

Interim report – first nine months 2016

Danske Bank Group



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Financial highlights – Danske Bank Group

Income statement* (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Net interest income	16,239	16,123	101	5,492	5,489	100	5,323	103	21,402
Net fee income	10,151	10,978	92	3,414	3,354	102	3,458	99	15,018
Net trading income	6,284	5,348	117	2,549	2,138	119	954	267	6,848
Other income	2,383	1,575	151	589	562	105	449	131	2,343
Total income	35,057	34,023	103	12,044	11,543	104	10,184	118	45,611
Operating expenses	16,586	16,964	98	5,471	5,805	94	5,554	99	23,237
Goodwill impairment charges	-	-	-	-	-	-	-	-	4,601
Profit before loan impairment charges	18,471	17,059	108	6,573	5,738	115	4,630	142	17,773
Loan impairment charges	157	197	80	264	22	-	-86	-	57
Profit before tax, core	18,314	16,862	109	6,309	5,715	110	4,716	134	17,716
Profit before tax, Non-core	5	33	14	-42	65	-	3	-	46
Profit before tax	18,318	16,895	108	6,267	5,780	108	4,719	133	17,762
Tax	4,050	3,808	106	1,362	1,362	100	1,051	130	4,639
Net profit for the period	14,268	13,087	109	4,905	4,418	111	3,668	134	13,123
Net profit for the period before goodwill imp. chg.	14,268	13,087	109	4,905	4,418	111	3,668	134	17,724
Attributable to additional tier 1 etc.	485	443	110	164	161	102	164	100	607
Balance sheet (end of period) (DKK millions)									
Due from credit institutions and central banks	222,344	142,947	156	222,344	167,665	133	142,947	156	75,221
Repo loans	231,599	239,347	97	231,599	233,098	99	239,347	97	216,303
Loans	1,675,034	1,589,806	105	1,675,034	1,663,698	101	1,589,806	105	1,609,384
Trading portfolio assets	552,920	559,631	99	552,920	577,414	96	559,631	99	547,019
Investment securities	335,425	336,081	100	335,425	333,321	101	336,081	100	343,304
Assets under insurance contracts	309,412	259,960	119	309,412	294,647	105	259,960	119	265,572
Total assets in Non-core	20,844	29,094	72	20,844	21,555	97	29,094	72	27,645
Other assets	200,991	191,186	105	200,991	191,928	105	191,186	105	208,431
Total assets	3,548,569	3,348,051	106	3,548,569	3,483,327	102	3,348,051	106	3,292,878
Due to credit institutions and central banks	167,909	112,972	149	167,909	146,484	115	112,972	149	137,068
Repo deposits	248,049	298,010	83	248,049	237,162	105	298,010	83	177,456
Deposits	872,027	823,608	106	872,027	854,518	102	823,608	106	816,762
Bonds issued by Realkredit Danmark	715,730	687,554	104	715,730	706,503	101	687,554	104	694,519
Other issued bonds	382,487	344,499	111	382,487	391,477	98	344,499	111	363,931
Trading portfolio liabilities	479,244	445,553	108	479,244	487,322	98	445,553	108	471,131
Liabilities under insurance contracts	337,817	282,324	120	337,817	319,351	106	282,324	120	285,030
Total liabilities in Non-core	3,549	9,225	38	3,549	4,008	89	9,225	38	5,520
Other liabilities	143,242	142,687	100	143,242	139,687	103	142,687	100	140,640
Subordinated debt	38,249	40,022	96	38,249	38,726	99	40,022	96	39,991
Additional tier 1 etc.	11,461	11,497	100	11,461	11,308	101	11,497	100	11,317
Shareholders' equity	148,806	150,101	99	148,806	146,779	101	150,101	99	149,513
Total liabilities and equity	3,548,569	3,348,051	106	3,548,569	3,483,327	102	3,348,051	106	3,292,878
Ratios and key figures									
Dividends per share (DKK)									8.0
Earnings per share (DKK)	14.4	12.9		5.0	4.4		3.6		12.8
Return on avg. shareholders' equity (% p.a.)	12.6	11.5		12.9	11.8		9.5		8.5
Return before goodwill impairment charges on avg. shareholders' equity (% p.a.)	12.6	11.5		12.9	11.8		9.5		11.6
Return on avg. tangible equity (% p.a.)	13.4	12.9		13.8	12.6		10.7		12.9
Net interest income as % p.a. of loans and deposits	0.85	0.89		0.86	0.87		0.88		0.88
Cost/income ratio (%)	47.3	49.9		45.4	50.3		54.5		61.0
Cost/income ratio before goodwill impairment charges (%)	47.3	49.9		45.4	50.3		54.5		50.9
Total capital ratio (%)	21.0	20.6		21.0	21.1		20.6		21.0
Common equity tier 1 capital ratio (%)	15.8	15.7		15.8	15.8		15.7		16.1
Share price (end of period) (DKK)	193.4	201.5		193.4	175.4		201.5		185.2
Book value per share (DKK)	157.4	153.1		157.4	153.2		153.1		153.2
Full-time-equivalent staff (end of period)	19,433	18,984	102	19,433	19,394	100	18,984	102	19,049

See note 2 to the financial statements for an explanation of differences in the presentation between IFRS and financial highlights and for definitions of ratios.

* The financial highlights for 2015 have been restated owing to the treatment of Danica Pension under the new Wealth Management unit and reclassification of equity finance income from Net trading income to Net fee income. Please see note 1 for more information.

Executive summary

“Given the challenging market conditions of low interest rates, low growth and weak demand, we are satisfied with the results for the first nine months of 2016. High customer activity within our Corporates & Institutions business led to higher trading income in the third quarter, which more than offset the challenging environment and continued to demonstrate the strength of our diversified business model. Continued efficiency improvements remain a key priority as part of our response to the difficult market conditions,” says Thomas F. Borgen, Chief Executive Officer.

“Our capital position continued to be strong, and our underlying business remained solid and we saw volume growth, good customer inflow and improved customer satisfaction as a result of our continuing efforts to become an even more customer-driven, simple and efficient bank.”

Danske Bank delivered satisfactory results for the first nine months of 2016, with a net profit of DKK 14.3 billion, against DKK 13.1 billion in the first nine months of 2015. The return on shareholders' equity after tax was 12.6%, against 11.5% in the year-earlier period. The underlying business remained solid, even though the macroeconomic environment was difficult with very low interest rates and low economic growth. The result benefited from good customer activity at Corporates & Institutions.

