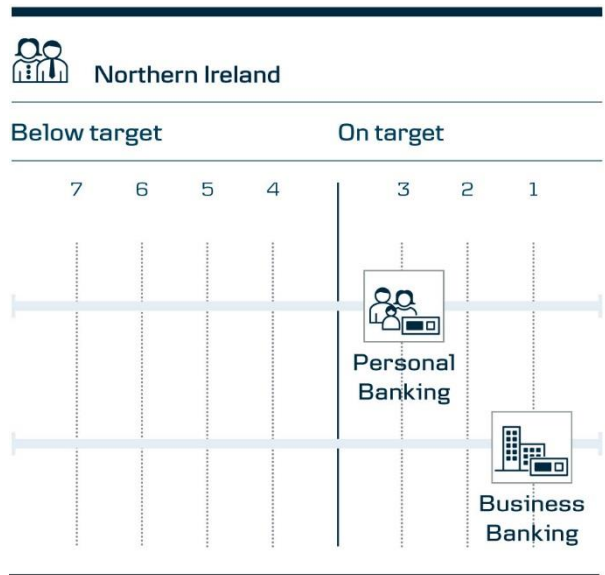
Customer satisfaction

During the first half of 2017, we maintained leading business and personal market positions, and we continue to focus on improving our customer service. In the business segment, we are now the overall market leader in Northern Ireland, up from third position at the end of 2016. For personal customers, we have closed some of the gap from 2016, and we share a position as number three

Q2 2017 vs Q1 2017

Profit before tax rose in the second quarter of 2017, up 5%, or 7% in local currency. Income, costs and impairments all contributed to the increase.

Income reflected underlying business growth, while operating expenses continued to be managed tightly.



Source: PB Strategy & Insights, Customer Insights and BD Sales & Customer Engagement, Customer Insights

Non-core

Profit before tax for the first half of 2017 was a negative DKK 45 million, a decrease of DKK 92 million from the level in the first half of 2016. The winding-up of the Non-core portfolios is proceeding according to plan. Total lending has thus decreased 22% since the end of June 2016 and stood at DKK 19.5 billion at 30 June 2017.

Non-core (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Total income	86	145	59	42	44	95	74	57	235
Operating expenses	138	178	78	76	62	123	92	83	363
Profit before loan impairment charges	-52	-34	153	-34	-18	189	-17	200	-128
Loan impairment charges	-7	-80	9	-9	1	-	-82	11	-165
Profit before tax	-45	47	-	-25	-19	132	65	-	37
Loans, excluding reverse transactions before impairments	19,517	25,167	78	19,517	20,723	94	25,167	78	21,504
Allowance account, loans	2,192	3,859	57	2,192	2,405	91	3,859	57	2,644
Deposits, excluding repo deposits	1,978	3,187	62	1,978	2,241	88	3,187	62	2,365
Allowance account, guarantees	31	34	91	31	28	111	34	91	33
Allocated capital (average)	2,745	3,116	88	2,714	2,776	98	3,199	85	2,878
Net interest income as % p.a. of loans and deposits	0.96	1.16		0.95	0.91		1.21		1.13
Profit before tax as % p.a. of allocated capital (ROAC)	-3.3	3.0		-3.7	-2.7		8.1		1.3
Cost/income ratio (%)	160.5	122.8		181.0	140.9		124.3		154.5
Full-time-equivalent staff	131	236	56	131	143	92	236	56	153

Loan impairment charges (DKK millions)

Non-core banking*	-7	-79	9	-9	1	-	-82	11	-164
Non-core conduits etc.	-	-1	-	-	-	-	-	-	-1
Total	-7	-80	9	-9	1	-	-82	11	-165

* Non-core banking encompasses Non-core Baltics (personal customers in Estonia) and Non-core Ireland.

First half 2017 vs first half 2016

Profit before tax was a loss of DKK 45 million, against a profit of DKK 47 million in the first half of 2016, with the decrease being caused by a decrease in income resulting from the continued reduction of the loan portfolio.

Operating expenses were down 22%, owing primarily to the continued reduction in the number of full-time employees.

Total lending, which amounted to DKK 19.5 billion, consisted mainly of exposure to personal mortgages and conduits. Personal mortgages in Estonia and Ireland will mature according to contractual terms.

The Non-core conduits portfolio amounted to DKK 5.1 billion, against DKK 6.3 billion at the end of 2016. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio was stable.

(DKK millions)	Net credit exposure		Accumulated impairment charges	
	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016
Non-core banking	16,069	17,103	1,966	2,437
-of which personal customers	15,940	16,966	1,598	1,791
Non-core conduits etc.	5,114	6,343	257	239
Total	21,183	23,446	2,223	2,676

Total impairments amounted to a net reversal of DKK 7 million, against a net reversal of DKK 80 million in the first half of 2016.

The winding-up of the Non-core portfolios is proceeding according to plan.

Q2 2017 vs Q1 2017

Profit before tax amounted to a loss of DKK 25 million, down from a loss of DKK 19 million in the first quarter. The decrease was owing mainly to lower income resulting from the continued reduction of the loan portfolio and higher operating expenses in the second quarter.

Loan impairment charges amounted to a net reversal of DKK 9 million, against a charge of DKK 1 million in the first quarter.

Other Activities

Other Activities includes Group Treasury and Group support functions as well as eliminations. Group Treasury is responsible for the Group's liquidity management and funding. In the first half of 2016, profit before tax benefited from the gain related to the sale of domicile property in Copenhagen.

Other Activities (DKK millions)	First half 2017	First half 2016	Index 17/16	Q2 2017	Q1 2017	Index Q2/Q1	Q2 2016	Index 17/16	Full year 2016
Net interest income	603	124	-	244	358	68	134	182	747
Net fee income	-137	-51	269	-105	-33	-	-38	276	-175
Net trading income	275	614	45	118	157	75	529	22	1,498
Other income	81	904	9	75	6	-	56	134	1,331
Total income	822	1,591	52	334	488	68	682	49	3,401
Operating expenses	359	233	154	185	174	106	169	109	419
Profit before loan impairment charges	463	1,358	34	149	314	47	513	29	2,982
Loan impairment charges	3	1	300	3	-	-	-	-	9
Profit before tax	460	1,357	34	146	314	46	513	28	2,973

Profit before tax (DKK millions)

Group Treasury	702	505	139	274	427	64	490	56	2,005
Own shares	-155	-3	-	-43	-112	38	36	-	-135
Additional tier 1 capital	391	322	121	197	194	102	161	122	663
Group support functions	-478	533	-	-283	-195	145	-173	164	440
Total Other Activities	460	1,357	34	146	314	46	513	28	2,973

First half 2017 vs first half 2016

Other Activities posted a profit before tax of DKK 460 million, against DKK 1,357 million in the first half of 2016.

Net interest income amounted to DKK 603 million. The result primarily reflects elimination of the interest expense on additional tier 1 capital (DKK 197 million), which is reported as an interest expense in the business segments, differences between actual and allocated funding costs using the Group's funds transfer pricing model, and income related to the Group's liquidity portfolio.

Net trading income amounted to DKK 275 million, against DKK 614 million in the first half of 2016. The first half of 2016 benefited from a one-off gain on the sale of VISA Europe and positive fair value adjustments of the liquidity portfolio and the private equity portfolio.

Other income amounted to DKK 81 million, against DKK 904 million in the first half of 2016. In the first half of 2016, other income included a gain related to the sale of domicile property at Holmens Kanal in Copenhagen.

Q2 2017 vs Q1 2017

Profit before tax was DKK 146 million, against DKK 314 million in the first quarter.

Net trading income amounted to DKK 118 million, against DKK 157 million in the first quarter. Net trading income in the first quarter benefited from positive fair value adjustments related to Group Treasury activities.

Other income amounted to DKK 75 million, against DKK 6 million in the first quarter. In the second quarter, other income benefited from the sale of shares in an associated company.

Definition of alternative performance measures

Danske Bank's management believes that the alternative performance measures (APMs) used in the Management's report provide valuable information to readers of the financial statements. The APMs provide a more consistent basis for comparing the results of financial periods and for assessing the performance of the Group and each individual business unit. They are also an important aspect of the way in which Danske Bank's management defines operating targets and monitors performance.

Throughout the Management's report, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to management. The differences between the financial highlights and the IFRS financial statements relate only to certain changes in the presentation. There are no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS income statement. In note 2 to the financial statements, the difference in the presentation is described and each line item is reconciled with the consolidated financial statements prepared under the IFRS.

Definitions of additional ratios and key figures presented on page 3 and in other sections of the Management's report:

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend is the dividend related to net profit for the current year and paid to shareholders the subsequent year. Hence, for 2016, it is the dividend paid in 2017.
Return on average shareholders' equity (% p.a.)	Net profit (annualised) divided by quarterly average shareholders' equity. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the nominator, net profit is reduced by interest expenses of DKK 391 million and tax thereon (2016: DKK 663 million before tax), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.
Return on average tangible equity (% p.a.)	As above but with shareholders' equity reduced by intangible assets and net profit adjusted for amortisation of intangible assets.
Net interest income as % p.a. of loans and deposits	Net interest income (annualised) in the financial highlights divided by the sum of loans and deposits. All amounts are from the financial highlights.
Cost/income ratio (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges (% p.a. of credit exposure)	The key figure is calculated on the basis of loan impairment charges and credit exposure from lending activities in core segments. The nominator is the loan impairment charges (annualised) from the financial highlights. The denominator is the net credit exposure from lending activities in core segments at the beginning of the year of DKK 2,533.8 billion, as disclosed in the "Breakdown of credit exposure" table in the Notes to the financial statements, reduced by credit exposure related to credit institutions and central banks of DKK 289.3 billion and loan commitments of DKK 275.5 billion. The key ratio is calculated for each business unit.

