

Interim Report January-June 2016

Danske Bank PLC



DANSKE BANK PLC GROUP'S INTERIM REPORT FOR JANUARY-JUNE 2016

Satisfactory result amid increasing uncertainty

The first half-year of 2016 was characterized by difficult market conditions with a continuation of negative interest rates and low growth. In addition, the UK's potential exit from the EU increased uncertainty in the financial markets and about the economic outlook in Finland. Danske Bank's diversified business model and efforts to become an even more customer-focused and efficient bank mean that, despite the challenges, we delivered a satisfactory result for the period.

Total income for Danske Bank's operations in Finland* was 3% lower compared with the same period of the previous year and amounted to EUR 316.9 million (EUR 326.2 million). Low interest rates continued to depress net interest income. Net fee income was also slightly lower compared with previous year's level. Net trading income, which has been impacted by significant volatility related to credit default swap spreads and Brexit among other things, increased by 7%. Total costs continued to decrease and were down by almost 3%. Profit before taxes totaled EUR 130.8 million (135.9).

Customer activity was good in several units. Mortgage lending developed positively, and around half of mortgage customers chose one of the new flexible mortgage solutions and 33 % of customers took the benefit of managing their interest risk with an interest rate collar. Loan portfolio among small and medium-sized companies grew by 8%, continuing to outpace the market. In the C&I business, Danske Bank arranged bonds for several major Finnish corporates as well as for central and local government entities.

"Our loan portfolio continued to grow especially among the corporate customers. Net interest income decreased further despite the balance sheet growth, because the interest rates paid on customers' deposits are adjusted to reflect the low interest environment with a delay," says Risto Tornivaara, CEO of Danske Bank Plc.

Over 320.000 Finns have downloaded the popular MobilePay application, and its business version was launched in the spring with both point-of-sale and appSwitch solutions. During the second half of the year, Danske Bank intends to launch a MobilePay solution for small businesses that will offer them completely new possibilities to operate in the world of mobile payment.

"MobilePay's business version has raised a lot of interest among Finnish companies, and it looks like 2016 will be the year for the breakthrough of mobile payment in this market. Finland needs growth stories and innovations, which will help businesses succeed in the global competition and create wellbeing for future generations. Finland has high-level expertise in digitalization and mobile solutions, in particular, but there is also still plenty of unused potential in Finnish companies," says Risto Tornivaara.

*Includes Danske Bank Plc Group and the Helsinki Branch of Danske Bank A/S.

Financial highlights of Danske Bank Plc Group

		1-6/2016	1-6/2015	1-12/2015
Total operating income	EURm	289	293	575
Profit before taxes	EURm	116	113	210
Total assets at the end of the period	EURm	30 175	31 647	30 313
Number of staff at the end of the period		1 736	1 923	1 730

Group in brief

Danske Bank Plc Group is part of the Danske Bank Group, which is one of the largest financial enterprises in the Nordic region. Danske Bank Group operates in 15 countries and is headquartered in Copenhagen. Danske Bank A/S Group's share is quoted on the Nasdaq Copenhagen.

As a Nordic universal bank, Danske Bank Group offers Finnish customers full banking services through Helsinki Branch, which is a branch of Danske Bank A/S, Denmark and the subsidiary Danske Bank Plc Group. End of June 2016, the total assets of the combined activities in Finland was EUR 32.6 billion and the half-year profit before taxes EUR 130.8 million.

Originally established as a local post savings bank, Danske Bank Plc has been an integral part of the Finnish society for almost 130 years. It is the third largest bank in Finland with almost 1 million personal customers and about 90,000 corporate and institutional customers and a strongly Finnish rooted player with wide bridges to the world. Danske Bank Plc has a market share in lending slightly below 10 per cent and a market share in deposits above 12 per cent.

Danske Bank Plc has 42 branches, but including the private banking and corporate banking offices, the Bank has 61 offices all over Finland.

Since 1. November 2014, Danske Bank Plc Group has been under supervision of the European Central Bank (ECB) which designated Danske Bank Plc as a systemically important bank. In July 2015, Danske Bank Plc was designated as other systemically important institution (O-SII) for the Finnish national financial system underlining that the bank plays a vital role in the Finnish financial sector.

Operating environment

Finland's GDP came out of recession and returned to slow growth in 2015 and the moderate growth continued during the first half of 2016. However, the GDP is approximately 5 per cent lower than it was at the previous business cycle peak. Finland has been lagging behind the rest of Europe because demand for investment commodities, which are important for Finnish industry, has remained weak, and Russian trade has continued to slide. Despite the weak exports, domestic demand started to increase. In addition to consumer demand, the level of construction rose clearly in spring 2016. Economic growth was also evident in the increase in private sector employment and the reduction in the number of bankruptcies. The housing markets are relatively stable and prices have risen in growth centres, whereas in depressed areas prices have declined slightly. The housing loan portfolio grew 2.6 per cent in May 2016. The statutory 90 per cent cap on housing loans entered into force at the beginning of July, but in practice, banks have been applying this rule since the beginning of the year. Housing company loans have increased the level of corporate financing. Public finances are still suffering from the consequences of the recession and government debt is growing quickly. Large credit rating institutions lowered Finland's credit rating to the second highest AA+/Aa1 category. The three-party conservative government is set

on reforms, and financial policy is being tightened considerably, which should help retain the level of the credit ratings. On the other hand, tight financial policy weakens domestic demand.

Finland's economic outlook was relatively good at the beginning of June 2016, but outlooks are being weakened by the UK's anticipated withdrawal from the EU as a consequence of its referendum. The performance of exports and industrial investments in particular will be poor, the situation of households is likely to remain fairly stable and housing construction is likely to continue to rise. We are expecting GDP to rise by just under 1 per cent in 2016 and 2017.

The European Central Bank eased monetary policy by lowering interest rates and expanding its securities purchasing programme in spring 2016. Euribor rates turned negative, so many Finns with housing loans are paying just the margin on their loans. Money market interest rates are expected to remain very low also in 2017. Bond market returns are also expected to remain fairly low, although long-term interest rates may rise slightly as economic growth strengthens and the US Federal Reserve tightens monetary policy.

Financial review

(The comparison figures in parentheses refer to the first six months of 2015).

Danske Bank Plc Group's profit before taxes for January–June 2016 was EUR 115.7 million (113.0 million). The result was EUR 95.1 million (78.1 million). Return on equity (annualized) amounted to 7.5 per cent for the first half of 2016 compared to 6.3 per cent last year.

Total operating income for the first six months of 2016 remained almost at the same level compared with the same period a year earlier totalling EUR 289.1 million (293.0 million). The Group's net interest income was EUR 145.8 million (150.6 million). The continued low interest environment, especially negative short-term interest rates, keeps our net interest income under pressure. Also ECB's deposit rate for banks remained negative. This combined with only a slight lending growth caused the net interest income to fall 3 per cent year-on-year.

The Group's net fee income remained at the same level compared to year earlier and amounted to EUR 116.4 million (116.8 million).

Net trading income increased 13 per cent year-on-year and totalled EUR 16.8 million (14.8 million). This line item includes strong fluctuations during the first half-year stemming partly from volatile CDS spreads and Brexit.

The Group's other operating income decreased with 6 per cent year-on-year to EUR 10.1 million (10.7 million).

Danske Bank Plc Group's cost to income ratio was 59.1 per cent showing an improvement of 1.4 percentage points compared with last year (60.5 per cent). Group's operating expenses from January–June totalled EUR 170.8 million (EUR 176.9 million). Total operating expenses decreased around 3 per cent (EUR 6 million) compared to previous year.

Net impairments on loans and receivables was EUR 2.6 million on (3.1 million). Individually assessed impairment charges and final write-offs totalled EUR 16.4 million (7.3 million). EUR 9.5 million (0.4 million reversal) was reversed in collective impairments, and recoveries came to EUR 4.4 million (4.0 million).

Personal Banking

Products and services

The target of Personal Banking Finland is to lead the way in digital development. Danske Bank now has over 100,000 Mobile Bank and Tablet Bank users with over 3 million logins per month. We predict that mobile and tablet logons will exceed webbank logons during 2016.

Danske Bank started the year with an important product update as housing loan products were renewed. Three new products and the related web-based product selector and information website helped to achieve positive growth in housing loan sales throughout H1. The #ekaomakoti (“myfirsthome”) benefit scheme, which will continue until the end of the year, was also launched to encourage first-time buyers to buy a home.