The execution of our strategy of becoming an even more customer-focused, simple and efficient bank continues to yield results. It is our clear ambition to be number one in customer experience by making daily banking and important financial decisions as easy as possible. Customer satisfaction continued to improve across the business. In Denmark especially, we saw a positive trend in the third quarter. Business initiatives in the third quarter included the MobilePay agreement with Verifone, which allows users to pay via MobilePay at 400,000 existing terminals in Denmark, Norway and Finland. In October, we announced that Nordea will join MobilePay in Denmark and Norway, and we invite more banks to join the MobilePay partnership in Denmark, Norway and Finland. Further, we launched several new initiatives to provide the best customer experience in our digital channels.

The trend of low economic growth and negative interest rates continued. GDP growth in Denmark is picking up from low levels, but demand for credit continues to be subdued. Growth in Sweden is still strong but is slowing down. In Norway, growth is moderate, while the Finnish economy is slowly improving. On aggregate, our lending grew 4% from the level at the end of 2015.

The financial markets have recovered since the UK referendum on EU membership. While uncertainty concerning future economic growth has increased, our core markets so far appear less impacted than could have been anticipated. In Northern Ireland, uncertainty continues to dampen business investments.

Customer activity at Corporates & Institutions was strong in the third quarter, resulting in higher net trading income than usually seen in the third quarter.

As expected, net interest income stabilised as we experienced somewhat less margin pressure. We continue our efforts to reduce costs and further improve efficiency.

Capital, funding and liquidity

Our capital position remains strong, with a total capital ratio of 21.0% and a CET1 capital ratio of 15.8%. On the basis of fully phased-in CRR and CRD IV rules and requirements, our CET1 capital ratio stood at 15.6%, versus our current fully phased-in regulatory CET1 capital requirement of 11.9% and our target range of 14-15%.

At 30 September 2016, DKK 5.9 billion of the DKK 9.0 billion share buy-back programme had been executed.

During the first nine months of 2016, we successfully completed funding transactions totalling DKK 74 billion. This should be seen in view of our funding plan for 2016 to issue between DKK 60 and DKK 80 billion.

At 30 September 2016, our liquidity coverage ratio stood at 137%.

Outlook

We now expect net profit for 2016 to be higher than net profit before goodwill impairments in 2015. This is primarily due to higher than expected net trading income.

The outlook is subject to uncertainty and macroeconomic developments.

Previously, we expected net profit for 2016 to be in line with net profit before goodwill impairments in 2015.

Our ambition for a return on shareholders' equity of at least 12.5% in 2018 at the latest is unchanged.

Financial review

In the first nine months of 2016, Danske Bank Group posted a profit before tax from core activities of DKK 18.3 billion, an increase of 9% from the level in the first nine months of 2015.

Income

Total income amounted to DKK 35.1 billion, up 3% from the level in the first nine months of 2015, driven by higher net trading income and other income.

Net interest income totalled DKK 16.2 billion and was 1% higher than in the first nine months of 2015. Lending growth and lower funding costs offset the pressure on margins.

Net fee income amounted to DKK 10.2 billion and decreased 8% from the level in the first nine months of 2015. Remortgaging activity normalised compared with the high level in the first nine months of 2015, and this caused a decline in net fee income. Fee income was also adversely affected by the turbulence in the financial markets, which led to lower customer activity within investment products.

Net trading income totalled DKK 6.3 billion, representing an increase of 17% from the year-earlier level. Net trading income picked up in the second quarter and was very strong in the third quarter. Net trading income at Corporates & Institutions is normally lower in this quarter because of seasonality.

In the second quarter, net trading income benefited from a one-off gain of DKK 0.3 billion on the sale of VISA Europe but was adversely affected by credit value adjustments (CVA) of DKK -0.6 billion caused by model improvements.

Other income amounted to DKK 2.4 billion, an increase of 51%, owing mainly to the sale of properties in the first quarter and positive value adjustment of shares in associated companies.

Expenses

Operating expenses amounted to DKK 16.6 billion and were reduced 2% from the level in the first nine months of 2015. The main reasons for the decline in expenses were our ongoing efforts to reduce operational costs, a lower net contribution to the Danish Resolution Fund and the Guarantee Fund and lower depreciation on intangible assets. Operating expenses were adversely impacted by increasing regulatory costs.

The number of full-time equivalent staff increased 2% from the number in the first nine months of 2015. The increase was driven primarily by insourcing of IT competencies in India and upstaffing within operations in Lithuania, specifically within the anti-money laundering area.

Loan impairments

Loan impairments remained low and at a level similar to the one in the first nine months of 2015, by virtue of the stable macroeconomic environment. In the oil sector, however, impairments increased, reflecting the continuation of weak market conditions.

Loan impairment charges

(DKK millions)	Q1-Q3 2016		Q1-Q3 2015	
	Charges	% of loans and guarantees*	Charges	% of loans and guarantees*
Personal Banking	-289	-0.05	455	0.09
Business Banking	-54	-0.01	173	0.04
C&I	789	0.26	-	-
Wealth Management	-82	-0.16	-39	-0.07
Northern Ireland	-211	-0.56	-393	-1.13
Other Activities	5	0.20	-	-
Total	157	0.01	197	0.02

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

Tax

Tax on the profit for the first nine months of 2016 amounted to DKK 4.1 billion, or 22.1% of profit before tax.

Changes to the financial highlights

The financial highlights reflect a number of changes to the presentation of the income statement and key figures compared with 2015, owing to the treatment of Danica Pension under the new Wealth Management unit and reclassification of equity finance income from Net trading income to Net fee income.

The changes mostly affect Net fee income, Other income and Operating expenses. All Danica Pension costs are now included in Operating expenses, which are presented as a gross figure. The presentation of the financial highlights for 2015 and onwards has been changed, and key figures have been restated accordingly.

All developments in financial figures described are based on the restated financial highlights for 2015, as are our expectations in the outlook section. Please see note 1 for more information.

Q3 2016 vs Q2 2016

In the third quarter of 2016, Danske Bank posted a net profit of DKK 4.9 billion, against DKK 4.4 billion in the second quarter of 2016.

Net interest income amounted to DKK 5.5 billion, the same level as in the second quarter.

Net fee income amounted to DKK 3.4 billion and was up 2% from the level in the second quarter, due to higher activity levels within remortgaging.

Net trading income amounted to DKK 2.5 billion, against DKK 2.1 billion in the second quarter. Customer activity at Corporates & Institutions was strong in the third quarter.