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Income statement – Danske Bank Group

Note	(DKK millions)	First half 2017	First half 2016	Q2 2017	Q2 2016	Full year 2016
	Interest income	28,368	29,431	14,271	14,326	59,618
	Interest expense	14,151	13,285	7,098	6,234	27,289
	Net interest income	14,217	16,146	7,172	8,092	32,329
	Fee income	8,864	7,565	4,368	3,752	15,883
	Fee expenses	3,337	3,093	1,897	1,759	5,736
	Net trading income	10,971	-134	3,173	1,739	13,396
3	Other income	2,619	3,140	1,323	1,523	6,006
	Income from holdings in associates	265	-	143	-	941
	Net premiums	13,425	10,116	6,002	4,485	24,686
	Net insurance benefits	21,505	9,873	7,985	5,819	37,669
	Operating expenses	12,669	12,003	6,356	6,292	24,647
	Profit before loan impairment charges	12,849	11,864	5,942	5,720	25,189
4	Loan impairment charges	-474	-188	-240	-60	-168
	Profit before tax	13,323	12,051	6,182	5,780	25,357
	Tax	3,002	2,688	1,392	1,362	5,500
	Net profit for the period	10,321	9,363	4,790	4,418	19,858
	Portion attributable to shareholders of Danske Bank A/S (the Parent Company)	9,930	9,041	4,593	4,258	19,195
	additional tier 1 capital holders	391	322	197	161	663
	Net profit for the period	10,321	9,363	4,790	4,418	19,858
	Earnings per share (DKK)	10.8	9.4	5.0	4.4	20.2
	Diluted earnings per share (DKK)	10.8	9.4	5.0	4.4	20.2
	Proposed dividend per share (DKK)	-	-	-	-	9.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2017	First half 2016	Q2 2017	Q2 2016	Full year 2016
Net profit for the period	10,321	9,363	4,791	4,418	19,858
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	-168	-464	86	-432	-972
Tax	24	133	9	112	234
Items that will not be reclassified to profit or loss	-144	-331	95	-320	-738
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	-290	-1,111	-379	-309	-1,274
Hedging of units outside Denmark	273	1,100	366	262	1,234
Unrealised value adjustments of available-for-sale financial assets	83	192	3	55	309
Realised value adjustments of available-for-sale financial assets	-14	-8	-6	-5	-10
Tax	-82	-227	-73	-12	-257
Items that are or may be reclassified subsequently to profit or loss	-30	-54	-89	-9	2
Total other comprehensive income	-174	-385	6	-329	-736
Total comprehensive income for the period	10,147	8,978	4,797	4,089	19,122
Portion attributable to					
shareholders of Danske Bank A/S (the Parent Company)	9,756	8,656	4,600	3,928	18,459
additional tier 1 capital holders	391	322	197	161	663
Total comprehensive income for the period	10,147	8,978	4,797	4,089	19,122

Balance sheet - Danske Bank Group

Note	(DKK millions)	30 June 2017	31 December 2016	30 June 2016
	Assets			
	Cash in hand and demand deposits with central banks	77,364	53,211	57,322
	Due from credit institutions and central banks	327,839	245,479	186,582
	Trading portfolio assets	489,463	509,679	577,415
	Investment securities	331,817	343,337	333,321
	Loans at amortised cost	1,136,847	1,141,567	1,141,990
	Loans at fair value	772,356	766,003	757,222
	Assets under pooled schemes and unit-linked investment contracts	106,045	99,848	91,499
	Assets under insurance contracts	290,620	285,398	294,647
	Intangible assets	6,963	6,790	6,587
	Tax assets	2,383	1,283	3,304
7	Others assets	31,019	31,075	33,438
	Total assets	3,572,717	3,483,670	3,483,327
	Liabilities			
	Due to credit institutions and central banks	256,566	272,883	289,363
	Trading portfolio liabilities	451,663	478,301	487,322
	Deposits	1,040,938	943,865	952,386
	Bonds issued by Realkredit Danmark	733,172	726,732	706,503
	Deposits under pooled schemes and unit-linked investment contracts	114,537	106,418	99,313
	Liabilities under insurance contracts	309,933	314,977	319,351
6	Other issued bonds	428,134	392,512	391,477
	Tax liabilities	8,159	8,151	7,985
7	Other liabilities	36,606	35,385	32,813
6	Subordinated debt	30,110	37,831	38,726
	Total liabilities	3,409,819	3,317,055	3,325,238
	Equity			
	Share capital	9,368	9,837	9,837
	Foreign currency translation reserve	-650	-633	-604
	Reserve for available-for-sale- financial assets	256	187	72
	Retained earnings	139,590	134,028	137,476
	Proposed dividends	-	8,853	-
	Shareholders of Danske Bank A/S (the Parent Company)	148,564	152,272	146,779
	Additional tier 1 capital holders	14,334	14,343	11,308
	Total equity	162,898	166,615	158,089
	Total liabilities and equity	3,572,717	3,483,670	3,483,327

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company)							Additional tier 1 capital	Total
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total			
Total equity at 1 January 2017	9,837	-633	187	134,028	8,853	152,272	14,343	166,615	
Net profit for the period	-	-	-	9,930	-	9,930	391	10,321	
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-168	-	-168	-	-168	
Translation of units outside Denmark	-	-290	-	-	-	-290	-	-290	
Hedging of units outside Denmark	-	273	-	-	-	273	-	273	
Unrealised value adjustments	-	-	83	-	-	83	-	83	
Realised value adjustments	-	-	-14	-	-	-14	-	-14	
Transfer between reserves	-	-	-	-	-	-	-	-	
Tax	-	-	-	-58	-	-58	-	-58	
Total other comprehensive income	-	-17	69	-226	-	-174	-	-174	
Total comprehensive income for the period	-	-17	69	9,704	-	9,756	391	10,147	
Transactions with owners									
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-393	-393	
Dividends paid	-	-	-	521	-8,853	-8,332	-	-8,332	
Share capital reduction	-469	-	-	469	-	-	-	-	
Acquisition of own shares and additional tier 1 capital	-	-	-	-29,633	-	-29,633	-113	-29,746	
Sale of own shares and additional tier 1 capital	-	-	-	24,427	-	24,427	106	24,533	
Share-based payments	-	-	-	-	-	-	-	-	
Tax	-	-	-	74	-	74	-	74	
Total equity at 30 June 2017	9,368	-650	256	139,590	-	148,564	14,334	162,898	

On 3 February 2017, the Group initiated a share buy-back programme of DKK 10 billion, which may run until 2 February 2018. At the end of June 2017, the Group had acquired 17,135,000 shares for a total amount of DKK 4,173 million under the share buy-back programme based on trade date.

On 24 April, the share capital was reduced by DKK 468,851,130 by cancelling 46,885,113 shares from Danske Bank's holding of own shares acquired under the share buy-back programme for 2016.

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company)							Additional tier 1 capital	Total
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total			
Total equity at 1 January 2016	10,086	-593	-401	132,147	8,069	149,308	11,317	160,625	
Net profit for the period	-	-	-	9,041	-	9,041	322	9,363	
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-464	-	-464	-	-464	
Translation of units outside Denmark	-	-1,111	-	-	-	-1,111	-	-1,111	
Hedging of units outside Denmark	-	1,100	-	-	-	1,100	-	1,100	
Unrealised value adjustments	-	-	192	-	-	192	-	192	
Realised value adjustments	-	-	-8	-	-	-8	-	-8	
Transfer between reserves	-	-	289	-289	-	-	-	-	
Tax	-	-	-	-94	-	-94	-	-94	
Total other comprehensive income	-	-11	473	-847	-	-385	-	-385	
Total comprehensive income for the period	-	-11	473	8,194	-	8,656	322	8,978	
Transactions with owners									
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-325	-325	
Dividends paid	-	-	-	311	-8,069	-7,758	-	-7,758	
Share capital reduction	-249	-	-	249	-	-	-	-	
Acquisition of own shares and additional tier 1 capital	-	-	-	-20,004	-	-20,004	-45	-20,049	
Sale of own shares and additional tier 1 capital	-	-	-	16,483	-	16,483	39	16,522	
Share-based payments	-	-	-	-	-	-	-	-	
Tax	-	-	-	96	-	96	-	96	
Total equity at 30 June 2016	9,837	-604	72	137,476	-	146,779	11,308	158,089	

Statement of capital – Danske Bank Group

	30 June 2017	31 December 2016
Share capital (DKK)	9,368,277,220	9,837,128,350
Number of shares	936,827,722	983,712,835
Number of shares outstanding	914,175,927	935,259,793
Average number of shares outstanding for the period	928,793,595	957,213,435
Average number of shares outstanding, including dilutive shares, for the period	929,365,254	957,737,581

(DKK millions)

	30 June 2017	31 December 2016
Total capital and total capital ratio		
Total equity	162,898	166,615
Revaluation of domicile property at fair value	274	306
Tax effect of revaluation of domicile property at fair value	-27	-36
Total equity calculated in accordance with the rules of the Danish FSA	163,145	166,885
Additional tier 1 capital instruments included in total equity	-14,142	-14,133
Accrued interest on additional tier 1 capital instruments	-167	-169
Tax on accrued interest on additional tier 1 capital instruments	37	37
Common equity tier 1 capital instruments	148,874	152,621
Adjustment to eligible capital instruments	-6,059	-1,102
Prudent valuation	-887	-1,153
Prudential filters	-241	-397
Expected/proposed dividends	-5,160	-8,853
Intangible assets of banking operations	-6,883	-6,707
Deferred tax on intangible assets	315	322
Deferred tax assets that rely on future profitability excluding temporary differences	-299	-397
Defined benefit pension fund assets	-986	-828
Statutory deduction for insurance subsidiaries	-2,136	-626
Other statutory deductions	-419	-186
Common equity tier 1 capital	126,117	132,694
Additional tier 1 capital instruments	19,282	23,623
Statutory deduction for insurance subsidiaries	-267	-209
Tier 1 capital	145,132	156,108
Tier 2 capital instruments	19,757	22,141
Statutory deduction for insurance subsidiaries	-267	-209
Total capital	164,622	178,041
Total risk exposure amount	778,668	815,249
Common equity tier 1 capital ratio (%)	16.2	16.3
Tier 1 capital ratio (%)	18.6	19.1
Total capital ratio (%)	21.1	21.8

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under CRR, taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority.

The risk exposure amount calculated under the Basel I rules amounted to DKK 1,502,124 million at 30 June 2017 (31 December 2016: DKK 1,487,896 million). The capital need under the transitional rules was DKK 96,136 million, equal to 12.3% of the reported risk exposure amount (31 December 2016: DKK 95,225 million).

The Internal Capital Adequacy Assessment report provides more details about Danske Bank's solvency need. The report is available at danskebank.com/investorrelations/reports.

Cash flow statement – Danske Bank Group

(DKK millions)	First half 2017	First half 2016	Full year 2016
Cash flow from operations			
Profit before tax	13,323	12,051	25,358
Tax paid	-3,869	-4,433	-4,961
Adjustment for non-cash operating items	-3,317	-2,444	477
Total	6,137	5,174	20,874
Changes in operating capital			
Amounts due to/from credit institutions and central banks	-15,732	17,786	1,543
Trading portfolio	-6,422	-14,205	44,510
Acquisition/sale of own shares and additional tier 1 capital	-264	31	62
Other financial instruments	16,022	7,117	23,925
Loans at amortised cost	5,193	-62,545	-62,141
Loans at fair value	-6,353	-15,561	-24,343
Deposits	97,073	88,912	80,391
Bonds issued by Realkredit Danmark	6,440	11,984	32,213
Assets/liabilities under insurance contracts	-10,266	5,246	10,122
Other assets/liabilities	38,741	34,018	5,608
Cash flow from operations	130,569	77,957	132,764
Cash flow from investing activities			
Acquisition/sale of businesses	314	81	1,226
Acquisition of intangible assets	-432	-313	-756
Acquisition of tangible assets	-285	-106	-288
Sale of tangible assets	69	891	2,988
Cash flow from investing activities	-334	553	3,170
Cash flow from financing activities			
Issues of subordinated debt	5,139	-	-
Redemption of subordinated debt	-12,071	-	-
Dividends	-8,332	-7,758	-7,758
Share buy back programme*	-4,949	-3,559	-8,083
Issued additional tier 1 capital	-	-	2,970
Paid interest on additional tier 1 capital	-393	-325	-649
Change in non-controlling interests	-	-	-
Cash flow from financing activities	-20,606	-11,642	-13,520
Cash and cash equivalents at 1 January	297,078	178,835	178,835
Foreign currency translation	-2,776	-3,649	-4,171
Change in cash and cash equivalents	109,629	66,868	122,414
Cash and cash equivalents, end of period	403,930	242,054	297,078
Cash and cash equivalents, end of period			
Cash in hand	8,624	8,930	9,332
Demand deposits with central banks	68,741	48,392	43,879
Amounts due from credit institutions and central banks within three months	326,565	184,732	243,867
Total	403,930	242,054	297,078

* Shares acquired under the share buy-back programme are recognised at settlement date.