By actively developing its digital channels, Personal Banking has launched new services in cooperation with its partners not in the banking sector to enable it to reach Finns in their daily life. For example, the expansion of the Dreams Come True online service that was launched at the Slush 2015 event, has proceeded as planned. The service has most recently been introduced by our partner, YIT.

The number of new registrations to the Danske Benefit Programme continued to grow. By the end of June over 330,000 customers had registered for the programme. About 90% of those who had registered were entitled to benefits on the two highest levels. Continuous development of this programme forms the core of the programme’s value proposition.

The use of the Danske Bank MobilePay application in peer-to-peer payments between private individuals was expanded to cover both transaction points and the mobile application. MobilePay is the only application that can be used by customers of any bank and that is compatible with all smart phone operating systems (iOS, Android and Windows). In Finland the application has been downloaded over 322,000 times. Over 60 per cent of these downloads were by people who are not primary customers of Danske Bank.

Customer satisfaction

During Q2 2016 we achieved our customer satisfaction target of being number one or two among the bank’s focus customers. The trend has been positive throughout 2016 and we believe that our continued focus on customer relationships and seamless online solutions will continue to improve the customer experience.

Financial review

Total operating income from Personal Banking decreased by one per cent from the previous year to EUR 117.2 million (118.1 million) mainly due to non-recurring items in trading operations and the lower interest rate. The decline in net interest income was reduced by the decline in the deposit portfolio interest rate during the Q2. The growth in lending stock continued during H1, mainly because of the positive trend in housing loans. Deposit portfolios remained at a stable level throughout H1. Net fee income increased compared to previous year’s level.

The result was positively affected by a 3 per cent saving in operating expenses. Loan impairment charges were slightly higher than in previous year, but remained at moderate level totalling EUR 5.7 million. The unit’s operating profit before taxes was EUR 30.9 million and thus at the same level than in H1 2015.

Business Banking

Products and services

We aspire to be our business customers’ most trusted financial partner and we are thus continuing to focus on the development of our employees, products and processes during the beginning of 2016.

In order for us to support the creation of success stories in Finland we organised a new type of Growth 2016 event in May. The event was organised for growth companies to enable them to gain financing, to increase competence focusing on growth and globalisation and to promote the emergence of a positive atmosphere and an increase in confidence.

In May Danske Bank launched, as the first bank operating in Finland to do so, support for its Business Banking customers in the use of crowdfunding. Cooperation was started with Invesdor, a company providing crowdfunding

services across Europe. By expanding its service package, Danske wants to support the Finnish company sector and improve companies' opportunities for growth and innovations.

Danske Bank also continued to work on its ownership change service. Tens of thousands of Finnish companies are currently being affected by ownership change, company sales and generational changes. Together with our partners we have actively developed our concept to support the success of ownership change.

At the beginning of May we launched MobilePay for companies. We were the first bank to introduce a mobile payment method within the store and restaurant environment in Finland that is available for customers of all banks and that functions on smart phones irrespective of the operating system.

Threats to data security are an increasingly large factor in companies' operating environments. Danske Bank wants to help companies to secure their operations and prepare for data security risks. Since the beginning of March, Danske Bank has offered its customers the Webroot Secure Anywhere software free of charge to enable them to supplement their own data security.

Customer satisfaction

Customer satisfaction either improved or remained the same in all customer segments. Especially among midsize and large customers satisfaction continued to improve. Our target is to be a strategic partner for our customers. In order to achieve this, personnel training activities were continued in 2016.

To maintain customer satisfaction we have increased multichannel customer communications by increasing the use of webinars and various online media.

Financial review

Total operating income from Business Banking declined by 4 per cent compared with the previous year, to EUR 85.0 million (88.7 million). The interest rate level, which continued to fall, was behind the decline. However, a growth in the lending balance had a positive impact on the net interest income. There was a negative trend in net fee and trading income, and they ended up at a lower level than the corresponding period in 2015.

Costs remained at the same level compared to H1 2015 totalling EUR 44.1 million (44.2 million). Loan impairment charges ended up on the recovery side. On account of these, profit before taxes improved on the previous year ending up at EUR 45.2 million from last year's EUR 33.4 million.

Corporates & Institutions

The Corporates & Institutions (C&I) unit includes Corporate and Institutional Banking (CIB), Group's FICC unit (Fixed income, currencies and commodities), Capital Markets unit and Transaction Banking business. We aspire to set new standards for wholesale banking and become our customer's trusted financial partner by offering great value propositions.

Corporate and Institutional Banking (CIB)

Corporate and Institutional Banking customers in Finland are served by Danske Bank Plc and the Helsinki branch office of Danske Bank A/S.

In a customer satisfaction survey commissioned by Prospera, customers again rated Danske Bank as the best bank in Finland and the Nordic countries. The bank's position among corporate customers continued to strengthen on account of its customer-oriented business model.

Institutional customers remained active, which maintained the good level of results and also produced positive qualitative values.

Capital Markets

Activity in the Loan Capital Markets was good as Finnish companies refinanced their core credit facilities. Danske Bank Leverage Finance also supported capital investors in their financing arrangements.

Activity in the Debt Capital Markets was subdued in the first months of the year but picked in the second quarter. Danske Bank arranged bond issues for a number of major Finnish corporates including SRV, Sato, Aspo and Sampo as well as for central and local government entities, including the Republic of Finland, Municipality Finance and Finnvera.

Danske Bank FICC

The Danske Bank FICC unit in Finland operates in close co-operation with the FICC operations within the Danske Bank Group. At the Group level the work continues with the aim of transforming the FICC business model to fit the new regulatory environment and to withstand changing market developments. This entails a more balanced income base through client-driven income and less volatility in income from trading operations. FICC operations in Finland have undergone a similar transformation and most of the income generated is based on client activity.

The first quarter of 2016 were characterized by weak risk sentiment and poor liquidity. The markets conditions were challenging in comparison to the same period in 2015.

Transaction Banking

Danske Bank's position in Cash Management services strengthened further. In a survey by Prospera, large Finnish corporate customers ranked Danske Bank as the best cash management provider for the fourth year in a row. In addition to Finland, Danske Bank also retained the number one position on the Nordic level. In Finland Danske Bank's market penetration grew from 68 per cent in 2015 to 78 per cent.

Danske Bank continued to focus strongly on innovations and product development. Danske Bank has launched new solutions for mobile payment (MobilePay), management of company liquidity and currency trading (Danske In House Bank) and management of the supply chain and cash discounts (DynamicPay). Danske Bank is also very involved in joint industry projects, which are developing better solutions for customers. Examples of these projects include the SWIFT Global Payments Innovation Initiative and the R3 consortium, which is investigating the usage of Blockchain technology.

Trade Finance had a good start to the year despite the weak general outlook in Finland's foreign trade. There was volume growth in the main products. In Prospera's customer satisfaction survey Trade Finance retained the number one position on the Nordic level.

New products and channels were launched on the market. Trade Finance will also offer a SWIFT service channel in the SWIFT 798 Message Type for corporate customers. An updated product for the financing of export deals was introduced, which was exchange discounting with Finnvera's new Bill of Exchange Guarantee. Since its launch, the new product has been attracting a lot of interest among large companies and SMEs.

The Custody business performed well and customer activity was good. Danske Bank launched a custodian service in Finland, which enables it to provide services to funds and thus complements the service provision to cover all customer segments. We will continue to develop our custody service and focus our efforts in particular on the management of corporate events and tax services.

Financial review

Figures include only C&I -units business in Danske Bank Plc and thus does not reflect the whole units results in Finland.

C&I -units total income declined 9 per cent compared to H1 2015 and was EUR 39.4 million (43.1 million). Net interest income remained at the same level year-on-year, mainly due to a growth in the number of deposits. Net fee income increased year-on-year, but as a result of a change in the market value of counterparty risk, the unit's income was lower than that of the previous year.

Operating income declined 10 per cent year-on-year, totalling EUR 20.2 million (22.4 million). Loan impairment charges were recorded EUR 1.4 million for H1 2016 whereas during the comparison period there were considerable recoveries. Profit before taxes was EUR 17.9 million (32.6 million).

Wealth Management

From 2016 onwards, the Group established a new business unit, Wealth Management, which will encompass the Group's expertise within pension savings and wealth and asset management. In Finland, the unit combined Danske Capital asset management, Danske Invest fund management business and private banking operations. The aim is to create even more customer-centric organisation. By bringing all of our expertise within savings and wealth and asset management into a single business unit, Danske Bank will be able to further improve customer services and strengthen the offering of innovative solutions and products.

Wealth Management is presented as a separate business unit first time in this interim report.