Other income increased 5% from the level in the second quarter because of positive value adjustment of shares in associated companies.

Operating expenses decreased to DKK 5.5 billion, down 6% from the level in the second quarter. Operating expenses normalised in the third quarter after higher regulatory costs in the second quarter.

Loan impairments showed a net charge of DKK 0.3 billion, up from the level in the second quarter, owing mainly to increased individual and collective impairment charges against customers in the oil sector.

Balance sheet

Lending (end of period) (DKK billions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Full year 2015
Personal Banking	741.3	714.9	104	741.3	730.7	101	720.5
Business Banking	661.5	613.2	108	661.5	657.5	101	629.9
Corporates & Institutions	189.1	174.3	109	189.1	192.1	98	172.2
Wealth Management	71.7	67.5	106	71.7	70.7	101	68.4
Northern Ireland	45.7	53.3	86	45.7	46.1	99	52.2
Other Activities incl. eliminations	-9.9	-5.0	-	-9.9	-8.8	-	-6.9
Allowance account, lending	24.4	28.3	86	24.4	24.6	99	26.9
Total lending	1,675.0	1,589.8	105	1,675.0	1,663.7	101	1,609.4

Deposits (end of period) (DKK billions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Full year 2015
Personal Banking	267.4	254.1	105	267.4	267.4	100	256.4
Business Banking	224.3	221.5	101	224.3	224.2	100	226.0
Corporates & Institutions	249.7	226.5	110	249.7	238.8	105	213.5
Wealth Management	63.9	55.4	115	63.9	62.9	102	52.9
Northern Ireland	57.6	61.4	94	57.6	58.8	98	63.6
Other Activities incl. eliminations	9.1	4.8	190	9.1	2.4	-	4.4
Total deposits	872.0	823.6	106	872.0	854.5	102	816.8

Covered bonds (DKK billions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Full year 2015
Bonds issued by Realkredit Danmark	715.7	687.6	104	715.7	706.5	101	694.5
Own holdings of bonds	56.1	55.2	102	56.1	49.5	113	56.6
Total Realkredit Danmark bonds	771.8	742.8	104	771.8	756.0	102	751.1
Other covered bonds issued	168.2	178.5	94	168.2	174.3	97	171.4
Own holdings of bonds	50.8	46.3	110	50.8	50.9	100	49.8
Total other covered bonds	219.1	224.8	97	219.1	225.1	97	221.2
Total deposits and issued mortgage bonds etc.	1,862.9	1,791.2	104	1,862.9	1,835.7	101	1,789.1
Lending as % of deposits and issued mortgage bonds etc.	89.9	88.8	-	89.9	90.6	-	90.0

Lending

At the end of September 2016, total lending was up 4% from the level at the end of 2015. Lending increased at almost all banking units.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 63.9 billion. Lending to personal customers accounted for DKK 28.3 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, rose from 26.5% at the end of 2015 to 26.7% at the end of September 2016. In Sweden and Norway, our market shares of lending also rose. In Finland, we maintained our market share of lending.

Market shares of lending (%)	30 September 2016	31 December 2015
Denmark incl. RD (excl. repo)	26.7	26.5
Finland*	9.6	9.6
Sweden (excl. repo)*	5.3	4.9
Norway*	5.8	5.7

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

*The market shares for Finland, Sweden and Norway are based on data from the central banks at 31 August.

Lending equalled 89.9% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.0% at the end of 2015.

Deposits

At the end of September 2016, total deposits were up 7% from the level at the end of 2015, with increases at Personal Banking, Corporates & Institutions and Wealth Management. We recorded decreases at Business Banking and Northern Ireland. The Group maintained its strong funding position.

Market shares of deposits (%)	30 September 2016	31 December 2015
Denmark (excl. repo)	28.7	28.3
Finland*	13.8	13.5
Sweden (excl. repo)*	3.8	3.8
Norway*	5.2	5.5

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

*The market shares for Finland, Sweden and Norway are based on data from the central banks at 31 August.

Credit exposure

Credit exposure from lending activities in core segments totalled DKK 2,546 billion, against DKK 2,323 billion at the end of 2015.

Risk Management 2015, chapter 4, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

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

The risk management notes on pp. 46-55 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 Sept. 2016	31 Dec. 2015
Gross NPL	42,674	47,820
Individual allowance account	20,340	23,151
Net NPL	22,334	24,670
Collateral (after haircut)	17,943	19,848
NPL coverage ratio (%)	82.2	82.8
NPL coverage ratio of which is in default (%)	96.8	92.8
NPL as a percentage of total gross exposure	1.7	2.0

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 20.3 billion, or 1.0% of lending and guarantees. Accumulated collective impairments amounted to DKK 4.7 billion, or 0.2% of lending and guarantees. The corresponding figures at 31 December 2015 were DKK 23.2 billion and DKK 4.3 billion, respectively.

Allowance account by business units (DKK millions)	30 September 2016		31 December 2015	
	Accum. impair. charges*	% of loans and guarantees	Accum. impair. charges*	% of loans and guarantees
Personal Banking	5,911	0.82	6,614	0.91
Business Banking	14,176	2.18	15,091	2.32
C&I	2,498	0.62	2,369	0.59
Wealth Management	603	0.85	606	0.85
Northern Ireland	1,891	3.64	2,814	5.32
Other	1	-	2	-
Total	25,080	1.32	27,496	1.44

* Relating to lending activities in core segments.

Recognised losses amounted to DKK 3.1 billion. Of these losses, DKK 0.3 billion was attributable to facilities not already subject to impairment.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 889 billion at 30 September 2016, against DKK 891 billion at 31 December 2015.

Danske Bank has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 94 billion, unchanged from the end of 2015, and it was mostly secured through collateral management agreements.

The value of the bond portfolio was DKK 520 billion. Of the total bond portfolio, 75.4% was recognised at fair value and 24.6% at amortised cost.

Bond portfolio (%)	30 Sept. 2016	31 Dec. 2015
Government bonds and bonds guaranteed by central or local governments	36	38
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	46	46
Swedish covered bonds	13	9
Other covered bonds	3	3
Corporate bonds	2	3
Total holdings	100	100
Hold-to-maturity bonds included in total holdings	25	22
Available-for-sale bonds included in total holdings	12	9

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 has changed from a liability of DKK 23.0 billion at the end of 2015 to an asset of DKK 38.0 billion at the end of the first nine months of 2016, primarily due to higher deposits with central banks.