Notes – Danske Bank Group

1. Significant accounting policies and estimates

(a) General

The report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for listed financial companies.

The Group has not changed its significant accounting policies from those followed in the consolidated financial statements for 2016, which provide a full description of the significant accounting policies.

Financial statement figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial statement users.

(b) Significant accounting estimates

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements. Those estimates and assumptions are presented in the following sections.

The estimates and assumptions are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Fair value measurement of financial instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp would have caused the fair value of the bonds to decrease DKK 93 million (31 December 2016: DKK 85 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. At 30 June 2017, the adjustments totalled DKK 1.4 billion (31 December 2016: DKK 1.8 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. Note 30 in Annual Report 2016 provides more details.

Measurement of loans

The Group makes impairment charges to account for any impairment of loans that occurs after initial recognition. Impairment charges consist of individual and collective charges and rely on a number of estimates, including identification of loans or portfolios of loans with objective evidence of impairment, expected future cash flows and the value of collateral. The Group determines the need for impairment charges on the basis of a customer's expected ability to repay debt. This ability depends on a number of factors, including the customer's earnings capacity and trends in the general economic environment and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.

The losses incurred under non-performing loan agreements depend, among other factors, on the value of collateral received. If the value of collateral decreased 10%, individual impairment charges would increase by about DKK 2.3 billion (31 December 2016: DKK 2.4 billion). The collective impairment charges are sensitive to the credit rating of customers. If all business customers were downgraded one rating category, collective impairment charges would increase by about DKK 1.5 billion (31 December 2016: DKK 1.2 billion). Further, a collective impairment charge of DKK 3.6 billion (31 December 2016: DKK 3.3 billion) has been recognised on the basis of management's assessment to reflect market conditions at the balance sheet date that are not fully reflected in the Group's models. Note 14 in Annual Report 2016 and the risk management notes provide more details on loan impairment charges. At 30 June 2017, loans accounted for about 53% of total assets (31 December 2016: 55%).

Measurement of goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. At 30 June 2017, goodwill amounted to DKK 5.3 billion (31 December 2016: DKK 5.3 billion). No goodwill at the banking units remains. For Wealth Management, Danske Capital, the carrying amount of goodwill is DKK 1.8 billion (31 December 2016: DKK 1.8 billion) and relates to the activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the 2016 impairment test for Danske Capital amounted to DKK 0.1 billion. It has been assessed that no indication of impairment exists at 30 June 2017. Note 18 in Annual Report 2016 provides more information about impairment testing and sensitivity to changes in assumptions.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Measurement of liabilities under insurance contracts

The accounting for insurance liabilities follows the requirements of the Danish FSA's executive order on financial reports for insurance companies etc. The measurement of insurance liabilities in the financial statements is harmonized to the measurement under the Solvency II framework. The measurement is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates, and on the discount rate. Assumptions about future mortality rates are based on the Danish FSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. Note 17 and the risk management notes in Annual Report 2016 provide more information about the accounting for insurance liabilities and sensitivity to changes in assumptions.

Recognition of deferred tax assets and liabilities

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on expected future profit over the next five years. At 30 June 2017 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.3 billion (31 December 2016: DKK 0.3 billion). The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.0 billion (31 December 2016: DKK 3.0 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 6.0 billion (31 December 2016: DKK 6.0 billion). Note 20 in Annual Report 2016 provides more information about deferred tax.

Notes – Danske Bank Group

2. Business model and business segmentation

Danske Bank is a Nordic universal bank with bridges to the rest of the world. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

The Group consists of a number of business units and support functions. The business units are segmented according to customers, products and services characteristics. The Group has five business units, a Non-core unit and Other Activities, and these constitute the Group's reportable segments under IFRS 8.

Personal Banking serves personal customers. The unit focuses on providing proactive advice to customers and making day-to-day banking simple and efficient through innovative digital solutions.

Business Banking serves small and medium-sized businesses through a large network of national finance centres, branches, contact centres and online channels. The unit offers leading solutions within financing, investing, cash management and risk management.

Corporates & Institutions serves large Nordic corporate and institutional customers in the Nordic countries and beyond. This wholesale division of the bank provides strategic advice, financial solutions and products within Capital Markets, Fixed Income, Currencies and Commodities, and Transaction Banking.

Wealth Management serves the Group's entire customer base and encompasses expertise from Danica Pension, Danske Capital and Private Banking.

Northern Ireland serves personal and business customers through a network of branches in Northern Ireland and leading digital channels.

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up and divestment of this part of the loan portfolio. The portfolio consists of loans to customers in Ireland, personal banking customers in the Baltics and liquidity facilities for Special Purpose Vehicles (SPVs) and conduit structures.

Other Activities encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and interest on additional tier 1 capital, which is reported as an interest expense in the business units. Group Treasury is responsible for the Group's liquidity management and funding.

Presentation in the financial highlights and in the segment reporting

Segment reporting and the financial highlights are based on the information provided to management. The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements and includes the following:

For operating leases where the Group acts as a lessor, depreciation and the gain or loss on the sale of the lease asset at the end of the lease agreement are presented under other income in the financial highlights to better reflect the development in the cost base. In the IFRS income statement, depreciation and gains or losses on the sale of operating lease assets, excluding properties, are presented on a gross basis (i.e. the proceeds from the sale of the assets are recognised under other income, whereas depreciation and the carrying amount of the lease assets are recognised under expenses).

In the financial highlights, income contributed by FICC and trading related income at Capital Markets (both part of C&I) are presented as net trading income. Income contributed by Equity Finance (also part of C&I, Capital Markets) is presented as net fee income. In the IFRS income statement, the income is presented as net interest income, net fee income, net trading income and other income. Similarly, income at Group Treasury (part of Other Activities), except income at the internal bank, and income on the hold-to-maturity portfolio are presented as net trading income in the financial highlights and as net interest income, net fee income, net trading income etc. in the IFRS income statement. As the distribution of income between the various income line items can vary considerably from one year to the next, depending on the underlying transactions and market conditions, the presentation in the financial highlights is considered to better reflect income in those areas.

For the Wealth Management business unit, the presentation of Danica Pension in the financial highlights differs from the presentation in the IFRS income statement. In the financial highlights, the risk allowance and income from the unit-link business are presented as net fee income. The return on assets related to the health and accident business is presented as net trading income. The risk and guarantee result, net income from the health and accident business and the income from recharge to customers of certain expenses are presented as other income. All costs, except external investment costs in Danica Pension, are presented under operating expenses. In the IFRS income statement, income and expenses in Danica Pension are consolidated on a line-by-line basis.

The Non-core segment includes certain customer segments that are no longer considered part of the Group's core business. The profit or loss is therefore presented as a separate line item in the financial highlights 'Profit before tax, Non-core'. In the IFRS income statement, the individual income and expense items are included in the various line items in the income statement, as the segment does not fulfil the requirements in IFRS 5 on discontinued operations.

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments First half 2017

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	3,926	4,311	1,543	356	692	-	584	19	11,431	2,786	14,217
Net fee income	1,731	906	1,355	3,510	228	-	-136	-2	7,593	-2,066	5,527
Net trading income	310	261	3,423	204	44	-	468	-192	4,519	6,452	10,971
Other income	384	274	1	97	6	-	133	-52	843	2,041	2,884
Net premiums	-	-	-	-	-	-	-	-	-	13,425	13,425
Net insurance benefits	-	-	-	-	-	-	-	-	-	21,505	21,505
Total income	6,351	5,753	6,322	4,168	970	-	1,049	-227	24,385	1,133	25,518
Operating expenses	3,796	2,277	2,404	2,035	613	-	431	-73	11,484	1,185	12,669
Profit before loan impairment charges	2,555	3,476	3,918	2,132	357	-	618	-155	12,901	-52	12,849
Loan impairment charges	3	-545	248	-45	-130	-	3	-	-466	-7	-474
Profit before tax, core	2,552	4,021	3,670	2,177	487	-	615	-155	13,368	-45	13,323
Profit before tax, Non-core	-	-	-	-	-	-45	-	-	-45	45	-
Profit before tax	2,552	4,021	3,670	2,177	487	-45	615	-155	13,323	-	13,323
Loans, excluding reverse transactions	742,579	666,525	190,143	73,214	45,099	-	30,235	-40,505	1,707,291	17,326	1,724,616
Other assets	191,092	151,101	3,113,933	468,399	26,030	-	2,636,865	-4,739,486	1,847,934	166	1,848,101
Total assets in Non-core	-	-	-	-	-	17,492	-	-	17,492	-17,492	-
Total assets	933,671	817,626	3,304,076	541,613	71,129	17,492	2,667,100	-4,779,990	3,572,717	-	3,572,717
Deposits, excluding repo deposits	275,137	245,588	265,045	66,707	58,965	-	13,133	-10,936	913,639	1,978	915,617
Other liabilities	635,338	527,483	3,003,489	460,202	6,165	-	2,644,392	-4,769,054	2,508,015	521	2,508,536
Allocated capital	23,197	44,555	35,541	14,705	5,998	-	24,569	-	148,564	-	148,564
Total liabilities in Non-core	-	-	-	-	-	2,499	-	-	2,499	-2,499	-
Total liabilities and equity	933,671	817,626	3,304,076	541,613	71,129	2,499	2,682,094	-4,779,990	3,572,717	-	3,572,717
Profit before tax as % of allocated capital (avg.)	21.7	17.9	19.3	31.2	16.1	-	5.2	-	17.7	-	17.7
Cost/income ratio (%)	59.8	39.6	38.0	48.8	63.2	-	41.1	-	47.1	-	49.6
Full-time-equivalent staff, end of period	4,640	2,621	1,774	1,906	1,323	131	7,095	-	19,490	-	19,490

The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements. The reclassifications are explained on the preceding page.