Products and services

Wealth Management produces comprehensive services for private banking customers, and saving and investment solutions for personal and business customers. It also offers institutional customers solutions for demanding asset management needs.

The review period was very challenging for Wealth Management on account of the historically low interest rate, concerns about the global economy's growth outlook and an increase in political uncertainty. Due to the low interest rate, the investments in Danske Invest's Compass funds, which are key funds in the saving product selection, were changed by including alternative asset classes. Personal, business and private banking customers were also advised to actively evaluate their own investment needs in respect to the interest rate.

An ownership change service was launched for businesses in cooperation with the Business Banking operations. Tens of thousands of Finnish companies are currently being affected by ownership change, company sales and generational changes. Private Banking's wealth planning function, which assesses the situation of businesses, has been integrated into the service. The Wealth Plan service makes the decision-making involved in ownership changes much easier for entrepreneurs, because it helps them to assess in advance the effects of selling a business on their personal finances and those of their family, taking tax perspectives into account.

The Danske Invest SICAV European Corporate Sustainable Bond Class A fund was launched as a new solution for institutional customers. The responsibility theme in investment is being increasingly emphasised. According to our Nordic Investor barometer, the majority of Finnish investors (62%) would prefer to invest in funds that make responsible investments based on the principles of sustainable development. Danske Invest Fund Management is the third largest fund management company in Finland and its assets under management totalled EUR 11.2 billion (11.9 billion on 30.6.2015) at the end of June.

Customer satisfaction

According to a study by Scandinavian Financial Research (SFR), Danske Bank was the biggest asset management company among institutional investors, measured by market share. Institutional investors selected Danske Bank as the clear leader for its customer account managers in the area of "Service Performance" which assesses understanding of investor needs, reliability, contacts, professional expertise and service attitude. Danske Bank was also awarded the top spot for customer reporting in the areas of "Quality of Reporting: Monthly Reporting" and "Quantitative Advisory Services on Asset Allocation".

Correspondingly, Danske Bank's Private Banking service was rated the best for innovative solutions and customer experience in the Euro Money magazine's latest private banking survey. The goal is to further improve the customer experience for all asset management customers.

In addition to the service offered to institutional and private banking customers, individual investment solutions were also recognised. The Danske Invest Gold, Danske Invest Russia and Arvo Finland Value funds received the respected Lipper Fund Awards 2016 awards on the basis of their risk-adjusted return history.

Financial review

Wealth Management unit started as a separate business unit from 2016 onwards. Total income for January-June 2016 was EUR 27.4 million (29.3 million). Net fee income declined compared to the same period in 2015, mainly due to lower fees in Danske Capital unit. Total operating expenses remained at the same level as previous year totalling EUR 15.4 million. Profit before taxes for the period was EUR 12.1 million (EUR 13.9 million).

Other activities

Other activities encompasses the Group Treasury, the Group's Services and other support functions and eliminations. Their total operating income was EUR 20.1 million (EUR 13.7 million).

The Treasury is responsible for the Group's liquidity management and funding. It acts as an internal bank for the business segments. Two of the Group Treasury's key responsibilities are ensuring that Danske Bank Plc maintains sufficient liquidity to handle a situation in which the markets are stressed and that the Bank always complies with regulatory liquidity requirements. A liquidity portfolio of a sufficient size and quality is an important component in managing overall liquidity risks. The treasury monitors liquidity risks on an ongoing basis, and the liquidity portfolio is regularly adjusted to reflect changes. The liquidity portfolio is incorporated in balance sheet management to optimise the balance sheet composition and minimise the cost of holding the liquidity portfolio.

Treasury's interest income and interest expenses have decreased because of lower interest rates. Net interest income declined slightly. Low interest rates effected also to the liquidity portfolios and loan portfolios valuation changes and improved the net trading income compared to H1 2015. As a result of the changes Treasury's total income and profit before taxes improved compared to the corresponding period of the previous year.

Balance sheet and funding

(The comparison figures in parentheses refer to December 2015 figures).

Danske Bank Plc Group's balance sheet total was EUR 30,174.6 million (30,312.9 million). Loans and receivables from customers increased by EUR 764.1 million to a total of EUR 22,843.0 million (22,078.9 million). The increase comes mainly from receivables from parent company and increased Business Banking loan portfolio. All of the Bank's segments experienced slightly positive growth and demand for credit during the first half of 2016 compared to last year end. Our market share of total lending was slightly below 10 per cent and remained at the same level as end of 2015.

Deposits decreased EUR 1,050.1 million, totalling EUR 17,065.2 million (18,115.3 million), with marginal decreases recorded in all segments.

The financial and liquidity situation remained good, and short-term funding performed well during the period. Bank's liquidity buffer was EUR 5,084 million (5,806 million) and remained at a good level. With a liquidity coverage ratio (LCR) of 114 per cent end of June 2016 (118 per cent), Danske Bank Plc complies with the current regulatory minimum requirement of 70%. Under the Capital Requirements Regulation (EU) No 575/2013 banks must have an LCR of 100 percent by 1.1.2018.

Capital and solvency

(The comparison figures in parentheses refer to December 2015 figures).

Danske Bank Plc Group applies the F-IRB approach for calculating credit Risk Exposure Amount (REA) for the asset class corporate. In other respects, the Bank applies standard method (capital requirement for credit and operational risk) and regulatory approaches (capital requirement for market risks) to capital adequacy calculations.

Danske Bank Plc Group's total capital consists of tier 1 capital (common equity tier 1 capital and additional tier 1 capital instruments after deductions) and tier 2 capital (IRB excess of provisions over expected losses eligible). At 30 June 2016, the total capital amounted to EUR 2,529.9 million (2,547.3 million), and the total capital ratio was 19.5 (18.4) per cent. The common equity tier 1 capital ratio stood at 18.6 (17.5) per cent.

At 30 June 2016, risk-weighted assets amounted to EUR 13,004.5 million, against EUR 13,833.1 million at 31 December 2015.

Profit after taxes for January-June is not included in Tier 1 distributable capital in solvency calculations at the end of June 2016.

Leverage ratio

Leverage ratio was 7.2 per cent at the end of June 2016 (6.7 per cent at the end of December 2015). Danske Bank Plc Group's leverage ratio is calculated based on the second quarter end figures whereby the Tier 1 capital was EUR 2,424.8 million and leverage ratio exposure EUR 33,717.9 million. Under the solvency table is presented the leverage ratio table as per 30 June 2016.

Capital buffers

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

End of June 2015 FIN-FSA already announced that it will not impose a countercyclical capital buffer requirement on banks. In June 2016 FIN-FSA confirmed this, but announced that it will introduce a minimum level of 10% for the average risk weight on housing loans of banks that have adopted the Internal Ratings Based Approach. The minimum level would come into force on 1 July 2017 at the latest.

Under the leverage ratio table are listed the minimum own funds requirements and capital buffers for Danske Bank Plc.

SOLVENCY
Danske Bank Plc Group

Own funds	30.6.2016	31.12.2015	30.6.2015
EURm			
Common Equity Tier 1 capital before deductions	2 550,3	2 515,4	2 427,7
Share capital	106,0	106,0	106,0
Legal reserve	271,1	271,1	271,1
Retained earnings	2 078,0	1 972,4	1 972,4
Total comprehensive income for the period	95,1	165,7	78,1
Minority interest given recognition in CET1 capital	0,1	0,1	0,1
Deductions from CET1 capital	-125,5	-90,1	-42,8
Expected/proposed dividends	-	-60,2	-30,6
Part of the interim profit not included in CET1	-95,1	-	-
Intangible assets	-1,4	-1,6	-1,7
Adjustments to CET1 due to prudential filters	-19,4	-12,0	-9,8
Deferred tax assets that rely on future profitability, excluding temporary differences	-	-	-0,7
IRB shortfall of credit risk adjustments to expected losses	-9,6	-16,3	-
Common Equity Tier 1 (CET1)	2 424,8	2 425,3	2 384,9
Additional Tier 1 capital (AT1) ¹⁾	100,0	100,0	100,0
Additional Tier 1 capital instruments	100,0	100,0	100,0
Tier 1 capital (T1 = CET1 + AT1)	2 524,8	2 525,3	2 484,9
Tier 2 capital (T2)	5,1	22,1	-
IRB Excess of provisions over expected losses eligible	5,1	22,1	-
Total capital (TC = T1 + T2)	2 529,9	2 547,3	2 484,9
Total risk exposure amount	13 004,5	13 833,1	16 063,7
Capital requirement (8% of risk exposure amount)	1 040,4	1 106,6	1 285,1
Credit and counterparty risk	943,8	1 011,6	1 184,0
Market risk	12,0	10,1	11,7
Operational risk	81,8	81,8	83,8
Credit valuation adjustment	2,8	3,1	5,6
Common equity tier 1 capital ratio (%)	18,6 %	17,5 %	14,8 %
Tier 1 capital ratio (%)	19,4 %	18,3 %	15,5 %
Total capital ratio (%)	19,5 %	18,4 %	15,5 %

Group capital adequacy ratio has been calculated both in accordance with Credit Institutions Act Sect 9-10 and EU Capital Requirement Regulation (CRR).