Trading portfolio assets and trading portfolio liabilities decreased from net assets of DKK 75.9 billion at the end of 2015 to net assets of DKK 73.7 billion at the end of September 2016 as a result of fluctuations in the market value of the derivatives portfolio.

Liabilities under insurance contracts rose DKK 52.8 billion from the level at the end of 2015, primarily due to an increase in unit-linked business and increased use of repo transactions and derivatives. Assets under insurance contracts rose DKK 43.8 billion from the level at the end of 2015. The difference between the development in insurance liabilities and assets under insurance contracts is due to elimination of intra-group assets.

As a consequence of the continued winding-up of the Non-core portfolio, total assets in Non-core were reduced by DKK 6.8 billion from the level at the end of 2015 and amounted to DKK 20.8 billion at 30 September 2016.

Other assets is the sum of several small line items. The decrease of DKK 7.4 billion from the end of 2015 to the end of September 2016 was caused by lower on-demand deposits with central banks.

Capital ratios

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

For 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 when faced with both normal REA fluctuations and macroeconomic stress. We will reassess the capital targets when we have more clarity regarding future regulatory initiatives, especially in relation to what is known as Basel IV.

At the end of September 2016, the total capital ratio was 21.0%, and the CET1 capital ratio was 15.8%, against 21.0% and 16.1%, respectively, at the end of 2015.

The decline in the CET 1 capital ratio in the first nine months of 2016 was expected and caused primarily by the DKK 9.0 billion share buy-back programme initiated on 4 February 2016.

During the first nine months of 2016, the REA decreased DKK 19 billion to DKK 814 billion. The decrease comprises an increase from implementation of new models offset by lower market risk and revised prudential treatment of LR Realkredit A/S and Danmarks Skibskredit A/S. The revised treatment also entailed a corresponding capital reduction, and the capital ratios were therefore largely unaffected by this change.

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 September 2016, the solvency need was 10.5%. The solvency need consists of the 8% minimum capital requirement under Pillar I and a capital add-on under Pillar II.

A combined buffer requirement applies in addition to the solvency need. At the end of September 2016, the Group's combined capital buffer requirement was 2.3%. When fully phased-in, the buffer requirement will be 6.0%, bringing the fully phased-in CET1 capital requirement to 11.9% and the fully phased-in total capital requirement to 16.5%.

Capital ratios and requirements		
(% of total REA)	Q3 2016	Fully phased-in*
Capital ratios		
CET 1 capital ratio	15.8	15.6
Total capital ratio	21.0	19.1
Capital requirements (incl. buffers)**		
CET 1 requirement	8.2	11.9
- of which countercyclical buffer	0.4	0.5
- of which capital conservation buffer	0.6	2.5
- of which SIFI buffer	1.2	3.0
Total capital requirement	12.8	16.5
Excess capital		
CET 1 capital	7.6	3.7
Total capital	8.2	2.5

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

** 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 nine months of 2016.

The calculation of the solvency need and the combined capital buffer requirement is described in more detail in Risk Management 2015, chapter 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 September 2016, we had bought back 32.3 million shares for a total purchase amount of DKK 5.9 billion (figures at trade date) of our planned DKK 9 billion share buy-back programme.

Ratings

On 8 July 2016, S&P Global raised Danske Bank's standalone credit profile (SACP) from A- to A as a result of Danske Bank's improved capitalisation. Consequently, Danske Bank's tier 2 subordinated debt rating was raised from BBB to BBB+ and the rating of Danske Bank's additional tier 1 instruments was raised from BB+ to BBB-. Also, the rating of Danica Pension was raised from A- to A, and the rating of Danica Pension's tier 2 subordinated debt instrument was raised from BBB to BBB+.

On 12 October 2016, Moody's raised Danske Bank's long-term deposit rating from A2 to A1 and changed its outlook on Danske Bank A/S from stable to positive on the basis of the continued improvement in earnings, capitalisation and credit quality.

In the first nine months of 2016, Danske Bank's senior debt ratings were unchanged at A from all three rating agencies.

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 mortgage-covered bonds issued by Realkredit Danmark are rated AAA by S&P (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 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

We have almost fulfilled our estimated funding need for the year. However, we may take advantage of benign market conditions in the fourth quarter to pre-fund part of the funding need for 2017, which is expected to be at a level similar to this year's.

We access different markets and different currencies to fulfil our funding need, as evidenced by our issuance activity also in the first three quarters of 2016. This includes regular issues in 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. Since Danske Bank is a Nordic universal bank, the Nordic currencies are an important source of funding, which we intend to utilise further going forward. We will also from time to time issue in GBP, JPY, CHF as well as other currencies when market conditions allow. Issuing subordinated debt in Additional Tier 1 or Tier 2 format may cover part of the funding need. However, the issuance plans for subordinated debt will continue to be driven by balance sheet growth and redemptions on the one side and our capital targets on the other.

In the first nine months of 2016, Danske Bank issued senior debt for DKK 54.9 billion and covered bonds for DKK 18.9 billion, totalling DKK 73.8 billion. The issues include several benchmarks, especially within senior unsecured debt. We have tapped the US domestic markets twice, most recently with a dual tranche issue of both a 5-year fixed and a 3-year fixed/floating bond. We also redeemed long-term debt of DKK 52.4 billion.

With a liquidity buffer of DKK 559 billion at the end of September 2016, Danske Bank's liquidity position remained robust.

Our liquidity coverage ratio stood at 137% at 30 September 2016.

Stress tests show that we have a sufficient liquidity buffer well beyond 12 months.

At the end of September, the total nominal value of outstanding long-term funding, excluding additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 344 billion, against DKK 323 billion at the end of 2015.

Danske Bank excluding Realkredit Danmark (DKK billions)	30 Sept. 2016	31 Dec. 2015
Covered bonds	168	171
Senior unsecured debt	137	112
Subordinated debt	38	40
Total	344	323

The Supervisory Diamond

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

At 30 September 2016, 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.

Capital regulation

The Group's leverage ratio was 4.3% at 30 September 2016 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 be 4.0%. At the end of 2016, the EU Commission is expected to put forward a proposal for an EU harmonised minimum leverage ratio requirement to take effect from 2018.

The Basel Committee on Banking Supervision (BCBS) is conducting a review of the standards for calculating REA. This review is popularly known as Basel IV. Among other things, Basel IV proposes to constrain the use of internal models and introduce a permanent floor under REA. The revised standards are expected to be final in the beginning of 2017, whereafter the EU implementation process will begin.