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments First half 2016

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina- tions	Financial highlights	Reclassi- fication	IFRS financial statements
Net interest income	3,823	4,202	1,488	332	777	-	115	9	10,747	5,399	16,146
Net fee income	1,596	789	1,117	3,052	233	-	-49	-2	6,737	-2,265	4,472
Net trading income	264	292	2,374	144	47	-	646	-32	3,735	-3,869	-134
Other income	312	288	16	261	12	-	967	-63	1,794	1,346	3,140
Net premiums	-	-	-	-	-	-	-	-	-	10,116	10,116
Net insurance benefits	-	-	-	-	-	-	-	-	-	9,873	9,873
Total income	5,995	5,571	4,996	3,789	1,070	-	1,679	-88	23,012	855	23,867
Operating expenses	3,735	2,329	2,322	1,882	613	-	148	85	11,115	888	12,003
Profit before loan impair- ment charges	2,260	3,242	2,673	1,907	457	-	1,531	-173	11,897	-34	11,864
Loan impairment charges	-179	-23	320	-74	-151	-	1	-	-107	-80	-188
Profit before tax, core	2,440	3,265	2,353	1,981	608	-	1,530	-173	12,004	47	12,051
Profit before tax, Non-core	-	-	-	-	-	47	-	-	47	-47	-
Profit before tax	2,440	3,265	2,353	1,981	608	47	1,530	-173	12,051	-	12,051
Loans, excluding reverse transactions	725,110	643,534	190,275	70,134	43,947	-	22,610	-31,912	1,663,698	21,308	1,685,006
Other assets	178,548	148,207	3,845,638	476,512	26,954	-	2,562,153	-5,439,936	1,798,074	247	1,798,321
Total assets in Non-core	-	-	-	-	-	21,555	-	-	21,555	-21,555	-
Total assets	903,658	791,740	4,035,913	546,646	70,901	21,555	2,584,763	-5,471,848	3,483,327	-	3,483,327
Deposits, excluding repo deposits	267,351	224,190	238,847	62,917	58,786	-	13,015	-10,587	854,518	3,187	857,705
Other liabilities	614,154	526,321	3,761,107	471,180	6,338	-	2,560,183	-5,461,261	2,478,021	821	2,478,842
Allocated capital	22,154	41,230	35,959	12,550	5,776	-	29,110	-	146,779	-	146,779
Total liabilities in Non-core	-	-	-	-	-	4,008	-	-	4,008	-4,008	-
Total liabilities and equity	903,658	791,740	4,035,913	546,646	70,901	4,008	2,602,308	-5,471,848	3,483,327	-	3,483,327
Profit before tax as % of al- located capital (avg.)	21.9	15.8	12.2	27.0	14.6	-	15.4	-	16.3	-	16.3
Cost/income ratio (%)	62.3	41.8	46.5	49.7	57.3	-	8.8	-	48.3	-	50.3
Full-time-equivalent staff, end of period	5,070	2,704	1,828	1,983	1,273	236	6,300	-	19,394	-	19,394

Notes – Danske Bank Group

3. Other income

Other income amounted to DKK 2,619 million at 30 June 2017 (30 June 2016: DKK 3,140 million). Other income primarily consists of income from lease assets, investment property and real estate brokerage. Other income for the first half of 2016 included a gain of DKK 0.8 billion related to the sale of the head office buildings at Holmens Kanal, Copenhagen.

4. Loan impairment charges and reconciliation of total allowance account

Loan impairment charges include losses on and impairment charges against loans, provisions for loan commitments and guarantees, as well as fair value adjustments of the credit risk on loans measured at fair value.

Loan impairment charges (DKK millions)	30 June 2017	30 June 2016
New and increased impairment charges	3,333	4,528
Reversals of impairment charges	3,487	4,351
Write-offs charged directly to income statement	168	275
Received on claims previously written off	370	540
Interest income, effective interest method	-118	-101
Total	-474	-188

Reconciliation of total allowance account (DKK millions)	30 June 2017	31 December 2016
Balance at 1 January	26,156	31,413
New and increased impairment charges	3,333	6,783
Reversals of impairment charges	3,487	6,269
Write-offs debited to the allowance account	1,803	4,870
Foreign currency translation	-240	-326
Other items*	-284	-574
Balance at end of period	23,675	26,156

*Other items include changes in the presentation of some loan portfolios as held for sale in 2016. Note 22 in Annual Report 2016 provides more information.

5. Deposits

The Group's deposit base consists of the following deposits:

(DKK millions)	30 June 2017	31 December 2016
Deposits from other credit institutions	256,566	272,883
hereof repo transactions	108,898	117,660
Other deposits	1,040,938	943,865
hereof repo transactions	125,321	82,064
Total deposits excluding repo transactions	1,063,286	1,017,024

Of total deposits excluding repo transactions, 33% (31 December 2016: 32%) represents wholesale deposits ranking pari passu with senior creditors. Such wholesale deposits exclude deposits from other credit institutions with an original maturity of less than 7 days. If deposits from other credit institutions are excluded, the percentage is 28% (31 December 2016: 27%).

Notes – Danske Bank Group

6. Issued bonds and subordinated debt

This note includes information about senior, senior secured and subordinated bonds issued by the Group, with the exception of bonds issued by Realkredit Danmark.

The Group issues perpetual bonds with discretionary interest payments that fulfil the requirements for additional tier 1 capital under the Capital Requirements Regulation. If a trigger event occurs, those issued bonds must either be written down temporarily or converted into a variable number of ordinary shares, depending on the terms of the bond issue. Bonds that will be temporarily written down are accounted for as equity while bonds that convert into a variable number of ordinary shares are accounted for as liabilities.

(a) Other issued bonds (DKK millions)	30 June 2017	31 December 2016
Commercial paper and certificates of deposit	123,157	75,046
Other	304,978	317,466
Total	428,134	392,512

Nominal value (DKK millions)	1 January 2017	Issued	Redeemed	Foreign currency translation	30 June 2017
Commercial paper and certificates of deposit	75,036	145,193	92,434	-4,651	123,145
Other	376,953	33,234	46,772	-5,226	358,189
Other issued bonds	451,989	178,428	139,206	-9,877	481,334

Nominal value (DKK millions)	1 January 2016	Issued	Redeemed	Foreign currency translation	31 December 2016
Commercial paper and certificates of deposit	60,836	195,936	180,226	-1,510	75,036
Other	350,780	99,787	73,860	245	376,953
Other issued bonds	411,616	295,723	254,086	-1,265	451,989

The nominal values disclosed are before the elimination of own holdings of issued bonds. In the management report's section on Funding and liquidity, issued junior covered bonds in Realkredit Danmark A/S of DKK 10.7 billion (31 December 2016 DKK 17.3 billion) are excluded. Further, retained and repurchased bonds held by Group Treasury amounting to DKK 23.1 billion (31 December 2016: 63.1 billion) have been excluded.

Subordinated debt and additional tier 1 capital.

During the first six months of 2017, the Group redeemed DKK 12,071 million (full year 2016: DKK 0 million) and issued DKK 5,139 million (full year 2016: DKK 0 million) of subordinated debt accounted for as liabilities. This included an issuance, in March 2017, of CRR-compliant convertible additional tier 1 capital of USD 750 million with discretionary interest payments. As the bonds mandatorily convert into a variable number of ordinary shares if a trigger event occurs, they are accounted for as liabilities.

At 30 June 2017, the total nominal value of issued additional tier 1 capital amounted to DKK 19,045 million (31 December 2016: DKK 14,151 million), of which DKK 14,155 million (31 December 2016: DKK 14,151 million) is accounted for as equity. Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 3.4.3 of Risk Management 2016 for further information). At 30 June 2017, distributable items for Danske Bank A/S amounted to DKK 114.2 billion (31 December 2016: DKK 114.9 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. The ratios at end June 2017 are disclosed in the Statement of capital for the Group and in Ratios and key figures for Danske Bank A/S. For information on the Group's excess capital, see the Capital requirements section in the Management's report.

7. Other assets and other liabilities

Other assets amounted to DKK 31,019 million (31 December 2016: DKK 31,075 million), including holdings in associates of DKK 668 million (31 December 2016: DKK 653 million), investment property of DKK 4,947 million (31 December 2016: DKK 4,937 million), tangible assets of DKK 6,552 million (31 December 2016: DKK 5,850 million) and assets held for sale of DKK 447 million (31 December 2016: DKK 486 million). Other liabilities amounted to DKK 36,606 million (31 December 2016: DKK 35,385 million), including accrued interest and commissions due of DKK 6,541 (31 December 2016: DKK 10,876) and other staff commitments of DKK 2,823 million (31 December 2016: DKK 3,195 million).

Notes – Danske Bank Group

8. Contingent liabilities

Contingent liabilities consist of possible liabilities arising from past events. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Contingent liabilities that can, but are not likely to, result in an outflow of economic resources are disclosed.

The Group uses a variety of loan-related financial instruments to meet customers' financial requirements. Instruments include loan offers and other credit facilities, guarantees and instruments not recognised in the balance sheet. If an instrument is likely to result in a payment obligation, a liability is recognised under Other liabilities corresponding to the present value of expected payments.

	30 June 2017	31 December 2016
Guarantees (DKK millions)		
Financial guarantees	8,530	8,778
Mortgage finance guarantees	1,329	1,218
Other guarantees	71,286	70,381
Total	81,145	80,377
Other contingent liabilities (DKK millions)		
Loan commitments shorter than 1 year	136,163	117,355
Loan commitments longer than 1 year	167,810	162,620
Other unutilised loan commitments	510	484
Total	304,483	280,459

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 375 billion (31 December 2016: DKK 385 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. The supervisory authorities conduct ongoing inspections of Danske Bank's compliance with anti-money laundering legislation. As announced on 21 March 2016, the Danish FSA has reported Danske Bank to the Danish Public Prosecutor for Serious Economic and International Crime for investigation into non-compliance with the provisions of Danish anti-money laundering legislation with regard to identification of and monitoring procedures for correspondent banks. In 2017, the authorities have approached Danske Bank and requested further information.

In connection with the acquisition of Sampo Bank (now Danske Bank Plc) in 2007, Danske Bank Plc and Sampo Life (now Mandatum Life) signed an agency agreement that guaranteed Mandatum Life the exclusive right to sell life and pension insurance products through Danske Bank Plc's branch network in Finland. The agency agreement expired at the end of 2016. As part of the agreement, Mandatum Life had a right to sell all or part of the insurance portfolio sold under the agreement to Danske Bank Group. In October 2016, Mandatum Life exercised this right. The parties have agreed on a fair value of the insurance portfolio of DKK 2.5 billion, which will be recognized at the time of transfer of the portfolio. The transfer of the portfolio is expected to take place during 2018.

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, a severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, the Group is also liable for the pension obligations of a number of company pension funds.

The Group participates in the Danish Guarantee Fund and the Danish Resolution Fund. The funds' capital must amount to at least 0.8% and 1%, respectively, of the covered deposits of all Danish credit institutions by 31 December 2024. The Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5% of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage require the consent of the Danish FSA. Danske Bank A/S and Realkredit Danmark A/S make contributions to the Resolution Fund on the basis of their size and risk relative to other credit institutions in Denmark. The annual contribution is accrued over the year as operating expenses. If the Resolution Fund does not have sufficient means to make the required payments, extraordinary contributions of up to three times the latest annual contributions may be required. Further, Danish banks participate in the Danish Restructuring Fund, which reimburses creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015. Similarly, Danish banks have made payment commitments (totalling DKK 1 billion) to cover losses incurred by the Danish Restructuring Fund for the withdrawal of distressed banks from data centres etc. Payments to the Restructuring Fund are calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark. However, each institution's contribution to the Restructuring Fund may not exceed 0.2% of its covered deposits.

Notes – Danske Bank Group

8. Contingent liabilities continued

The Group is a member of deposit guarantee schemes and other compensation schemes in Finland, Norway, the UK and Luxembourg. As in Denmark, the contributions to the schemes in the other countries are annual contributions combined with extraordinary contributions if the means of the schemes are not sufficient to cover the required payments. However, for Finland, the deposit guarantee fund is fully funded, and no further contributions to the resolution fund are expected before 2018.

The Group is the lessee in non-cancellable operating leases, involving mainly leasing of real property, equipment, furniture and fixtures. The Group recognises lease payments as an expense over the lease term but does not recognise the operating lease assets in its balance sheet. Such assets are recognised by lessors.

Danske Bank A/S is taxed jointly with all entities in Danske Bank Group and is jointly and severally liable for payment of Danish corporate tax and withholding tax, etc.