¹⁾ Danske Bank Plc Group Tier 1 includes capital securities 4 % (4 %).

LEVERAGE RATIO

EURm	30.6.2016	31.12.2015	30.6.2015
Total assets according to DK IFRS	30 174,6	30 312,9	31 642,5
Local IFRS adjustment	-	-	4,9
Total assets according to FI IFRS	30 174,6	30 312,9	31 647,4
Derivatives (accounting asset value)	-2 455,2	-2 700,5	-2 676,2
Derivatives (exposure to counterparty risk ex. collateral)	1 585,4	1 850,7	1 859,8
Securities-financing transaction (SFT's) (exposure to counterparty risk)	1,8	1,8	15,7
Undrawn committed and uncommitted facilities, guarantees and loan offers	4 391,2	6 767,0	6 546,3
Adjustment to CET1 due to prudential filters ¹⁾	12,0	12,0	9,8
Other	8,1	12,2	21,4
Total exposure for leverage ratio calculation	33 717,9	36 256,1	37 424,2
Reported tier 1 capital (transitional rules)	2 524,8	2 525,3	2 484,9
Tier 1 capital (fully phased-in rules)	2 424,8	2 425,3	2 384,9
Leverage ratio (transitional rules)	7,5 %	7,0 %	6,6 %
Leverage ratio (fully phased-in rules)	7,2 %	6,7 %	6,4 %

¹⁾ Regulatory adjustment regarding own credit risk included for comparison periods.

Minimum own funds requirements and Capital buffers (% of total risk exposure amount):

	30.6.2016:	31.12.2015:	30.6.2015:
Minimum requirements:			
Common Equity Tier (CET) 1 capital ratio	4,50 %	4,50 %	4,50 %
Tier 1 capital ratio	6,00 %	6,00 %	6,00 %
Total capital ratio	8,00 %	8,00 %	8,00 %
Capital buffers:			
Capital conservation buffer ¹⁾	2,50 %	2,50 %	2,50 %
Countercyclical buffer ²⁾	0,00 %	0,00 %	0,00 %
Other systemically important institutions (O-SII) ³⁾	0,50 %	0,00 %	0,00 %
ECB add on 28. May 2016 ⁴⁾	1,75 %	1,00 %	1,00 %
Minimum requirement including capital buffers:			
Common Equity Tier (CET) 1 capital ratio	9,25 %	8,00 %	8,00 %

¹⁾ Act on Credit Institutions Sect 10: 3 § and CRD IV. Valid from 1.1.2015 onwards.

²⁾ Act on Credit Institutions Sect 10: 4-6 § and CRD IV.
On 14th June 2016, FIN-FSA decided not to set any countercyclical buffer. Valid 12 months onwards from the decision.

³⁾ Act on Credit Institutions Act Sect. 10: 8 § and CRD IV.
FIN-FSA board decision on 14th June 2016. Valid 6 months onwards from the decision.

⁴⁾ ECB decision on establishing prudential requirements for Danske Bank Plc based on the results of the ECB 2016 Comprehensive Assessment (SSM SREP).

Credit ratings

June 23rd 2016 Moody's affirmed the long-term debt rating for Danske Bank Plc at A2 with stable outlook. Also the short-term debt rating remained at P-1. Standard & Poor's long-term debt rating for Danske Bank Plc is at A with stable outlook and short-term debt rating is at A-1.

Employees and organisation

The Group had 1,736 employees (1,923) at the end of the reporting period, which was a decrease of 187 persons (around 10 per cent) year-on-year. Of all the employees, 52.8 per cent were employed in the Personal Banking, 18.8 per cent in the Business Banking, 5.5 per cent in the C&I unit, 8.0 per cent in Wealth Management and 14.9 per cent in Other Activities.

Danske Bank Plc's Board of Directors, auditors and committees

There has been changes in the composition of Danske Bank Plc's Board of Directors in March 2016. The following members have remained unchanged since year-end 2014: Tonny Thierry Andersen (Chairman), Peter Rostrup-Nielsen (Vice Chairman), Jeanette Fangel Løgstrup, Maija Strandberg and Sakari Tamminen. Niels-Ulrik Moustén resigned from the Board as from 15.3.2016 and as new members with the same date were elected Tomi Dahlberg and Henriette Ellekrog.

Risto Tornivaara is the CEO of Danske Bank Plc and Kenneth Kaarnimo is his deputy.

The Annual General Meeting of Danske Bank Plc chose Deloitte & Touche Ltd, a firm of authorised public accountants, as its auditor, with Aleksi Martamo, APA, as the auditor with principal responsibility.

Configuration of Board committees (audit, risk, nomination and remuneration) can be found from the Annual report 2015 and from the Bank's web-pages.

Danske Bank Plc's shares, ownership and group structure

Danske Bank Plc Group is part of Danske Bank Group. The parent company of Danske Bank Group is Danske Bank A/S. The parent company of Danske Bank Plc Group is Danske Bank Plc.

The following were also Danske Bank Plc Group companies on 30 June 2016: Danske Invest Fund Management Ltd, Danske Finance Ltd, Realty World Ltd, Aurinkopihan Palvelut Oy, MB Equity Partners Oy and MB Mezzanine Fund II Ky. The book value for MB Mezzanine FUND II Ky is 0 at the end of 2015 and the company is under dissolving process.

Danske Bank Plc's share capital is EUR 106 million, divided into 106,000 shares. Danske Bank A/S holds the entire stock of Danske Bank Plc.

Significant accounting policies

This interim report includes Danske Bank Plc and its subsidiaries. The Group has not changed its accounting policies from those followed in the annual financial statements for 2015. Accounting policies are explained in the Notes to the Interim report, and are presented in greater detail in the Notes to the 2015 financial statements.

Risk management

The main objective of risk management is to ensure that the capital base is adequate in relation to the risks arising from the business activities. The Board of Directors of Danske Bank Plc establishes the principles of risk management, risk limits and other general guidelines according to which risk management is organised at Danske Bank Plc. The role of the Board Risk Committee is to assist the Board of Directors in matters related to the bank's risk strategy and risk taking and to supervise that the bank's management follows the risk strategy determined by the Board of Directors. To ensure that the bank's risk management organization meets both the external and internal requirements, the Board of Directors has also set up a Management Risk Committee composed of the operative management members, the main objective of which is to ensure Danske Bank Plc's compliance with the risk management guidelines issued by the Board of Directors and that Danske Bank Plc monitors all types of risk

and provides reports to the appropriate parties. The Board has also established an Asset and Liability Committee (ALCO), which is responsible for monitoring and directing the management of structural balance sheet interest rate risk positions in accordance with Danske Bank Plc's policies and delegated limits. ALCO also determines the operating target levels for liquidity risk management and oversees the management of liquidity risk. The Risk Management unit monitors daily business operations.

In addition to the capital adequacy calculation, risks in the Danske Bank Plc Group are described and assessed through economic capital indicators based on internal ratings and models, which describe the amount of capital needed to bear different kinds of risks. The capital requirement must be adequately covered by equity, capital securities and debenture loans. The principal risks associated with the Danske Bank Plc Group's activities are credit risk, interest rate and liquidity risks of banking book, operational risks and various business risks. From the different risk types the credit risk exposure is the most important.

The Group's risk position remained at a good level. The principal risks associated with the Group's business operations involve developments in the general economic operating environment and investment market and future changes in financial regulations.

In relation to the loan and guarantee portfolio, non-performing loans were at a low level. There was an increase in the volume of gross non-performing loans in comparison with the previous year end totalling to EUR 713.4 million (581.1 million) or 3.27 per cent (2.72) of the loan and guarantee portfolio. Net impairment charges were 2.6 million euros.

The Danske Bank Plc Group has not invested in the bonds of GIIPS countries.

A more detailed account of risks and risk management can be found in the 2015 financial statements.

Events after the reporting period

No material events after the reporting period.