In accordance with the Bank Recovery and Resolution Directive (BRRD), the Danish FSA is required to set a minimum requirement for own funds and eligible liabilities (MREL) for Danish institutions. We will continue our dialogue with the Danish FSA on the MREL for Danske Bank through 2017 and we do not expect a requirement to take effect until 2018 at the earliest.

Danske Bank is monitoring international and EU developments closely, but the extent of the final regulatory changes and implementation are currently unknown.

Executive Board

Jesper Nielsen was appointed new Head of Personal Banking and member of the Executive Board with effect from 1 October 2016. Jesper Nielsen comes from a position as Head of Business Development at Personal Banking.

Personal Banking

Profit before tax increased 31% from the level in the first nine months of 2015. Lower expenses and net impairment reversals drove the improvement. Income was under pressure owing to persistently negative interest rates and a fall in activity levels from the exceptionally high level in 2015. The lower activity levels were to some degree offset by good customer inflow in a number of our core markets, which had a positive effect on net interest income.

Personal Banking (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Net interest income	5,722	5,937	96	1,899	1,919	99	1,951	97	7,909
Net fee income	2,487	2,686	93	890	808	110	830	107	3,494
Net trading income	385	399	97	121	103	118	97	125	517
Other income	456	478	95	144	187	77	139	103	609
Total income	9,050	9,500	95	3,054	3,017	101	3,017	101	12,529
Operating expenses	5,661	6,248	91	1,926	1,939	99	1,982	97	8,444
Goodwill impairment charges	-	-	-	-	-	-	-	-	3,155
Profit before loan impairment charges	3,388	3,252	104	1,128	1,079	105	1,035	109	930
Loan impairment charges	-289	455	-	-110	-14	-	24	-	390
Profit before tax	3,678	2,797	131	1,238	1,093	113	1,011	122	540
Profit before tax and goodwill impairment charges	3,678	2,797	131	1,238	1,093	113	1,011	122	3,695
Loans, excluding reverse transactions before impairments	741,254	714,879	104	741,254	730,694	101	714,879	104	720,532
Allowance account, loans	5,426	6,152	88	5,426	5,583	97	6,152	88	6,011
Deposits, excluding repo deposits	267,371	254,067	105	267,371	267,351	100	254,067	105	256,394
Bonds issued by Realkredit Danmark	399,694	388,872	103	399,694	395,484	101	388,872	103	392,484
Allowance account, guarantees	485	629	77	485	530	92	629	77	603
Allocated capital (average)*	22,482	22,590	100	22,957	22,335	103	21,901	105	22,002
Net interest income as % p.a. of loans and deposits	0.76	0.82		0.76	0.77		0.81		0.81
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROAC)*	21.8	16.5		21.6	19.6		18.5		16.6
Cost/income ratio before goodwill impairment charges (%)	62.6	65.8		63.1	64.3		65.7		67.4
Full-time-equivalent staff	4,971	5,163	96	4,971	5,070	98	5,163	96	5,120

Fact Book Q3 2016 provides financial highlights at the country level for Personal Banking. Fact Book Q3 2016 is available at danskebank.com/jr.

* From 2016, allocated capital is based on the Group's new, simplified and more transparent capital allocation framework. The framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target.

Q1-Q3 2016 vs Q1-Q3 2015

We saw satisfactory increases in the net inflow of customers in Norway and Sweden in particular as a result of our partnerships with Akademikerne and Saco, and this had a positive effect on our result.

Profit before tax increased 31% to DKK 3.7 billion. The increase was due mainly to a continued decrease in expenses and net impairment reversals.

Total income declined DKK 0.5 billion to DKK 9.1 billion. Net interest income was 4% lower, as the increase in lending volumes could not compensate for the pressure on margins.

Net fee income fell 7% and net trading income fell 3% from the levels recorded for the first nine months of 2015. Fee and trading income declined due to a fall in remortgaging activity from the extraordinarily high level in 2015. In addition, investment-related income fell as market turbulence adversely affected investment volumes and the trading activity of personal customers.

The pressure on income was to some extent offset by an inflow of business with new customers from our partnerships

with Akademikerne in Norway and Saco in Sweden. Furthermore, activity levels picked up in the third quarter of 2016, although not enough to compensate for the lower levels in the first half of 2016.

Operating expenses declined 9%, primarily due to increased cost efficiency, lower activity levels and lower depreciation of intangible assets. In addition, the costs associated with the deposit guarantee scheme were replaced with a lower contribution to the Danish Resolution Fund.

Credit quality

Credit quality continues to improve in most of our markets on the basis of stable macroeconomic conditions and the low level of interest rates.

The delinquency rate at Realkredit Danmark remained low and stable throughout the first nine months of the year.

Because of strengthened credit quality and stable macroeconomic conditions, loan impairments continued to diminish, resulting in net reversals of DKK 289 million in the first nine months of 2016.

Overall, the LTV level improved in all markets during the first nine months of 2016.

Loan-to-value ratio, home loans				
	30 September 2016		31 December 2015	
	Average LTV (%)	Credit exposure (DKK bn)	Average LTV (%)	Credit exposure (DKK bn)
Denmark	66.7	462	67.2	453
Finland	60.8	84	61.9	84
Sweden	59.8	67	62.1	64
Norway	62.6	93	64.2	78
Total	64.8	705	65.7	679

Credit exposure

Credit exposure increased to DKK 771 billion in the first nine months of 2016, mainly because of growth in Denmark, Norway and Sweden. In Denmark, credit exposure increased owing to both increased lending and a net positive effect of fair value adjustments.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	30 September 2016	31 December 2015	30 September 2016
Denmark	493,528	476,726	-0.09
Finland	90,686	90,294	0.08
Sweden	74,295	72,295	-0.01
Norway	112,944	96,269	-0.02
Other	-	-	-
Total	771,453	735,585	-0.05

Q3 2016 vs Q2 2016

Profit before tax increased 13% to DKK 1.2 billion in the third quarter of 2016.

Total income increased 1%, driven by increased volumes and higher activity levels.

Fee income and net trading income increased 10% and 18%, respectively, reflecting the increased activity levels within investment and remortgaging.

Operating expenses decreased 1%, mainly owing to reduced staff costs.

Loan impairments showed a net reversal, reflecting stable credit quality.