Danske Bank A/S is registered jointly with all significant Danish entities in Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

9. Assets provided or received as collateral

At 30 June 2017, Danske Bank A/S had deposited securities worth DKK 9.3 billion as collateral with Danish and international clearing centres and other institutions (31 December 2016: DKK 7.2 billion).

At 30 June 2017, Danske Bank A/S had provided cash and securities worth DKK 82.9 billion as collateral for derivatives transactions (31 December 2016: DKK 102.4 billion).

At 30 June 2017, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 408.6 billion (31 December 2016: DKK 344.2 billion) as collateral for policyholders' savings of DKK 351.5 billion (31 December 2016: DKK 340.8 billion).

At 30 June 2017, the Group had registered loans at fair value and securities worth a total of DKK 773.4 billion (31 December 2016: DKK 767.1 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 733.2 billion (31 December 2016: DKK 726.7 billion). Similarly, the Group had registered loans and other assets worth DKK 253.4 billion (31 December 2016: DKK 261.1 billion) as collateral for covered bonds issued under Danish and Finnish law.

The table below shows assets provided as collateral for obligations, including obligations under repo transactions and securities lending:

(DKK millions)	30 June 2017			31 December 2016		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	27,251	27,251	-	41,409	41,409
Trading portfolio securities	222,130	69,765	291,895	189,494	63,751	253,245
Loans at fair value	-	772,356	772,356	-	766,003	766,003
Loans at amortised cost	-	260,018	260,018	-	277,635	277,635
Assets under insurance contracts	-	287,282	287,282	-	273,760	273,760
Other assets	-	86	86	-	119	119
Total	222,130	1,416,758	1,638,888	189,494	1,422,677	1,612,171
Own issued bonds	11,235	85,346	96,581	9,931	99,063	108,994
Total, including own issued bonds	233,365	1,502,104	1,735,469	199,425	1,521,740	1,721,165

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 222.1 billion at 30 June 2017 (31 December 2016: DKK 189.5 billion).

At 30 June 2017, the Group had received securities worth DKK 247.9 billion (31 December 2016: DKK 267.4 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At 30 June 2017, the Group had sold securities or provided securities as collateral worth DKK 172.0 billion (31 December 2016: DKK 150.2 billion).

The Group also receives many other types of assets as collateral in connection with its ordinary lending activities. The Group has not received the ownership of these assets. The risk management notes in the Annual report 2016 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

10. Fair value information for financial instruments

Financial instruments are carried in the balance sheet at fair value or amortised cost.

(DKK millions)	30 June 2017		31 December 2016	
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	77,364	-	53,211
Due from credit institutions and central banks	-	327,839	-	245,479
Trading portfolio assets	489,463	-	509,679	-
Investment securities	189,560	142,257	209,957	133,380
Loans at amortised cost	-	1,136,847	-	1,141,567
Loans at fair value	772,356	-	766,003	-
Assets under pooled schemes and unit-linked investment contracts	106,045	-	99,848	-
Assets under insurance contracts	267,535	-	262,685	-
Total	1,824,960	1,684,308	1,848,172	1,573,637
Financial liabilities				
Due to credit institutions and central banks	-	256,566	-	272,883
Trading portfolio liabilities	451,663	-	478,301	-
Deposits	-	1,040,938	-	943,865
Bonds issued by Realkredit Danmark	733,172	-	726,732	-
Deposits under pooled schemes and unit-linked investment contracts	114,537	-	106,418	-
Other issued bonds	6,779	421,355	6,553	385,959
Subordinated debt	-	30,110	-	37,831
Other liabilities (loan commitments and guarantees)	-	849	-	642
Total	1,306,151	1,749,818	1,318,004	1,641,179

Negative interest income during the first half of 2017 amounted to DKK 1,324 million (30 June 2016: DKK 524 million). Negative interest expenses amounted to DKK 1,213 million (30 June 2016: DKK 552 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income. In the income statement, interest income and interest expenses for the first quarter of 2016 have been restated to reflect this.

Financial instruments at fair value

Note 30 in Annual Report 2016 provides more information about fair value calculation methods for financial instruments.

Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category. Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category. This category covers instruments such as derivatives valued on the basis of observable yield curves and exchange rates and illiquid mortgage bonds valued by reference to the value of similar, liquid bonds. Other financial instruments valued substantially on the basis of non-observable input are recognised in the Non-observable input category. This category covers instruments such as unlisted shares, some unlisted bonds and a very limited portion of the derivatives portfolio.

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date. Developments in the financial markets have resulted in re-classification between the categories. Some bonds have become illiquid and have therefore been moved from the Quoted prices to the Observable input category, while other bonds have become liquid and have been moved from the Observable input to the Quoted prices category. The amounts transferred are insignificant.

Financial instruments at amortised cost

Note 30 in Annual Report 2016 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. The difference between the two types of measurement at 30 June 2017 was in line with the difference at 31 December 2016.

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 June 2017				
Financial assets				
Derivatives				
Interest rate contracts	3,875	167,222	6,280	177,377
Currency contracts etc.	735	101,196	1,062	102,993
Trading portfolio bonds				
Government bonds and other bonds	81,003	771	-	81,774
Danish mortgage bonds	29,938	4,475	-	34,413
Other covered bonds	56,191	1,011	-	57,202
Other bonds	23,855	4,650	-	28,505
Trading portfolio shares	7,030	-	170	7,200
Investment securities, bonds	142,224	45,812	-	188,036
Investment securities, shares	63	-	1,461	1,524
Loans at fair value	-	772,356	-	772,356
Assets under pooled schemes and unit-linked investment contracts	106,045	-	-	106,045
Assets under insurance contracts, bonds				
Danish mortgage bonds	44,322	2,181	-	46,503
Other bonds	105,693	1,226	4,653	111,572
Assets under insurance contracts, shares	80,568	-	17,984	98,552
Assets under insurance contracts, derivatives	6	10,897	5	10,908
Total	681,548	1,111,797	31,615	1,824,960
Financial liabilities				
Derivatives				
Interest rate contracts	4,193	150,876	7,829	162,898
Currency contracts etc.	775	114,998	1,033	116,806
Obligations to repurchase securities	171,208	717	36	171,961
Bonds issued by Realkredit Danmark	733,172	-	-	733,172
Deposits under pooled schemes and unit-linked investment contracts	-	114,537	-	114,537
Other issued bonds	-	6,779	-	6,779
Total	909,348	387,907	8,898	1,306,153

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2016				
Financial assets				
Derivatives				
Interest rate contracts	3,582	200,720	6,657	210,959
Currency contracts etc.	997	113,569	907	115,473
Trading portfolio bonds				
Government bonds and other bonds	58,059	27	-	58,086
Danish mortgage bonds	25,062	7,064	-	32,126
Other covered bonds	51,353	1,601	-	52,954
Other bonds	14,251	4,463	-	18,714
Trading portfolio shares	20,934	-	432	21,366
Investment securities, bonds	154,740	53,477	-	208,217
Investment securities, shares	67	-	1,673	1,740
Loans at fair value	-	766,003	-	766,003
Assets under pooled schemes and unit-linked investment contracts	99,848	-	-	99,848
Assets under insurance contracts, bonds				
Danish mortgage bonds	38,893	4,252	-	43,145
Other bonds	109,158	830	4,803	114,791
Assets under insurance contracts, shares	74,676	-	18,843	93,519
Assets under insurance contracts, derivatives	612	10,615	3	11,230
Total	652,232	1,162,621	33,318	1,848,171
Financial liabilities				
Derivatives				
Interest rate contracts	3,710	182,527	7,641	193,878
Currency contracts etc.	998	131,285	1,919	134,202
Obligations to repurchase securities	146,694	3,523	5	150,222
Bonds issued by Realkredit Danmark	726,732	-	-	726,732
Deposits under pooled schemes and unit-linked investment contracts	-	106,418	-	106,418
Other issued bonds	-	6,553	-	6,553
Total	878,134	430,306	9,565	1,318,005

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

At 30 June 2017, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 19,579 million (31 December 2016: DKK 20,943 million), illiquid bonds of DKK 4,653 million (31 December 2016: DKK 4,803 million) and derivatives with a net market value of DKK -1,515 million (31 December 2016: DKK -1,993 million).

Unlisted shares of DKK 17,984 million (31 December 2016: DKK 18,843 million) are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the shares. Changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The remaining portfolio of unlisted shares of DKK 1,595 million (31 December 2016: DKK 2,100 million) consists primarily of banking-related investments and holdings in private equity funds. A 10% increase or decrease in the fair value would amount to DKK 160 million (31 December 2016: DKK 210 million). Under the current market conditions, a 10% decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. In the first six months of 2017, the Group recognised DKK 96 million in unrealised losses (2016: DKK 15 million) and DKK 40 million in realised gains (2016: DKK 386 million) on those shares. The unrealised adjustments in the first six months of 2017 and in 2016 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised losses in the first six months of 2017 amounted to DKK 135 million (2016: DKK 383 million) and the realised gains to DKK 486 million (2016: DKK 1,798 million).

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 93 million (31 December 2016: DKK 85 million). If the credit spread narrows 50bp, fair value will increase DKK 96 million (31 December 2016: DKK 87 million).

A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable input. Changing one or more of the non-observable inputs to reflect reasonable, possible alternative assumptions would not change the fair value of the derivatives significantly above what is already covered by the reserve related to fair value adjustment for model risk.

Shares, bonds and derivatives valued on the basis of non-observable input

(DKK millions)	30 June 2017			31 December 2016		
	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	20,943	4,803	-1,993	18,516	3,170	-1,062
Value adjustment through profit or loss	487	-97	-433	2,552	95	-146
Acquisitions	1,049	1,222	107	25,940	3,851	-1,098
Sale and redemption	-2,900	-1,275	1,193	-25,758	-2,313	438
Transferred from quoted prices and observable input	-	-	-	-	-	22
Transferred to quoted prices and observable input	-	-	-388	-307	-	-146
Fair value end of period	19,579	4,653	-1,514	20,943	4,803	-1,993

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2016 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure (DKK billions)	Lending activities					
	Total	Core	Non-core	Counterparty risk (derivatives)	Trading and invest- ment securities	Customer-funded investments
30 June 2017						
Balance sheet items						
Demand deposits with central banks	68.7	68.7	-	-	-	-
Due from credit institutions and central banks	286.6	286.5	-	-	-	-
Repo loans with credit institutions and central banks	41.3	41.3	-	-	-	-
Trading portfolio assets	489.5	-	-	280.4	209.1	-
Investment securities	331.8	-	-	-	331.8	-
Loans at amortised cost	952.3	934.9	17.3	-	-	-
Repo loans	184.6	184.6	-	-	-	-
Loans at fair value	772.4	772.4	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	106.0	-	-	-	-	106.0
Assets under insurance contracts	290.6	-	-	-	-	290.6
Off-balance-sheet items						
Guarantees	79.8	79.8	-	-	-	-
Loan commitments shorter than 1 year	136.2	133.1	3.0	-	-	-
Loan commitments longer than 1 year	167.8	167.0	0.8	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,908.0	2,668.4	21.2	280.4	541.4	396.7
31 December 2016						
Balance sheet items						
Demand deposits with central banks	43.9	43.9	-	-	-	-
Due from credit institutions and central banks	200.6	200.5	-	-	-	-
Repo loans with credit institutions and central banks	44.9	44.9	-	-	-	-
Trading portfolio assets	509.7	-	-	326.4	183.2	-
Investment securities	343.3	-	-	-	343.3	-
Loans at amortised cost	942.0	923.2	18.9	-	-	-
Repo loans	199.6	199.6	-	-	-	-
Loans at fair value	766.0	766.0	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	99.8	-	-	-	-	99.8
Assets under insurance contracts	285.4	-	-	-	-	285.4
Off-balance-sheet items						
Guarantees	80.4	80.3	-	-	-	-
Loan commitments shorter than 1 year	117.4	113.7	3.7	-	-	-
Loan commitments longer than 1 year	162.6	161.8	0.9	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,796.0	2,533.8	23.4	326.4	527.1	385.2

In addition to credit exposure from lending activities, Danske Bank had made loan offers and granted uncommitted lines of credit of DKK 375 billion at 30 June 2017 (31 December 2016: DKK 385 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

Credit exposure from lending activities in the Group's core banking business includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges and includes repo loans. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount. The credit exposure from Non-core lending activities is disclosed later in these notes.