Outlook for 2016

Growth in the Finnish economy is expected to be quite modest yet during the second half of 2016 and the interest environment is expected to remain at a low level. We expect our lending to personal and corporate customers to grow in 2016.

Expenses are expected to be around the same level as the previous year, mostly due to growth in costs associated with regulation. Overall, we expect that our net profit for 2016 will be slightly higher than in 2015 as loan impairment charges are expected to remain at a low level.

Helsinki, 21 July 2016

Danske Bank Plc
Board of Directors

Further information:

Risto Tornivaara, CEO
Tel. 010 546 6675

Anders Norrena, CFO
Tel. 010 546 7835

The figures in this interim report have not been audited.

Danske Bank Plc Group's financial statement for January-December 2016 will be released on 2 February 2017. Releases and other company information can be found on Danske Bank Plc's website at www.danskebank.fi.

CONSOLIDATED STATEMENT OF COMPREHENSIVE
 INCOME

EURm	Note	1-6/2016	1-6/2015	1-12/2015
Interest income		200,5	223,9	451,6
Interest expense		-54,7	-73,3	-147,2
Net interest income	1	145,8	150,6	304,4
Fee income		148,7	151,7	302,4
Fee expenses		-32,3	-34,9	-67,9
Net trading income		16,8	14,8	14,3
Other operating income		9,2	10,3	20,1
Share of profit from associated undertakings		0,9	0,4	1,5
Total operating income		289,1	293,0	574,7
Staff costs		-67,6	-71,6	-137,3
Other operating expenses		-100,2	-102,9	-209,7
Amortisation, depreciation and impairment charges		-3,0	-2,4	-5,5
Total operating expenses		-170,8	-176,9	-352,5
Loan impairment charges	2	-2,6	-3,1	-12,6
Profit before taxes		115,7	113,0	209,5
Taxes		-20,6	-34,8	-43,8
Total comprehensive income for the year		95,1	78,1	165,7
Attributable to				
Equity holders of parent company		95,1	78,1	165,7
Non-controlling interest		0,0	0,0	0,0

CONSOLIDATED BALANCE SHEET

EURm	Note	6/2016	6/2015	12/2015
Assets				
Cash and balances with central banks		2 515,2	4 323,1	3 584,2
Loans and receivables to credit institutions	4	2 533,8	3 083,6	2 260,1
Trading portfolio assets	5, 6	4 459,1	4 181,4	4 302,7
Held to maturity financial assets	5	223,6	200,8	199,7
Loans and receivables to customers and public entities	4	20 309,2	19 694,3	19 818,8
Investments in associated undertakings		7,4	6,9	8,0
Intangible assets		1,4	1,7	1,5
Tangible assets		6,3	8,6	7,5
Tax assets		31,4	6,1	18,2
Other assets		87,3	140,7	112,2
Total assets		30 174,6	31 647,4	30 312,9
Liabilities				
Due to credit institutions and central banks	7	2 810,3	1 690,5	1 956,6
Trading portfolio liabilities	5, 6	2 110,4	2 365,6	2 448,2
Financial liabilities at fair value through p/l	8	845,0	127,6	476,7
Amounts owed to customers and public entities	7	17 065,2	20 190,2	18 115,3
Debt securities in issue	8	4 367,9	4 354,7	4 332,2
Tax liabilities		0,4	8,8	5,1
Other liabilities		307,4	361,7	344,4
Subordinated debt	8	117,7	120,6	119,1
Total liabilities		27 624,3	29 219,6	27 797,5
Equity				
Share capital		106,0	106,0	106,0
Reserves		271,1	271,1	271,1
Retained earnings		2 173,1	2 050,6	2 138,2
Equity attributable to parent company's equityholders		2 550,2	2 427,7	2 515,3
Non-controlling interest		0,1	0,1	0,1
Total equity		2 550,3	2 427,7	2 515,4
Total equity and liabilities		30 174,6	31 647,4	30 312,9
Assets pledged				
Assets pledged as security for own liabilities		6 164,4	6 332,2	6 296,4
Other assets pledged		1 471,2	988,2	1 501,6

STATEMENT OF CHANGES IN
EQUITY

EURm	Share capital	Legal reserve	Retained earnings	Total	Non- controlling interest	Total
Equity at 1 Jan. 2015	106,0	271,1	2 125,0	2 502,1	0,4	2 502,4
Total comprehensive income			78,1	78,1	-0,3	77,8
Total income and expenses recognised for the period			78,1	78,1	-0,3	77,8
Dividend distribution			-152,5	-152,5		-152,5
Change in non-controlling interest				-		-
Equity at 30 June 2015	106,0	271,1	2 050,6	2 427,7	0,1	2 427,7
Equity at 1 Jan. 2015	106,0	271,1	2 125,0	2 502,1	0,4	2 502,4
Total comprehensive income			165,7	165,7	0,0	165,7
Total income and expenses recognised for the period			165,7	165,7	0,0	165,7
Dividend distribution			-152,5	-152,5		-152,5
Change in non-controlling interest					-0,3	-0,3
Equity at 31 December 2015	106,0	271,1	2 138,2	2 515,3	0,1	2 515,4
Equity at 1 Jan. 2016	106,0	271,1	2 138,2	2 515,3	0,1	2 515,4
Total comprehensive income			95,1	95,1	-	95,1
Total income and expenses recognised for the period			95,1	95,1	-	95,1
Dividend distribution			-60,2	-60,2	-	-60,2
Change in non-controlling interest				-	-	-
Equity at 30 June 2016	106,0	271,1	2 173,2	2 550,2	0,1	2 550,3

CASH FLOW STATEMENT

EURm	1-6/2016	1-6/2015	1-12/2015
Cash flow from operations			
Profit before tax	115,7	113,0	209,5
Adjustment of income from associated undertakings	-0,9	-0,4	-1,5
Amortisation and impairment charges for intangible assets	0,2	0,2	0,4
Depreciation and impairment charges for tangible assets	2,8	2,2	5,1
Loan impairment charges	2,6	3,1	12,6
Tax paid	-38,1	-37,1	-62,0
Other non-cash operating items	8,0	19,6	3,4
Total	90,3	100,5	167,6
Changes in operating capital			
Cash in hand and demand deposits with central banks	848,5	-787,7	-500,2
Trading portfolio	-499,9	-483,8	-528,3
Other financial instruments	-23,9	-	-199,7
Loans and receivables	-493,0	-495,4	-629,6
Deposits	-1 050,1	4 455,9	2 381,0
Other assets/liabilities *	390,4	-912,4	-352,0
Cash flow from operations	-737,8	1 877,0	338,8
Cash flow from investing activities			
Acquisition of intangible assets	-0,1	0,0	-0,1
Acquisition of tangible assets	-1,5	-0,6	-2,4
Sale of tangible assets	0,3	0,3	0,6
Cash flow from investing activities	-1,3	-0,4	-2,0
Cash flow from financing activities			
Redemption of subordinated debt and hybrid core capital	-1,3	-1,0	-2,5
Dividends	-60,2	-152,5	-152,5
Change in non-controlling interests	-	-0,3	-0,3
Cash flow from financing activities	-61,5	-153,9	-155,3
Cash and cash equivalents, beginning of period	5 818,6	5 637,1	5 637,1
Change in cash and cash equivalents	-800,6	1 722,8	181,5
Cash and cash equivalents, end of period	5 018,1	7 359,9	5 818,6
Cash in hand and demand deposits with central banks	2 515,2	4 323,2	3 584,2
Amounts due from credit institutions and central banks within 3 months	2 502,9	3 036,8	2 234,4
Total	5 018,1	7 359,9	5 818,6

* Amount in row Other assets/liabilities, end of June 2016, is mainly caused by net change in certificates of deposits (368.3 million euros) compared to year end 2015.

SEGMENT INFORMATION

Segment principles

The Group consists of several business units and resource and support functions. The Group's activities are segmented into business units according to Danske Bank Group's organisational structure in 2015.

Inter-segment transactions are settled on an arm's-length basis. Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions, are charged to the business units according to consumption and activity at calculated unit prices or at market prices, if available.

Segment assets and liabilities are assets and liabilities that are used to maintain the operating activities of a segment or have come into existence as a result of such activities and that are either directly attributable to or may reasonably be allocated to a segment. A calculated share of shareholders' equity is allocated to each segment.

In the consolidated financial statements the inter-segment transactions, assets and liabilities have been eliminated. Segment results are reported after eliminations.