Business Banking

Profit before tax decreased 2% from the level in the first nine months of 2015, primarily because remortgaging activity was extraordinarily high in 2015. Net interest income increased, despite the interest rate backdrop, reflecting increased lending volumes. We gained new customers and business volumes rose in all markets despite low activity, low interest rates and a difficult macroeconomic environment. Loan impairment charges continued to decrease, owing to our continued efforts to improve credit quality and higher collateral values. Operating expenses were up 2% due to higher regulatory costs.

Business Banking (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Net interest income	6,279	6,195	101	2,078	2,117	98	2,047	101	8,309
Net fee income	1,224	1,433	85	435	396	110	426	102	1,864
Net trading income	392	471	83	100	138	72	58	173	606
Other income	405	471	86	117	156	75	139	84	581
Total income	8,300	8,570	97	2,729	2,808	97	2,670	102	11,360
Operating expenses	3,527	3,467	102	1,198	1,187	101	1,121	107	4,704
Goodwill impairment charges	-	-	-	-	-	-	-	-	1,296
Profit before loan impairment charges	4,774	5,103	94	1,532	1,621	94	1,549	99	5,360
Loan impairment charges	-54	173	-	-31	5	-	64	-	191
Profit before tax	4,828	4,930	98	1,563	1,616	97	1,485	105	5,169
Profit before tax and goodwill impairment charges	4,828	4,930	98	1,563	1,616	97	1,485	105	6,465
Loans, excluding reverse transactions before impairments	661,496	613,231	108	661,496	657,462	101	613,231	108	629,909
Allowance account, loans	13,812	15,347	90	13,812	13,929	99	15,347	90	14,756
Deposits, excluding repo deposits	224,288	221,476	101	224,288	224,190	100	221,476	101	225,964
Bonds issued by Realkredit Danmark	322,661	299,839	108	322,661	310,216	104	299,839	108	301,799
Allowance account, guarantees	363	299	121	363	356	102	299	121	336
Allocated capital (average)*	41,350	34,552	120	41,387	40,969	101	34,509	120	34,267
Net interest income as % p.a. of loans and deposits	0.96	1.01		0.95	0.98		1.00		0.99
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROAC)*	15.6	19.0		15.1	15.8		17.2		18.8
Cost/income ratio before goodwill impairment charges (%)	42.5	40.5		43.9	42.3		42.0		41.4
Full-time-equivalent staff	2,712	2,773	98	2,712	2,704	100	2,773	98	2,761

Fact Book Q3 2016 provides financial highlights at the country level for Business Banking. Fact Book Q3 2016 is available at danskebank.com/ir.

* From 2016, allocated capital is based on the Group's new, simplified and more transparent capital allocation framework. The framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target.

Q1-Q3 2016 vs Q1-Q3 2015

Lending increased in all our markets, we gained new customers and saw good business momentum during the period.

Profit before tax decreased 2% to DKK 4.8 billion, owing to extraordinarily high net fee and net trading income in 2015. The result benefited from continued lending growth and a net DKK 54 million reversal of impairments, however.

Net interest income increased 1% as lending growth in all our markets offset the continued pressure on margins. Total lending rose 8%, reflecting balanced growth across industries, while deposits were stable.

Income from fees and trading fell, owing to a decline in remortgaging activity from the extraordinarily high level in the first half of 2015, when declining interest rates resulted in extensive remortgaging.

Operating expenses increased 2% owing to higher regulatory costs.

Credit quality improving

Relatively stable macroeconomic conditions, increasing collateral values and our continued efforts to improve credit quality led to a net reversal of impairments of DKK 54 million in the first nine months of 2016, against a charge of DKK 173 million in the first nine months of 2015.

The low level of impairments continued to be based primarily on reversals in the commercial property segments in Denmark and Norway, driven by increasing property prices, while further impairment charges were made against facilities to customers in the agricultural sector in Denmark, reflecting weak market conditions for the sector.

Credit exposure

Credit exposure amounted to DKK 761 billion at the end of September 2016, against DKK 728 billion at the end of 2015.

(DKK millions)	Net credit exposure		Impairments (ann.) [%]
	30 September 2016	31 December 2015	30 September 2016
Denmark	437,145	423,842	-0.05
Finland	71,713	67,766	-0.15
Sweden	152,662	147,743	0.04
Norway	78,830	70,418	0.29
Baltics	20,716	18,687	-0.15
Other	9	8	-
Total	761,077	728,465	-0.01

Q3 2016 vs Q2 2016

Profit before tax decreased 3% and amounted to DKK 1.6 billion in the third quarter of 2016.

Total income decreased 3% from the level in the second quarter of 2016, owing to lower net interest income and net trading income.

Even though solid business momentum had a positive effect, net interest income was slightly down due to continued margin pressure in our core markets. Net fee income rose, while net trading income fell owing to seasonality within re-mortgaging.

Operating expenses remained on a par with the level in the second quarter.

Loan impairments remained at a very low level, amounting to a net reversal of DKK 31 million in the third quarter.

Corporates & Institutions

Total income amounted to DKK 7.8 billion, an increase of DKK 0.3 billion from the level in the same period last year. The increase was owing to improved market conditions and increased client activity in the second and third quarters of 2016. Profit before tax amounted to DKK 3.5 billion, a decline of DKK 0.7 billion from the same period last year. This was caused by changes to the credit value adjustment model as well as impairment charges made against facilities to customers in the oil sector throughout 2016. Higher regulatory costs also contributed to the decrease in profit before tax.

Corporates & Institutions (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Net interest income	2,266	2,030	112	778	761	102	667	117	2,660
Net fee income	1,596	1,830	87	478	574	83	578	83	2,408
Net trading income	3,934	3,667	107	1,560	1,284	121	790	197	4,799
Other income	21	3	-	5	3	184	1	-	7
Total income	7,816	7,530	104	2,821	2,622	108	2,036	139	9,873
Operating expenses	3,496	3,334	105	1,176	1,219	96	1,050	112	4,412
Profit before loan impairment charges	4,321	4,197	103	1,644	1,403	117	986	167	5,461
Loan impairment charges	789	-	-	468	125	-	-11	-	65
Profit before tax	3,532	4,197	84	1,176	1,278	92	997	118	5,396
Loans, excluding reverse trans. before impairments	189,130	174,346	108	189,130	192,100	98	174,346	108	172,176
Allowance account, loans	2,209	2,066	107	2,209	1,825	121	2,066	107	2,155
Allowance account, credit institutions	38	67	57	38	40	95	67	57	6
Deposits, excluding repo deposits	249,733	226,505	110	249,733	238,847	105	226,505	110	213,532
Bonds issued by Realkredit Danmark	18,640	22,649	82	18,640	19,686	95	22,649	82	22,030
Allowance account, guarantees	251	241	104	251	228	110	241	104	208
Allocated capital (average)*	37,980	37,453	101	36,749	36,864	100	35,770	103	36,471
Net interest income as % p.a. of loans and deposits	0.69	0.68		0.71	0.71		0.67		0.69
Profit before tax as % p.a. of allocated capital (ROAC)	12.4	14.9		12.8	13.9		11.1		14.8
Cost/income ratio (%)	44.7	44.3		41.7	46.5		51.6		44.7
Full-time-equivalent staff	1,812	1,811	100	1,812	1,828	99	1,811	100	1,832