Classification of customers

The main objectives of risk classification are to rank the Group's customers according to risk and to estimate each customer's probability of default (PD). As part of the credit process, the Group classifies customers according to risk and updates their classifications upon receipt of new information. Risk classification comprises rating and credit scoring of customers.

The Group has developed a number of classification models to assess customer PD and to classify customers in various segments. Large business and financial customers are classified on the basis of rating models, while small business and personal customers are classified by means of scoring models.

In its credit risk management, the Group uses point-in-time (PIT) PD estimates for risk classification. These PIT PD estimates express a customer's probability of default in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands. During a downturn, a customer's PIT PD may increase, and the customer may migrate to a lower rating category. The effect from a downturn is thus larger when PIT PD is used than if the classification were based on through-the-cycle (TTC) PD, which the Group uses to calculate the risk exposure amount for credit risk.

Customers with loans for which objective evidence of impairment exists are placed in rating category 10 or 11. This includes customers with loans for which no impairment charges have been recognised, for example because adequate collateral has been provided.

Credit portfolio in core activities broken down by rating category

[DKK billions]	PD level		30 June 2017				31 December 2016			
			Gross exposure	Acc. individual		Net exposure, ex collateral	Gross exposure	Acc. individual		Net exposure, ex collateral
				impairment charges	Net exposure			impairment charges	Net exposure	
Upper	Lower	a	b	=a-b	a	b	=a-b			
1	-	0.01	332.7	-	332.7	304.1	251.3	-	251.3	224.9
2	0.01	0.03	270.9	-	270.9	121.4	252.9	-	252.9	102.9
3	0.03	0.06	426.6	-	426.6	130.4	414.1	-	414.1	127.5
4	0.06	0.14	566.4	-	566.4	220.4	544.3	-	544.3	217.6
5	0.14	0.31	473.8	-	473.8	159.0	460.7	-	460.7	144.2
6	0.31	0.63	297.3	-	297.3	81.6	302.1	-	302.1	79.7
7	0.63	1.90	176.5	-	176.5	49.7	178.7	-	178.7	47.6
8	1.90	7.98	60.4	-	60.4	16.9	64.2	-	64.2	17.3
9	7.98	25.70	13.6	-	13.6	5.0	14.2	-	14.2	4.8
10	25.70	99.99	40.6	5.6	34.9	10.4	40.9	6.0	35.0	10.4
11 (default)	100.00	100.00	26.5	11.3	15.2	1.7	28.9	12.5	16.3	1.2
Total before collective impairment charges			2,685.3	17.0	2,668.4	1,100.5	2,552.3	18.5	2,533.8	978.1
Collective impairment charges			4.5				5.0			
Total gross exposure			2,689.8				2,557.3			

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by industry (NACE)

The table below breaks down credit exposure by industry. The industry segmentation follows the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard.

(DKK billions)	30 June 2017				31 December 2016			
	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
	a	b	=a-b		a	b	=a-b	
Public institutions	452.6	-	452.6	381.4	330.0	-	330.0	274.9
Banks	59.1	0.2	59.0	44.8	70.2	0.1	70.0	59.6
Credit institutions	6.8	-	6.8	3.4	10.7	-	10.7	3.5
Insurance	47.3	-	47.3	4.6	47.4	-	47.4	8.0
Investment funds	30.9	0.2	30.7	16.9	40.8	0.2	40.6	8.8
Other financials	48.2	-	48.2	11.3	61.0	-	61.0	14.0
Agriculture	65.0	2.7	62.3	11.0	65.7	3.0	62.7	11.3
Commercial property	304.0	2.8	301.2	57.6	301.8	3.1	298.7	57.1
Construction, engineering and building products	39.0	0.9	38.1	28.3	39.5	1.0	38.5	28.9
Consumer discretionary	98.0	1.3	96.7	56.3	98.3	1.5	96.8	56.6
Consumer staples	57.2	0.2	57.0	39.8	55.1	0.2	54.9	37.6
Energy and utilities	51.4	0.1	51.2	40.6	50.0	0.2	49.8	37.3
Health care	34.6	0.1	34.6	25.6	36.7	0.1	36.6	24.7
Industrial services, supplies and machinery	107.2	1.2	106.0	87.3	103.8	1.2	102.6	81.2
IT and telecommunication services	28.6	0.1	28.5	25.7	29.9	0.1	29.8	26.1
Materials	47.8	0.6	47.2	36.2	45.7	0.8	45.0	33.5
Non-profits and other associations	161.0	0.7	160.3	34.9	152.5	0.8	151.7	28.7
Other commercials	79.0	0.2	78.8	31.4	58.1	0.3	57.8	25.6
Shipping	39.3	0.6	38.7	14.2	39.7	0.7	39.0	14.1
Transportation	23.4	0.1	23.4	13.3	22.0	0.1	21.9	12.1
Personal customers	904.8	5.1	899.7	135.8	893.5	5.1	888.4	134.4
Total before collective impairment charges	2,685.3	17.0	2,668.4	1,100.5	2,552.3	18.5	2,533.8	978.1
Collective impairment charges	4.5				5.0			
Total gross exposure	2,689.8				2,557.3			

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by business unit

The table below breaks down credit exposure by core business unit and underlying segment.

(DKK billions)	30 June 2017				31 December 2016			
	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
	a	b	=a-b		a	b	=a-b	
Denmark	496.4	3.6	492.7	66.8	493.0	3.6	489.5	64.9
Finland	91.4	0.5	90.9	6.0	91.0	0.5	90.5	6.2
Sweden	83.6	0.1	83.4	14.9	78.1	0.1	78.0	14.4
Norway	113.1	0.1	113.0	24.0	113.5	0.1	113.4	25.4
Other	-	-	-	-	-	-	-	-
Personal Banking	784.4	4.4	780.1	111.7	775.6	4.3	771.4	110.9
Denmark	454.5	7.8	446.7	109.7	457.2	8.7	448.5	113.3
Finland	75.8	0.8	75.1	34.7	72.2	0.9	71.3	32.6
Sweden	158.8	0.4	158.3	66.7	150.8	0.6	150.3	59.5
Norway	79.0	0.7	78.3	33.4	78.5	0.7	77.8	33.8
Baltics	21.0	0.2	20.7	11.2	20.1	0.3	19.8	10.6
Other	-	-	-	-	-	-	-	-
Business Banking	789.0	9.9	779.1	255.8	778.8	11.0	767.8	249.8
C&I*	934.2	1.3	932.9	655.1	818.7	1.6	817.1	537.5
Wealth Management	84.3	0.4	83.9	20.3	82.7	0.4	82.3	20.0
Northern Ireland	64.5	0.9	63.6	30.9	64.7	1.2	63.6	31.3
Other	28.8	-	28.8	26.7	31.7	-	31.7	28.6
Total before collective impairment charges	2,685.3	17.0	2,668.4	1,100.6	2,552.3	18.5	2,533.8	978.1
Collective impairment charges	4.5				5.0			
Total gross exposure	2,689.8				2,557.3			

*The Corporates & Institutions (C&I) segment comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, a geographical split is not applicable.

Notes – Danske Bank Group

Credit exposure continued

Forbearance practices and repossessed assets

The Group adopts forbearance plans to assist customers in financial difficulty. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and settlements. Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to retain long-term business relationships during economic downturns if there is a realistic possibility that the customer will be able to meet obligations again, or are used for minimising losses in the event of default.

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of the first six months of 2017, the Group recognised properties taken over in Denmark at a carrying amount of DKK 64 million (31 December 2016: DKK 79 million) and properties taken over in other countries at DKK 57 million (31 December 2016: DKK 62 million). The properties are held for sale and included under Other assets in the balance sheet.

The table below shows the exposures that are subject to forbearance measures and is based on the EBA's definition as described in Annual Report 2016. The increase in forborne exposures in the refinancing segment relates to pro-active forbearance measures taken by the Group to improve the financial position of weak customers.

Exposures subject to forbearance measures (DKK millions)	30 June 2017		31 December 2016	
	Performing	Non-performing*	Performing	Non-performing*
Modification	974	2,010	433	1,713
Refinancing	3,017	10,849	1,730	12,079
Under probation	11,318	-	8,682	-
Total	15,308	12,859	10,844	13,793

*These loans are part of the total non-performing loan amount. For more details, see the section "Non-performing loans" on the next page.

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

The Group defines non-performing loans as facilities with objective evidence of impairment and for which individual impairment charges have been booked. For non-retail exposures with one or more non-performing loans, the entire amount of the customer's exposure is considered to be non-performing. For retail exposures, only impaired facilities are included in non-performing loans. The Group's definition of non-performing loans differs from the EBA's definition by excluding fully covered exposures to customers in default and previously forbore exposures that are now performing and are under probation.

(DKK millions)	30 June 2017	31 December 2016
Total non-performing loans	18,926	21,900
-Portion from customers in default*	8,509	8,828
Coverage ratio (default) (%)	95	95
Coverage ratio (non-default) (%)	69	65
Coverage ratio (total non-performing loans) (%)	85	83
Non-performing loans as a percentage of total gross exposure (%)	1.3	1.6

*Part of which is also shown in the "Exposures subject to forbearance measures" table.

Allowance account in core activities

Allowance account in core activities broken down by segment

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Management	Northern Ireland	Other	Allowance account total	Impairment	
								Individual	Collective
1 January 2016	6,614	15,091	2,369	606	2,814	2	27,496	23,151	4,346
New and increased impairment charges	1,496	2,587	1,650	77	171	-	5,981	4,558	1,423
Reversals of impairment charges from previous periods	1,743	2,559	562	215	430	1	5,510	4,588	922
Write-offs debited to allowance account	805	2,078	530	32	875	-	4,320	4,320	-
Foreign currency translation	3	21	20	1	-363	-	-319	-324	5
Other items	20	262	-185	98	-45	-1	150	28	122
31 December 2016	5,584	13,324	2,762	534	1,273	1	23,479	18,506	4,974
New and increased impairment charges	885	1,238	695	39	59	3	2,918	2,788	130
Reversals of impairment charges from previous periods	755	1,656	392	81	199	-	3,083	2,559	524
Write-offs debited to allowance account	269	835	166	-	99	-	1,369	1,369	-
Foreign currency translation	-10	-58	-123	-1	-30	-	-222	-140	-82
Other items	8	116	-367	-11	-15	-2	-271	-271	-
30 June 2017	5,443	12,129	2,409	480	989	2	21,452	16,955	4,498

Collective impairment charges include charges that reflect the migration of customers from one rating category to another without changes being made to the credit margin to reflect the increase in credit risk. If all business customers were downgraded one rating category with no corresponding change in the interest rate charged to the customers, collective impairment charges would increase by about DKK 1.5 billion (31 December 2016: about DKK 1.2 billion).