Operating Segments

Danske Bank Plc Group consists of the following units:

- Personal Banking
- Business Banking
- Corporates & Institutions (C&I)
- Wealth Management
- Other activities

Personal Banking serves personal customers. The unit focuses on offering innovative digital solutions aimed at making day-to-day banking simple and efficient and on providing proactive advice to customers with more complex finances. Realty World Ltd is part of the segment.

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

Corporates & Institutions is a leading provider of wholesale banking services to the largest institutional and corporate customers in the Nordic region. Products and services include cash management services; trade finance solutions; custody services; bond, foreign exchange and derivatives products and acquisition finance.

Wealth Management unit has been established as from beginning of 2016. The segment encompasses the Group's expertise within savings and wealth and assets management. The unit includes Danske Capital asset management, Danske Invest fund management business and private banking operations. Wealth Management unit develops and sells assets and wealth management products and services that are marketed through Personal Banking segment and directly to businesses, institutional clients and third-party distributors. The unit also supports the advisory and asset management activities of Personal Banking.

Other activities encompasses Group Treasury, Group IT and Group Services. Group Treasury is responsible for the Group's liquidity management and funding.

OPERATING SEGMENTS - tables
JANUARY-JUNE 2016

EURm	Personal Banking	Business Banking	Corporates and Institutions	Wealth Management	Other	Eliminations	Danske Bank Plc Group
Total operating income	117,2	85,0	39,4	27,4	20,1		289,1
Total operating expenses	-80,7	-44,1	-20,2	-15,4	-10,4		-170,8
Loan impairment charges	-5,7	4,3	-1,4	0,2	0,0		-2,6
Profit before taxes	30,9	45,2	17,9	12,1	9,7		115,7

JUNE 30, 2016

TOTAL ASSETS	11 321	12 522	10 017	1 048	24 162	-28 896	30 175
of which loans and advances to credit inst. & customers	6 075	7 157	4 922	484	31 854	-27 652	22 840
TOTAL LIABILITIES AND EQUITY	11 321	12 522	10 017	1 048	24 162	-28 896	30 175
of which liabilities to credit inst. & customers	11 277	12 272	7 086	1 008	15 805	-27 572	19 875
FTE at end of period	917	326	96	139	258		1 736

JANUARY-JUNE 2015

EURm	Personal Banking	Business Banking	Corporates and Institutions	Wealth Management	Other	Eliminations	Danske Bank Plc Group
Total operating income	118,1	88,7	43,1	29,3	13,7		293,0
Total operating expenses	-83,3	-44,2	-22,4	-15,4	-11,6		-176,9
Loan impairment charges	-3,9	-11,1	11,9	0,0	0,0		-3,1
Profit before taxes	30,9	33,4	32,6	13,9	2,1		113,0

JUNE 30, 2015

TOTAL ASSETS	10 967	12 958	12 394	956	21 735	-27 363	31 647
of which loans and advances to credit inst. & customers	6 321	6 511	4 075	483	30 505	-25 117	22 778
TOTAL LIABILITIES AND EQUITY	10 967	12 958	12 394	956	21 735	-27 363	31 647
of which liabilities to credit inst. & customers	10 900	12 723	8 968	902	13 492	-25 105	21 881
FTE at end of period	1 014	383	104	145	277		1 923

In accordance with IFRS 8, Danske Bank Plc Group is required to disclose business with a single external customer that generates 10% or more of the combined revenue. The Group has no such customers.

DANSKE BANK PLC GROUP'S FINANCIAL HIGHLIGHTS

		1-6/2016	1-6/2015	1-12/2015
Net interest income	EURm	146	151	304
Total operating income	EURm	289	293	575
Total operating expenses	EURm	171	177	353
Impairment charges on loans and receivables ¹⁾	EURm	3	3	13
Profit before taxes	EURm	116	113	210
Cost to income ratio	%	59,1	60,5	61,4
Total amount of balance sheet at the end of the period	EURm	30 175	31 647	30 313
Equity at the end of the period	EURm	2 550	2 428	2 515
Return on equity ²⁾	%	7,5	6,3	6,6
Group solvency ratios	%	19,5	15,5	18,4
Number of staff (FTE) at the end of the period		1 736	1 923	1 730
Return on assets ²⁾	%	0,6	0,5	0,6
Equity/assets ratio	%	8,5	7,7	8,3

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

²⁾ Annualized

CALCULATION OF FINANCIAL HIGHLIGHTS
Cost to income ratio, %:

Staff costs + other operating expenses + depreciations : x 100

.....
 Net interest income + net trading income
 + net fee income + share profit from associated undertakings
 + other operating income

Return on equity, %:

Profit before taxes - taxes x 100

.....
 Equity + non-controlling interests (average)

Return on assets, %:

Profit before taxes - taxes x 100

.....
 Average total assets

Equity/assets ratio, %:

Equity + non-controlling interests x 100

.....
 Total assets

NOTES TO THE INTERIM REPORT

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

General

Danske Bank Plc Group is part of the Danske Bank Group. Danske Bank Plc Group presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and IFRIC interpretations issued by IFRS Interpretations Committee, as endorsed by the EU. Certain additional requirements in accordance with Finnish Accounting Act, Finnish Act on Credit Institutions and Finnish Financial Supervision standards have also been applied. In preparing the Interim Report, Danske Bank Plc has applied all the new or amended standards and interpretations relating to its business and effective at 30 June 2016 as the parent company.

Danske Bank Plc Group's Interim Report January - June 2016 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU. Danske Bank Plc Group has not changed its significant accounting policies from those followed in Annual Report 2015. Changes compared to the year end are shown below. Annual Report 2015 provides a full description of the Group's significant accounting policies.

The consolidated interim report is presented in euro (EUR), in million euros with one decimal, unless otherwise stated. Figures in notes are rounded so combined individual figures might differ from the presented total amount.

Changes to accounting policies and presentation

Segment information note has been changed as from 1.1.2016 to correspond the new business units. Danske Bank has established a new business unit, Wealth Management, which will be presented as separate segment effective from beginning of 2016. The unit includes Danske Capital asset management, Danske Invest fund management business and the private banking operations. Comparative information has been restated to reflect the new presentation.

Accounting estimates and assessments

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The estimates and assumptions that are deemed critical to the consolidated financial statements are described in Notes to the Annual Report 2015.

Financial calendar

The interim report has not been audited. The financial statements for 2015 are available on Danske Bank Plc's web site <http://www.danskebank.fi>.

Danske Bank Plc Group publishes one interim report during the financial year 2016. Annual report for January-December 2015 will be published 2nd February 2017.

1 NET INTEREST INCOME

	1-6/2016	1-6/2015	1-12/2015
EURm			
Interest income			
Loans and receivables to credit institutions	-1,0	3,9	6,2
Loans and receivables to customers and public entities	160,1	176,0	344,1
Debt securities	10,4	7,9	22,9
Derivatives	25,2	29,7	68,1
Other interest income	5,7	6,4	10,3
Total	200,5	223,9	451,6
Interest expenses			
Amounts owed to credit institutions	-2,7	-3,4	-7,0
Amounts owed to customers and public entities	-4,5	-15,4	-25,3
Debt securities in issue	-46,0	-53,5	-112,9
Subordinated liabilities	-0,5	-0,7	-1,3
Other interest expenses	-1,0	-0,3	-0,8
Total	-54,7	-73,3	-147,2
Net interest income	145,8	150,6	304,4

Interest income includes 4.7 million euros (6.0 million euros) income accrued on impaired financial assets. Interest income includes 6.9 million euros negative interest and interest expenses includes 1.8 million euros positive interest.