Total income (DKK millions)

FICC	3,409	3,153	108	1,376	1,078	128	720	191	4,049
Capital Markets	1,161	1,154	101	337	455	74	260	130	1,535
General Banking	3,247	3,223	101	1,107	1,089	102	1,056	105	4,289
Total income	7,816	7,530	104	2,821	2,622	108	2,036	139	9,873

* From 2016, allocated capital is based on the Group's new, simplified and more transparent capital allocation framework. The framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target.

Q1-Q3 2016 vs Q1-Q3 2015

In the beginning of the year, market conditions were very challenging with low client activity. However, client activity picked up in March, fuelled primarily by European Central Bank policy decisions. The higher activity levels continued throughout the second quarter, although the British referendum contributed to significant market volatility towards the end of the second quarter. In the third quarter, the markets were stronger and activity picked up.

Total income increased 4% to DKK 7.8 billion. Net interest income rose 12% as a result of increased lending and less margin pressure than in the first nine months of 2015. Net fee income dropped 13% owing to a decline in activity early in the year.

Net trading income picked up in the second and third quarters of 2016 due to increased client activity, and ended above the level in the same period last year. Improvements to the credit value adjustment model in the first half of 2016 had an adverse effect on the results.

Operating expenses increased 5% from the same period last year, owing to increased regulatory costs (the Danish Resolution Fund and anti-money laundering measures) and performance-based compensation.

Market area developments

Total income from Fixed Income, Currencies and Commodities (FICC) increased 8% from the corresponding period of 2015, owing to improved market conditions and increased client activity in the second and third quarters of 2016.

With total income of DKK 1.2 billion, Capital Markets was on par with the level in the same period of 2015. The financial markets were challenging early in the year, but saw slight improvements in the second and third quarters. Income from General Banking was also on par with the level in the corresponding period of 2015.

Credit quality

In the first nine months of 2016, total impairments for Corporates & Institutions increased to DKK 789 million from a low level in the first nine months of 2015. The increase was owing primarily to impairment charges against facilities to subcontractors in the oil sector. The oil price recently reached around USD 50 per barrel, which to a certain extent stabilises the situation for oil companies active on the Norwegian continental shelf. It is the expectation, however, that it will take time before the full effect of this stabilisation feeds through to the subcontractors in the sector.

Despite increased impairments, loan portfolio quality at Corporates & Institutions is considered to be strong. At 30 September 2016, total credit exposure from lending activities, including repo transactions, amounted to DKK 830 billion. The total portfolio rose 26% from the level at the end of 2015. The rise was caused mainly by increased exposure to sovereigns as deposits with central banks increased on the basis of the substantial inflow of liquidity into the Danish financial system. Credit exposure to financial institutions and corporate clients increased slightly.

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 clients with activities in the Nordic region.

Q3 2016 vs Q2 2016

Profit before tax decreased 8% from the second to the third quarter of 2016, mainly owing to increased impairments.

At FICC, income rose 28% due to increased client activity resulting from the improved market conditions and the adverse effect of the improvements to the credit value adjustment model in the second quarter.

At Capital Markets, total income decreased. Activity was good in the second quarter, but slowed in the third quarter due to seasonality over the summer months.

Operating expenses decreased 4% from the level in the preceding quarter, mainly owing to our continued focus on costs.

(DKK millions)	Net credit exposure		Impairments
	30 September 2016	31 December 2015	[ann.] (%)
Sovereign	228,937	77,722	-0.02
Financial Institutions	247,043	256,758	-
Corporate	353,518	332,771	0.55
Other	142	31	-
Total	829,641	667,283	0.26

Wealth Management

Wealth Management delivered a profit before tax of DKK 3.2 billion, which was 5% lower than in the first nine months of 2015. The decline was caused by volatility in the markets, especially in the first half of 2016. Market developments reduced the average nominal value of assets under management in the period, which in turn had a negative effect on fee income. Strategic initiatives to support our ambition of growing our market shares within Nordic wealth management are progressing according to plan.

Wealth Management (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Net interest income	499	470	106	167	164	102	153	109	620
Net fee income	4,584	4,809	95	1,533	1,501	102	1,538	100	6,977
Net trading income	443	265	167	299	59	-	-30	-	316
Other income	352	414	85	90	158	57	153	59	564
Total income	5,878	5,958	99	2,089	1,882	111	1,814	115	8,477
Operating expenses	2,784	2,658	105	902	964	94	882	102	3,702
Profit before loan impairment charges	3,094	3,300	94	1,188	918	129	932	127	4,775
Loan impairment charges	-82	-39	-	-8	-23	-	-5	-	-29
Profit before tax	3,176	3,339	95	1,195	941	127	937	128	4,804
Loans, excluding reverse trans. before impairments	71,677	67,483	106	71,677	70,744	101	67,483	106	68,399
Allowance account, loans	595	623	95	595	610	98	623	95	604
Deposits, excluding repo deposits	63,948	55,386	115	63,948	62,917	102	55,386	115	52,912
Bonds issued by Realkredit Danmark	30,795	31,394	98	30,795	30,658	100	31,394	98	31,771
Allowance account, guarantees	8	2	-	8	3	257	2	-	2
Allocated capital (average)*	13,937	15,575	89	12,480	13,085	95	15,447	81	15,566
Net interest income as % p.a. of loans and deposits	0.49	0.51		0.49	0.49		0.50		0.51
Profit before tax as % p.a. of allocated capital (ROAC)*	30.4	28.6		38.3	28.8		24.3		30.9
Cost/income ratio (%)	47.4	44.6		43.2	51.2		48.6		43.7
Full-time-equivalent staff	1,980	1,975	100	1,980	1,983	100	1,975	100	1,952

Breakdown of assets under management** (DKK billions)

Life conventional	168	164	102	168	166	101	164	102	161
Asset management	801	742	108	801	766	105	742	108	774
Assets under advice	414	432	96	414	403	103	432	96	435
Total assets under management	1,383	1,339	103	1,383	1,336	104	1,339	103	1,369

Breakdown of net fee income (DKK millions)

Management fees	3,712	3,751	99	1,242	1,234	101	1,246	100	4,955
Performance fees	19	95	20	4	3	148	3	148	506
Risk allowance fees	853	963	89	287	264	109	289	99	1,516
Total net fee income	4,584	4,809	95	1,533	1,501	102	1,538	100	6,977

*From 2016, allocated capital is based on the Group's new, simplified and more transparent capital allocation framework. The framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target.