If the value of collateral provided by customers in rating categories 10 and 11 decreased 10%, individual impairment charges would increase by about DKK 2.1 billion (31 December 2016: about DKK 2.3 billion).

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

The Non-core business unit is responsible for the controlled winding-up and divestment of exposures that are no longer considered part of the Group's core activities. The portfolio consists of the Non-core exposures in Ireland, the Baltics and conduits etc.

Credit portfolio in Non-core activities broken down by industry (NACE)

(DKK millions)	30 June 2017				31 December 2016			
	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Personal customers	17,019	1,079	15,940	912	18,446	1,479	16,966	1,765
Consumer discretionary	60	47	13	-	82	65	17	1
Commercial property	129	116	13	1	226	213	13	-
Other	242	139	102	-	376	269	107	-
Non-core banking	17,450	1,381	16,069	913	19,131	2,027	17,103	1,766
Non-core conduits etc.	5,371	257	5,114	1,116	6,582	239	6,343	1,309
Total Non-core before collective impairment charges	22,821	1,638	21,183	2,029	25,713	2,266	23,447	3,075
Collective impairment charges	585				410			
Total gross Non-core exposure	23,406				26,123			

Credit portfolio in Non-core activities broken down by rating category

(DKK millions)	PD level		30 June 2017				31 December 2016			
			Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
	Upper	Lower								
1	-	0.01	155	-	155	-	162	-	162	-
2	0.01	0.03	1,479	-	1,479	-	1,903	-	1,903	-
3	0.03	0.06	578	-	578	477	1,544	-	1,544	541
4	0.06	0.14	1,861	-	1,861	417	1,832	-	1,832	488
5	0.14	0.31	57	-	57	1	17	-	17	-
6	0.31	0.63	408	-	408	18	434	-	434	24
7	0.63	1.90	1,803	-	1,803	63	1,918	-	1,918	-
8	1.90	7.98	10,909	-	10,909	493	11,507	-	11,507	1,438
9	7.98	25.70	403	-	403	27	424	-	424	32
10	25.70	99.99	2,873	563	2,309	533	3,003	686	2,317	552
11 (default)	100.00	100.00	2,296	1,075	1,222	-	2,968	1,580	1,388	-
Total Non-core before collective impairment charges			22,821	1,638	21,183	2,029	25,713	2,266	23,446	3,075
Collective impairment charges			585				410			
Total Non-core exposure			23,406				26,123			

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 2,819 million at 30 June 2017 (31 December 2016: DKK 3,282 million), of which the average unsecured portion of non-performing loans was 15.7% at the end of June 2017 (31 December 2016: 18.5%).

Counterparty risk

Exposure to counterparty risk (derivatives) and credit exposure from trading and investment securities

(DKK billions)	30 June 2017	31 December 2016
Counterparty risk		
Derivatives with positive fair value	280.4	326.4
Credit exposure from other trading and investment securities		
Bonds	532.2	503.5
Shares	8.7	23.1
Other unutilised commitments	0.5	0.5
Total	821.8	853.5

Other unutilised commitments comprises private equity investment commitments and other obligations.

Bond portfolio

(DKK millions)	Central and local govern- ment bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2017							
Held-for-trading	88,401	1,868	48,967	51,623	5,746	5,289	201,894
Designated at fair value	23,368	654	70,899	8,754	5,367	3,765	112,807
Available-for-sale	1,308	271	72,772	-	878	-	75,229
Hold-to-maturity	68,454	1,318	65,528	4,477	2,059	420	142,256
Total	181,531	4,111	258,165	64,854	14,050	9,474	532,186
31 December 2016							
Held-for-trading	70,779	667	32,928	46,657	5,822	5,027	161,880
Designated at fair value	29,597	537	86,838	11,344	5,578	3,596	137,490
Available-for-sale	599	-	69,424	-	703	-	70,727
Hold-to-maturity	66,913	1,319	60,859	1,815	2,054	420	133,379
Total	167,888	2,523	250,050	59,816	14,157	9,043	503,477

At 30 June 2017, the Group had an additional bond portfolio worth DKK 158,075 million (31 December 2016: DKK 157,936 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2016 provides more information. For bonds classified as hold-to-maturity, fair value exceeded amortised cost at the end of 30 June 2017 and 31 December 2016.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2017							
Denmark	12,424	-	258,165	-	-	3,650	274,239
Sweden	41,251	-	-	64,847	-	2,315	108,413
UK	8,540	-	-	-	2,337	205	11,082
Norway	5,106	-	-	-	6,223	747	12,075
USA	11,850	161	-	-	-	14	12,025
Spain	10,760	-	-	-	170	-	10,930
France	23,767	-	-	-	944	527	25,238
Luxembourg	-	3,294	-	-	-	5	3,299
Finland	17,523	608	-	7	2,075	616	20,829
Ireland	4,366	-	-	-	3	26	4,395
Italy	5,160	-	-	-	-	-	5,160
Portugal	464	-	-	-	-	-	464
Austria	8,234	-	-	-	226	504	8,964
Netherlands	8,373	-	-	-	299	567	9,238
Germany	15,411	-	-	-	824	34	16,270
Belgium	7,987	4	-	-	128	36	8,155
Other	316	44	-	-	821	228	1,410
Total	181,531	4,111	258,165	64,854	14,050	9,474	532,186
31 December 2016							
Denmark	21,663	-	250,050	-	-	3,587	275,301
Sweden	19,253	-	-	59,816	3	1,542	80,614
UK	8,669	1	-	-	2,214	225	11,109
Norway	4,450	-	-	-	6,436	792	11,678
USA	8,638	169	-	-	-	38	8,845
Spain	12,201	-	-	-	210	-	12,411
France	21,311	-	-	-	1,138	448	22,897
Luxembourg	-	2,353	-	-	-	-	2,353
Finland	16,811	-	-	-	2,510	1,076	20,398
Ireland	4,393	-	-	-	32	10	4,435
Italy	7,296	-	-	-	-	-	7,296
Portugal	84	-	-	-	-	-	84
Austria	8,560	-	-	-	227	435	9,222
Netherlands	8,561	-	-	-	271	491	9,323
Germany	17,061	-	-	-	653	58	17,772
Belgium	8,480	-	-	-	128	-	8,608
Other	458	-	-	-	335	340	1,133
Total	167,888	2,523	250,050	59,816	14,157	9,043	503,477

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2017							
AAA	90,909	2,165	257,984	64,854	13,261	3,445	432,619
AA+	30,020	342	-	-	336	623	31,321
AA	29,566	1,604	57	-	178	582	31,988
AA-	8,955	-	106	-	-	294	9,355
A+	141	-	-	-	69	212	421
A	715	-	1	-	202	1,541	2,460
A-	3,651	-	-	-	-	271	3,922
BBB+	-	-	-	-	-	349	349
BBB	16,500	-	16	-	-	618	17,134
BBB-	-	-	-	-	-	472	472
BB+	464	-	-	-	-	203	667
BB	-	-	-	-	-	286	286
BB-	-	-	-	-	-	18	18
Sub-inv. grade or unrated	610	-	-	-	4	561	1,175
Total	181,531	4,111	258,165	64,854	14,050	9,474	532,186
31 December 2016							
AAA	77,321	1,174	249,851	59,816	13,185	2,856	404,203
AA+	32,417	342	-	-	630	568	33,957
AA	24,128	1,007	57	-	177	875	26,244
AA-	9,520	-	111	-	-	314	9,945
A+	919	-	-	-	101	466	1,486
A	1,628	-	-	-	49	1,357	3,034
A-	2,375	-	1	-	-	128	2,504
BBB+	864	-	-	-	-	449	1,312
BBB	18,632	-	30	-	8	751	19,421
BBB-	-	-	-	-	-	291	291
BB+	84	-	-	-	-	192	276
BB	-	-	-	-	-	289	289
BB-	-	-	-	-	-	20	20
Sub-inv. grade or unrated	-	-	-	-	7	487	495
Total	167,888	2,523	250,050	59,816	14,157	9,043	503,477

Derivatives with positive fair value

(DKK millions)	30 June 2017	31 December 2016
Derivatives with positive fair value before netting	453,177	520,722
Netting (under accounting rules)	172,807	194,290
Carrying amount	280,370	326,433
Netting (under capital adequacy rules)	203,123	241,600
Net current exposure	77,247	84,832
Collateral	43,562	43,886
Net amount	33,685	40,946
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	177,377	210,958
Currency contracts	100,610	112,292
Other contracts	2,383	3,183
Total	280,370	326,433

Financial statements – Danske Bank A/S

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc. as amended by Executive Order No. 707 of 1 June 2016.

The rules are identical to the Group's IFRS-compliant valuation and measurement principles with the following exceptions:

- Domicile property is measured (revalued) at its estimated fair value through Other comprehensive income.
- The available-for-sale financial assets category is not used.

The estimated fair value of domicile property is determined in accordance with the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. Available-for-sale financial assets are measured at fair value through profit or loss.

Holdings in subsidiaries are measured on the basis of the equity method, and tax payable by these undertakings is expensed under Income from associates and group undertakings.

The format of the Parent Company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRS.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the Parent Company's financial statements presented in accordance with Danish FSA rules.