2 LOAN IMPAIRMENT CHARGES

EURm

	Individual impairment charges	Collective impairment charges	Recoveries	Total
From loans and receivables to credit institutions				-
From loans and receivables to customers				-
-impairment charges	-48,3	-		-48,3
-write-offs	-12,7		4,4	-8,3
-reversals	43,5	10,3		53,8
From guarantees and other off-balance sheet items				-
-impairment charges		-0,8		-0,8
-write-offs				-
-reversals	1,1	-		1,1
Total 1-6/2016	-16,4	9,5	4,4	-2,6

EURm

	Individual impairment charges	Collective impairment charges	Recoveries	Total
From loans and receivables to credit institutions				-
From loans and receivables to customers				-
-impairment charges	-37,6	-		-37,6
-write-offs	-20,8		4,0	-16,8
-reversals	49,4	0,5		49,9
From guarantees and other off-balance sheet items				-
-impairment charges		-0,2		-0,2
-write-offs				-
-reversals	1,6	-		1,6
Total 1-6/2015	-7,4	0,3	4,0	-3,1
Total 1-12/2015	-16,9	-5,7	9,9	-12,6

3 THE BALANCE SHEET CLASSIFICATION AND MATURITY ANALYSIS

EUR m	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Non-financial assets	Total
			Held for trading	Designated at fair value through profit or loss			
ASSETS							
Cash and balances with central banks	2 515,2						2 515,2
Loans and receivables to credit institutions	2 533,8						2 533,8
Trading portfolio assets							
Debt securities			1 968,3				1 968,3
Shares and participations			35,6				35,6
Derivatives			2 150,9		304,3		2 455,2
Held to maturity financial assets		223,6					223,6
Loans and receivables to customers and public entities	20 309,2						20 309,2
Investments in associated undertakings						7,4	7,4
Investments in subsidiaries							-
Intangible assets						1,4	1,4
Tangible assets						6,3	6,3
Tax assets						31,4	31,4
Other assets						87,3	87,3
Total 30.6.2016	25 358,1	223,6	4 154,8	-	304,3	133,7	30 174,6

EUR m	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Non-financial assets	Total
			Held for trading	Designated at fair value through profit or loss			
ASSETS							
Cash and balances with central banks	3 584,2						3 584,2
Loans and receivables to credit institutions	2 260,1						2 260,1
Trading portfolio assets							
Debt securities			1 529,7				1 529,7
Shares and participations			72,5				72,5
Derivatives			2 347,2		353,3		2 700,5
Held to maturity financial assets		199,7					199,7
Loans and receivables to customers and public entities	19 818,8						19 818,8
Investments in associated undertakings						8,0	8,0
Investments in subsidiaries							-
Intangible assets						1,6	1,6
Tangible assets						7,5	7,5
Tax assets						18,2	18,2
Other assets						112,1	112,1
Total 31.12.2015	25 663,1	199,7	3 949,4	-	353,3	147,4	30 312,9

3 THE BALANCE SHEET CLASSIFICATION AND MATURITY ANALYSIS (cont.)

EUR m	Financial liabilities at fair value through profit or loss					Total
	Amortised cost	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Non- financial liabilities	
LIABILITIES						
Due to credit institutions and central banks	2 810,3					2 810,3
Trading portfolio liabilities		2 075,6		34,8		2 110,4
Financial liabilities at fair value through p/l						
-> Certificates			845,0			845,0
Amounts owed to customers and public entities	17 065,2					17 065,2
Debt securities in issue						
-> Bonds	4 367,9					4 367,9
Tax liabilities					0,4	0,4
Other liabilities					307,4	307,4
Subordinated debt securities	117,7					117,7
Total 30.6.2016	24 361,0	2 075,6	845,0	34,8	307,8	27 624,3

EUR m	Financial liabilities at fair value through profit or loss					Total
	Amortised cost	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Non- financial liabilities	
LIABILITIES						
Due to credit institutions and central banks	1 956,6					1 956,6
Trading portfolio liabilities		2 401,3		46,9		2 448,2
Financial liabilities at fair value through p/l						
-> Certificates			476,7			476,7
Amounts owed to customers and public entities	18 115,3					18 115,3
Debt securities in issue						
-> Bonds	4 332,2					4 332,2
Tax liabilities					5,1	5,1
Other liabilities					344,4	344,4
Subordinated debt securities	119,1					119,1
Total 31.12.2015	24 523,1	2 401,3	476,7	46,9	349,5	27 797,6

MATURITY ANALYSIS OF THE BALANCE SHEET

EUR m

Assets	Total	< 1 year	> 1 year
Cash and balances with central banks	2 515,3	2 515,3	-
Loans and receivables to credit institutions	2 533,8	2 522,7	11,1
Trading portfolio assets	4 459,1	1 525,1	2 934,0
Held-to-maturity financial assets	223,6	-	223,6
Loans and receivables to customers and public entities	20 309,2	3 263,3	17 045,9
Investments in associated undertakings	7,4	-	7,4
Investments in subsidiaries	-	-	-
Intangible assets	1,4	-	1,4
Tangible assets	6,3	-	6,3
Tax assets	31,4	31,4	-
Other assets	87,2	86,9	0,3
Total 30.6.2016	30 174,6	9 944,6	20 230,0

Liabilities	Total	< 1 year	> 1 year
Due to credit institutions and central banks	2 810,3	2 260,7	549,6
Derivatives and other financial liabilities held for trading	2 110,5	825,9	1 284,6
Financial liabilities at fair value through p/l	845,0	845,0	-
Amounts owed to customers and public entities	17 065,2	555,6	16 509,5
Debt securities in issue	4 367,9	1 367,9	3 000,0
Tax liabilities	0,4	0,4	-
Other liabilities	307,4	307,4	-
Subordinated debt	117,7	-	117,7
Total 30.6.2016	27 624,3	6 162,9	21 461,4

MATURITY ANALYSIS OF THE BALANCE SHEET (cont.)

EUR m

Assets	Total	< 1 year	> 1 year
Cash and balances with central banks	3 584,2	3 584,2	-
Loans and receivables to credit institutions	2 260,1	2 250,5	9,6
Trading portfolio assets	4 302,7	1 203,4	3 099,3
Held-to-maturity financial assets	199,7	-	199,7
Loans and receivables to customers and public entities	19 818,8	2 734,4	17 084,4
Investments in associated undertakings	8,0	-	8,0
Investments in subsidiaries	-	-	-
Intangible assets	1,6	-	1,6
Tangible assets	7,5	-	7,5
Tax assets	18,2	18,2	-
Other assets	112,1	112,1	-
Total 31.12.2015	30 312,9	9 902,8	20 410,1

Liabilities	Total	< 1 year	> 1 year
Due to credit institutions and central banks	1 956,6	1 595,6	361,0
Derivatives and other financial liabilities held for trading	2 448,2	938,1	1 510,1
Financial liabilities at fair value through p/l	476,7	476,7	-
Amounts owed to customers and public entities	18 115,3	230,4	17 884,9
Debt securities in issue	4 332,2	1 263,0	3 069,2
Tax liabilities	5,1	5,1	-
Other liabilities	344,4	344,4	-
Subordinated debt	119,1	-	119,1
Total 31.12.2015	27 797,6	4 853,3	22 944,2

Maturity analysis of past due financial assets

EUR m	6/2016	12/2015
Assets past due 30-90 days	34,4	43,6
Unlikely to pay	319,2	194,0
Nonperforming assets past due at least 90 days but not more than 180 days	41,0	27,7
Nonperforming assets past due at least 180 days - 1 year	31,9	46,4
Nonperforming assets more than 1 year	124,2	103,6
Receivables with forbearance measures, gross carrying amount	414,5	274,2

Fixed-term deposits and demand deposits are included in amounts owed to customers and public entities. Fixed-term deposits are recognised according to maturity. Demand deposits have short contractual maturities but are considered a stable funding source with an expected maturity of more than one year.

4 LOANS AND RECEIVABLES

EURm	6/2016	12/2015	6/2015
Loans and receivables to customers and public entities			
Private customers	12 930,8	12 513,0	12 724,6
Corporate customers	7 598,6	7 548,9	7 213,0
Impairment charges	-220,2	-243,1	-243,3
Total	20 309,2	19 818,8	19 694,3
Loans and receivables to credit institutions			
Repo agreements	808,4	843,9	877,0
Other loans	1 725,4	1 416,2	2 206,6
Total	2 533,8	2 260,1	3 083,6
Total loans and receivables	22 843,0	22 078,9	22 778,0

Comparative figures have been restated to reflect the new presentation.