(DKK millions)	Net profit First half 2017	Net profit First half 2016	Total equity 30 June 2017	Total equity 31 December 2016
Consolidated financial statements (IFRSs)	10,321	9,363	162,898	166,615
Domicile property	-41	-258	274	306
Available-for-sale financial assets	71	184	-	-
Change in discount yield curve	-	-99	-	-
Tax effect	2	35	-27	-36
Parent Company financial statements (Danish FSA rules)	10,353	9,224	163,145	166,885

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2017	First half 2016
	Interest income	12,199	13,398
	Interest expense	5,219	4,906
	Net interest income	6,980	8,492
	Dividends from shares etc.	219	380
	Fee and commission income	6,135	5,375
	Fees and commissions paid	1,154	1,004
	Net interest and fee income	12,180	13,243
1	Value adjustments	3,077	217
	Other operating income	829	1,386
	Staff costs and administrative expenses	7,870	7,620
	Amortisation, depreciation and impairment charges	984	914
	Other operating expenses	0	-75
	Loan impairment charges etc.	-469	-106
	Income from associates and group undertakings	4,457	4,220
	Profit before tax	12,157	10,712
	Tax	1,804	1,487
	Net profit for the period	10,353	9,224

Statement of comprehensive income – Danske Bank A/S

(DKK millions)	First half 2017	First half 2016
Net profit for the period	10,353	9,224
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value adjustment of domicile property	-	-
Remeasurement of defined benefit plans	-168	-464
Tax	24	133
Items that will not be reclassified to profit or loss	-144	-331
Items that are or may be reclassified subsequently to profit or loss		
Translation of units outside Denmark	-291	-1,109
Hedging of units outside Denmark	273	1,100
Tax	-64	-186
Items that are or may be reclassified subsequently to profit or loss	-82	-195
Total other comprehensive income	-226	-526
Total comprehensive income for the period	10,127	8,698
Portion attributable to		
Shareholders of Danske Bank A/S (the Parent Company)	9,736	8,376
Additional tier 1 capital holders	391	322
Total comprehensive income for the period	10,127	8,698

Balance sheet - Danske Bank A/S

Note	(DKK millions)	30 June 2017	31 December 2016	30 June 2016
	Assets			
	Cash in hand and demand deposits with central banks	41,088	20,757	23,466
	Due from credit institutions and central banks	341,254	242,997	202,027
2	Loans and other amounts due at amortised costs	939,843	940,381	943,898
	Bonds at fair value	339,541	337,049	356,727
	Bonds at amortised cost	103,451	91,055	84,736
	Shares etc.	8,460	22,517	9,813
	Holdings in associates	333	327	777
	Holdings in group undertakings	97,843	101,107	97,147
	Assets under pooled schemes	52,585	52,352	49,828
	Intangible assets	6,832	6,654	6,438
	Land and buildings	335	369	381
	Investment property	260	277	309
	Domicile property	74	92	71
	Other tangible assets	3,600	3,429	3,417
	Current tax assets	1,052	860	1,605
	Deferred tax assets	282	272	306
	Assets held for sale	131	131	1,022
	Other assets	298,753	346,757	412,730
	Prepayments	1,368	1,225	1,230
	Total assets	2,236,750	2,168,239	2,195,549
	Liabilities and equity			
	Amounts due			
	Due to credit institutions and central banks	268,026	290,707	318,033
	Deposits and other amounts due	850,281	760,877	767,632
	Deposits under pooled schemes	54,220	53,312	51,144
	Issued bonds at amortised cost	387,906	345,395	336,237
	Current tax liabilities	598	726	582
	Other liabilities	477,982	508,888	521,171
	Deferred income	965	1,123	1,031
	Total amounts due	2,039,978	1,961,028	1,995,831
	Provisions for liabilities			
	Provisions and pensions and similar obligations	216	307	311
	Provisions for deferred tax	5,874	5,851	5,809
2	Provisions for losses on guarantees	1,153	1,031	1,072
	Other provisions for liabilities	40	46	51
	Total provisions for liabilities	7,282	7,235	7,242
	Subordinated debt			
	Subordinated debt	26,345	33,091	33,892
	Equity			
	Share capital	9,368	9,837	9,837
	Accumulated value adjustments	-647	-629	-372
	Equity method reserve	25,455	28,013	30,344
	Retained earnings	114,636	106,468	107,467
	Proposed dividends	-	8,853	-
	Shareholders of Danske Bank A/S (the Parent Company)	148,812	152,543	147,276
	Additional tier 1 etc.	14,334	14,342	11,308
	Total equity	163,145	166,885	158,584
	Total liabilities and equity	2,236,750	2,168,239	2,195,549

Statement of capital – Danske Bank A/S

Change in equity (DKK millions)	Foreign currency		Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
	Share capital	translation reserve							
Total equity at 1 January 2017	9,837	-631	2	28,013	106,469	8,853	152,543	14,343	166,885
Net profit for the period	-	-	-	-2,558	12,519	-	9,961	391	10,353
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	-168	-	-168	-	-168
Translation of units outside Denmark	-	-291	-	-	-	-	-291	-	-291
Hedging of units outside Denmark	-	273	-	-	-	-	273	-	273
Fair value adjustment of domicile property	-	-	-	-	-	-	-	-	-
Sale of domicile property	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-	-40	-	-40	-	-40
Total other comprehensive income	-	-18	-	-	-208	-	-226	-	-226
Total comprehensive income for the period	-	-18	-	-2,558	12,311	-	9,736	391	10,127
Transactions with owners									
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-393	-393
Dividends paid	-	-	-	-	521	-8,853	-8,332	-	-8,332
Dividends proposed	-	-	-	-	-	-	-	-	-
Share capital reduction	-469	-	-	-	469	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-29,633	-	-29,633	-113	-29,746
Sale of own shares and additional tier 1 capital	-	-	-	-	24,427	-	24,427	106	24,533
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-	71	-	71	-	71
Total equity at 30 June 2017	9,368	-649	2	25,455	114,636	-	148,812	14,334	163,145

Statement of capital – Danske Bank A/S

Change in equity (DKK millions)							Additional tier 1 capital		Total
	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total		
Total equity at 1 January 2016	10,086	-593	424	30,344	101,764	8,069	150,094	11,317	161,411
Net profit for the period	-	-	-	-	8,903	-	8,903	322	9,224
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	-464	-	-464	-	-464
Translation of units outside Denmark	-	-1,109	-	-	-	-	-1,109	-	-1,109
Hedging of units outside Denmark	-	1,100	-	-	-	-	1,100	-	1,100
Fair value adjustment of domicile property	-	-	-	-	-	-	-	-	-
Sale of domicile property	-	-	-249	-	249	-	-	-	-
Tax	-	-	55	-	-108	-	-53	-	-53
Total other comprehensive income	-	-9	-194	-	-323	-	-526	-	-526
Total comprehensive income for the period	-	-9	-194	-	8,579	-	8,376	322	8,698
Transactions with owners									
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-325	-325
Dividends paid	-	-	-	-	311	-8,069	-7,758	-	-7,758
Dividends proposed	-	-	-	-	-	-	-	-	-
Share capital reduction	-249	-	-	-	249	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-20,004	-	-20,004	-45	-20,049
Sale of own shares and additional tier 1 capital	-	-	-	-	16,483	-	16,483	39	16,522
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-	85	-	85	-	85
Total equity at 30 June 2016	9,837	-602	230	30,344	107,467	-	147,276	11,308	158,584

Notes – Danske Bank A/S

1. Value adjustments

(DKK millions)	30 June 2017	30 June 2016
Loans at fair value	-246	929
Bonds	1,218	440
Shares etc.	848	-798
Investment property	-	-
Currency	19	813
Derivatives	-611	758
Assets under pooled schemes	-81	1
Deposits under pooled schemes	-	-
Other liabilities	1,930	-1,927
Total	3,077	217

2. Impairment charges for loans and guarantees

(DKK millions)	Loans, advances and guarantees, individual impairment	Loans, advances and guarantees, collective impairment	Other amounts due, individual impairment	Other amounts due, collective impairment	Total
Impairment charges at 1 January 2017	15,362	4,163	7	8	19,540
Impairment charges during the year	2,278	280	1	-	2,559
Reversals of impairment charges from previous years	2,250	442	24	8	2,724
Other changes	-1,730	-80	22	8	-1,779
Impairment charges at 30 June 2017	13,661	3,921	5	8	17,595
Value adjustment of assets taken over	-	-	-	-	-
Impairment charges at 1 January 2016	18,803	3,718	7	18	22,545
Impairment charges during the year	3,761	1,410	24	-	5,195
Reversals of impairment charges from previous years	3,554	1,005	-	8	4,567
Other changes	-3,648	40	-24	-2	-3,634
Impairment charges at 31 December 2016	15,362	4,163	7	8	19,540
Value adjustment of assets taken over	-	-	-	-	-

Notes – Danske Bank A/S

	First half 2017	Full year 2016	First half 2016
Ratios and key figures			
Total capital ratio (%)	26.9	27.5	26.3
Tier 1 capital ratio (%)	23.7	24.2	22.9
Return on equity before tax (%)	7.4	13.8	6.7
Return on equity after tax (%)	6.3	11.9	5.8
Income/cost ratio (%)	245.0	232.0	228.2
Interest rate risk (%)	4.4	3.6	1.6
Foreign exchange position (%)	4.0	2.0	0.9
Foreign exchange risk (%)	-	-	-
Loans plus impairment charges as % of deposits	105.7	117.8	117.8
Gearing of loans	5.8	5.6	6.0
Growth in loans (%)	0.8	7.7	5.6
Surplus liquidity in relation to statutory liquidity requirement (%)	224.3	201.9	162.4
Sum of large exposures as % of total capital	11.7	11.4	10.9
Funding ratio	0.6	0.6	0.6
Real property exposure	12	12	12
Impairment ratio (%)	-	-	-
Return on assets (%)	0.5	0.9	0.4
Earnings per share (DKK)	10.8	19.7	10.8
Book value per share (DKK)	178.1	178.1	165.2
Proposed dividend per share (DKK)	-	9.0	-
Share price end of period/earnings per share (DKK)	23.2	10.9	16.3
Share price end of period/book value per share (DKK)	1.41	1.20	1.06

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim report - first half 2017 of Danske Bank Group.

The consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial reporting, as adopted by the EU, and the Parent Company's interim financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the interim report has been prepared in accordance with Danish disclosure requirements for listed financial companies.

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, total equity and financial position at 30 June 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting 1 January 2017 and ending on 30 June 2017. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 20 July 2017

Executive Board

Thomas F. Borgen
CEO

Jacob Aarup-Andersen

Tonny Thierry Andersen

James Ditmore

Gilbert Kohnke

Lars Mørch

Jesper Nielsen

Glenn Söderholm

Board of Directors

Ole Andersen
Chairman

Urban Bäckström
Vice Chairman

Lars-Erik Brenøe

Jørn P. Jensen

Rolv Erik Ryssdal

Carol Sergeant

Martin Tivéus

Hilde Tonne

Kirsten Ebbe Brich
Elected by the employees

Carsten Eilertsen
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Steen Lund Olsen
Elected by the employees

Independent auditors' report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the interim financial statements

We have reviewed the interim financial statements of Danske Bank A/S for the financial period 1 January to 30 June 2017, pp. 29-66 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and selected notes for the Group and the Parent Company, respectively, as well as the consolidated cash flow statement.

Management's responsibility for the interim financial statements

Management is responsible for the preparation of consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies and for the preparation of the Parent Company's interim financial statements in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies, and for such internal control as Management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the interim financial statements. We conducted our review in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires that we express a conclusion about whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, have not been prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with the International Standard on Engagements to review interim financial information performed by the independent auditor of the entity is a limited assurance engagement. The auditor performs procedures primarily consisting of inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies and that the parent interim financial statements have not been prepared, in all material respects, in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies.

Copenhagen, 20 July 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 95 35 56

Erik Holst Jørgensen
State-Authorised
Public Accountant

Jens Ringbæk
State-Authorised
Public Accountant

Supplementary information

Financial calendar

2 November 2017	Interim report - first nine months 2017
2 February 2018	Annual report 2017
15 March 2018	Annual General Meeting
26 April 2018	Interim report - first quarter 2018
18 July 2018	Interim report - first half 2018
1 November 2018	Interim report - first nine months 2018

Contacts

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Links

Danske Bank	danskebank.com
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Finland	danskebank.fi
Sweden	danskebank.se
Norway	danskebank.no
Northern Ireland	danskebank.co.uk
Ireland	danskebank.ie
Realkredit Danmark	rd.dk
Danske Capital	danskecapital.com
Danica Pension	danicapension.dk

Danske Bank's financial statements are available online at danskebank.com/Reports.

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