5 FINANCIAL INSTRUMENTS

EURm	6/2016		12/2015	
	Assets	Liabilities	Assets	Liabilities
Assets/liabilities held for trading	2 003,9	-	1 602,2	-
Derivative financial instruments (note 6)	2 455,2	2 110,4	2 700,5	2 448,2
Debt securities at fair value	-	845,0	-	476,7
Hold-to-maturity financial assets	223,6	-	199,7	-
Financial instruments, total	4 682,7	2 955,5	4 502,5	2 924,9
Financial instruments, total 6/2015			4 382,3	2 493,1

6 DERIVATIVE FINANCIAL INSTRUMENTS

EURm	6/2016			12/2015		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Derivatives held for trading						
Interest rate derivatives	909,1	1 004,2	51 188,2	678,0	833,9	49 257,2
OTC derivatives	908,7	1 003,5	50 806,1	677,5	833,6	48 803,4
Organized market derivatives	0,4	0,7	382,1	0,5	0,3	453,8
Equity derivatives	4,9	4,9	85,0	9,1	9,1	194,0
OTC derivatives	4,9	4,9	85,0	9,1	9,1	194,0
Foreign exchange and gold	1 097,0	949,4	43 817,9	1 478,8	1 379,6	42 979,7
Foreign exchange and gold	1 097,0	949,4	43 817,9	1 478,8	1 379,6	42 979,7
Credit	0,0	0,0	3,2	0,0	0,0	3,2
Credit default swap	0,0	0,0	3,2	0,0	0,0	3,2
Commodity	139,9	117,1	1 069,1	181,3	178,4	1 031,4
Total derivatives held for trading	2 150,9	2 075,6	96 163,4	2 347,2	2 401,0	93 465,5
Total derivative financial instruments 6/2015				2 281,1	2 334,6	110 381,6

Derivatives held for hedging	6/2016			12/2015		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Fair value hedges	304,3	34,8	6 929,9	353,3	46,9	6 870,0
<u>Interest rate</u>	304,3	33,0	6 737,0	353,1	42,4	6 572,6
OTC derivatives	304,3	33,0	6 737,0	353,1	42,4	6 572,6
<u>Foreign exchange and gold</u>	0,0	1,8	192,9	0,2	4,5	297,4
OTC derivatives	0,0	1,8	192,9	0,2	4,5	297,4
Total derivatives held for hedging	304,3	34,8	6 929,9	353,3	46,9	6 870,0
Contracts with Group companies	966,9	1 413,7	61 181,5	1 339,6	1 590,0	63 028,6

Nominal value of the underlying instrument

Remaining maturity	6/2016			12/2015		
	Less than 1 year	1-5 years	Over 5 years	Less than 1 year	1-5 years	Over 5 years
	64 342,1	27 465,0	11 286,2	60 854,0	23 278,3	16 203,2
with Group companies:	37 415,4	17 329,7	6 436,4	38 243,5	13 190,6	11 594,5

EURm	6/2016	12/2015
Derivatives with positive fair value		
Derivatives with positive fair value before netting	2 455,0	2 701,0
Netting (under accounting rules)	-	-
Carrying amount	2 455,0	2 701,0
Netting (under capital adequacy rules)	1 152,4	1 498,0
Net current exposure	1 302,6	1 203,0
Collateral	413,8	466,0
Net amount	888,9	737,0

Comparison figures changed according to new presentation.

7 AMOUNTS OWED TO CREDIT INSTITUTIONS AND CUSTOMERS

EURm	6/2016	12/2015	6/2015
Amounts owed to credit institutions and central banks			
Liabilities to central banks	552,5	352,9	350,4
Deposits from credit institutions	1 374,0	927,0	834,7
Other liabilities owed to credit institutions	883,9	676,6	505,4
Total	2 810,3	1 956,6	1 690,5
Amounts owed to customers and public entities			
Deposits			
Demand deposits	2 937,2	2 828,1	2 870,8
Savings accounts	3 593,8	3 247,8	3 084,9
Current accounts	9 862,4	11 114,4	12 966,5
Money market deposits	33,2	25,2	320,0
Other time deposits	638,6	899,7	947,9
Total deposits	17 065,2	18 115,3	20 190,2
Total amounts owed to credit institutions and customers	19 875,5	20 071,9	21 880,7

8 DEBT SECURITIES IN ISSUE

EURm	6/2016	12/2015	6/2015
<u>Bonds and notes</u>	4 367,9	4 332,2	4 354,7
of which in foreign currency	22,4	21,9	27,1
<u>Subordinated debt securities</u>			
Capital securities	117,7	119,1	120,6
of which perpetuals	117,7	119,1	120,6
Total debt securities in issue	4 485,5	4 451,3	4 475,2

Financial liabilities at fair value through P/L

Certificates of deposit	845,0	476,7	127,6
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9 CONTINGENT LIABILITIES AND COMMITMENTS

EURm	6/2016	12/2015	6/2015
Off-balance sheet items			
Guarantees and pledges	1 279,8	1 301,3	1 251,0
Undrawn loans, overdraft facilities and other commitments to lend	2 860,6	3 288,1	3 297,2
Total	4 140,3	4 589,4	4 548,2

Danske Bank Plc Group is continually a party to various lawsuits. The Group does not expect the outcomes of these pending to have any material effect on its financial position.

EURm	6/2016	12/2015	6/2015
Non-cancellable operating leases (from premises)			
Minimum lease payments under non-cancellable operating leases			
not later than one year	22,8	22,5	22,5
later than one year and not later than five years	39,9	32,4	40,0
later than five years	41,4	2,8	2,9
Total	104,0	57,7	65,4

10 RELATED PARTY DISCLOSURES

Danske Bank Plc Group's related parties comprise of Danske Bank Plc, consolidated subsidiaries, associated companies, administrative personnel and other related party entities. Danske Bank Plc Group's administrative personnel comprises Danske Bank Plc's managing director, deputy managing director, Board members and their close family members. Related parties also include companies in which administrative personnel or the nearby family of administrative personnel have a significant influence. Other related entities include the parent company, subsidiary companies and parent company executives and administrative personnel.

Related party transactions have not changed materially since 31.12.2015. Related party loan terms correspond to the terms of staff loans confirmed in the Group.

11 FAIR VALUE INFORMATION

Financial instruments are carried on the balance sheet at fair value or amortised cost. Note 14 in Annual report 2015 includes description for classification of financial assets and liabilities by valuation type and detailed measurement bases of financial assets and liabilities.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing parties. If an active market exists, the Group uses a quoted price. If a financial instrument is quoted in a market that is not active, the Group bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no market exists. In such cases, the Group uses recent transactions in similar instruments and discounted cash flows or other generally accepted estimation and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value.

Generally, the Group applies valuation techniques to OTC derivatives and unlisted trading portfolio assets and liabilities. The most frequently used valuation and estimation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes models. In most cases, valuation is based substantially on observable input. The valuation of unlisted shares is based substantially on non-observable input.

Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category (level 1). Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category (level 2). Other financial instruments are recognised in the Non-observable input category (level 3). This category covers unlisted shares.

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.

During the reporting period ending 30 June 2016, transfers into and out of Level 3 (Non-observable input) fair value measurements are shown in the below table.

EURm	6/2016			Total
	Quoted prices	Observable input	Non-observable input	
Financial assets				
Assets held for trading	1 598,3	371,9	33,7	2 003,9
Derivative financial instruments	30,1	2 269,0	156,0	2 455,2
Total	1 628,4	2 640,9	189,7	4 459,1
Financial liabilities				
Debt securities at fair value	-	845,0	-	845,0
Derivative financial instruments	77,7	1 873,9	158,8	2 110,4
Total	77,7	2 719,0	158,8	2 955,5

EURm	12/2015			Total
	Quoted prices	Observable input	Non-observable input	
Financial assets				
Assets held for trading	1241,3	288,4	72,5	1602,2
Derivative financial instruments	19,6	2570,1	110,9	2700,5
Total	1 260,8	2 858,5	183,4	4 302,7
Financial liabilities				
Debt securities at fair value	-	476,7	-	476,7
Derivative financial instruments	119,8	2213,3	115,1	2 448,2
Total	119,8	2 690,0	115,1	2 924,9

Shares and bond valued on non-observable input	Shares	Bonds	Total	2016	
				Derivatives	Total
Fair value 1 January	72,5	-	72,5	-4,2	-4,2
Value adjustment through profit and loss	-25,5	-	-25,5	-2,3	-2,3
Value adjustment through other income	-	-	-	-	-
Acquisitions	-	-	-	-0,5	-0,5
Sale and redemption	-13,3	-	-13,3	4,3	4,3
Transferred from quoted prices and observable input	-	-	-	-	-
Transferred to quoted prices and observable input	-	-	-	-	-
Fair value 30 June	33,7	-	33,7	-2,8	-2,8

Shares and bond valued on non-observable input	Shares	Bonds	Total	2015	
				Derivatives	Total
Fair value 1 January	28,8	-	28,8	-6,9	-6,9
Value adjustment through profit and loss	1,0	-	1,0	0,7	0,7
Value adjustment through other income	-	-	-	-	-
Acquisitions	42,7	-	42,7	-0,1	-0,1
Sale and redemption	-	-	-	1,9	1,9
Transferred from quoted prices and observable input	-	-	-	-	-
Transferred to quoted prices and observable input	-	-	-	0,1	0,1
Fair value 31 December	72,5	-	72,5	-4,2	-4,2