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

Q1-Q3 2016 vs Q1-Q3 2015

Profit before tax amounted to DKK 3.2 billion, a decline of 5% caused primarily by a market-driven decline in average assets under management in the period that reduced net fee income, which was unusually high in the same period of 2015.

Net interest income was up 6% to DKK 0.5 billion as a result of a 6% rise in lending volumes.

Net fee income was affected by the turbulence in the financial markets, which led to lower customer activity and a decline in average assets under management. Net fee income amounted to DKK 4.6 billion and dropped 5% from the same period last year owing to lower performance and risk allowance fees. Management fees, on the other hand, were unchanged at DKK 3.7 billion.

Net trading income increased to DKK 0.4 billion from DKK 0.3 billion, benefiting from one-off income of DKK 175 million relating to insurance contracts.

As a result, total income declined 1% from the year-earlier level.

Operating expenses were up 5%, influenced by the establishment of the new business unit.

Credit quality

Credit quality continues to improve in most of our markets on the basis of more favourable macroeconomic conditions.

The delinquency rate at Realkredit Danmark remained low and stable throughout the first nine months of the year.

As a result of strengthened credit quality and more favourable macroeconomic conditions, loan impairments continued to fall, resulting in a net reversal of DKK 82 million in the first nine months of 2016.

Overall, the LTV level improved in all markets during the first nine months of 2016.

Loan-to-value ratio, home loans

	30 September 2016		31 December 2015	
	Average LTV (%)	Credit exposure (DKK bn)	Average LTV (%)	Credit exposure (DKK bn)
Denmark	61.6	38	62.0	36
Finland	64.9	2	65.4	2
Sweden	61.7	3	64.1	3
Norway	61.1	7	61.4	6
Luxembourg	-	-	-	-
Total	61.7	50	62.2	47

Credit exposure

Credit exposure increased to DKK 81 billion in the first nine months of 2016, due mainly to growth in Denmark, Sweden, Norway and Luxembourg. In Denmark, credit exposure increased owing to both increased lending and a net positive effect of fair value adjustments.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	30 September 2016	31 December 2015	30 September 2016
Denmark	55,359	49,378	-0.32
Finland	3,305	3,386	-
Sweden	5,462	5,017	0.01
Norway	10,389	9,186	-0.12
Luxembourg	6,550	5,919	0.02
Other	-	722	-
Total	81,066	73,607	-0.16

Assets under management

Assets under management consist of our life conventional business (*Danica Traditione*), asset management (Danica unit-linked and Danske Capital) as well as assets under advice, where the client makes the investment decision. For the first nine months of 2016, assets under management totalled DKK 1,383 billion.

Assets under management increased 1%, or DKK 14 billion, from the level at the end of 2015, driven by a positive inflow from net sales and premiums. For Danske Capital, net sales in the first nine months amounted to DKK 3.7 billion, which came from institutional and retail clients. Net premiums for Danica Pension amounted to DKK 24.6 billion.

Investment return on customer funds

For our asset management business, 66% of all investment products generated above-benchmark results. On a 3-year horizon, 72% were above benchmark.

	% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	
	First nine months 2016	3-year
All funds	66	72
Equity funds	61	72
Fixed-income funds	81	80
Balanced funds etc.	45	53

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

Customers with *Danica Balance Mix* achieved returns on investments of 2.3% to 5.0%. The return for customers with *Danica Balance* (medium risk profile with 15 years to retirement) was 4.8%. Compared with the market return, the return was satisfactory, and the positive trend we have seen since the summer of 2015 continued.

Q3 2016 vs Q2 2016

In the third quarter of 2016, profit before tax increased to DKK 1.2 billion, up 27% from the level in the second quarter of 2016.

We continued to work on capital efficiency and improved ROAC to 38.3% in the third quarter.

Total income increased 11% due to higher net fee and net trading income. In the third quarter, net trading income benefited from one-off income of DKK 175 million.

Net sales in the third quarter amounted to DKK 0.9 billion, against DKK 5.8 billion in the second quarter. Net premiums at Danica Pension amounted to DKK 8.7 billion in the third quarter.

Operating expenses were down 6%, primarily due to seasonal effects.

Northern Ireland

Profit before tax declined 18% to DKK 901 million, driven by movements in the GBP/DKK exchange rate and reduced loan impairment reversals. Loan impairments continued to show a net reversal, however, reversals were lower in 2016 than in the same period in 2015. In local currency, profit before impairments increased 8%, driven by growth in both lending and deposit volumes, lower funding costs, higher cards-related income and income from the sale of a property.

Northern Ireland (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Net interest income	1,117	1,208	93	340	392	87	414	82	1,620
Net fee income	363	380	95	129	112	115	130	99	487
Net trading income	102	89	115	55	25	223	32	172	118
Other income	16	11	141	3	3	112	2	159	14
Total income	1,598	1,688	95	528	532	99	578	91	2,239
Operating expenses	909	979	93	296	328	90	304	97	1,369
Goodwill impairment charges	-	-	-	-	-	-	-	-	150
Profit before loan impairment charges	689	709	97	232	204	114	274	85	720
Loan impairment charges	-211	-393	-	-60	-71	-	-159	-	-561
Profit before tax	901	1,102	82	293	275	107	433	68	1,281
Profit before tax and goodwill impairment charges	901	1,102	82	293	275	107	433	68	1,431
Loans, excluding reverse transactions before impairments	45,741	53,289	86	45,741	46,073	99	53,289	86	52,225
Allowance account, loans	1,868	3,544	53	1,868	2,127	88	3,544	53	2,789
Deposits, excluding repo deposits	57,586	61,379	94	57,586	58,786	98	61,379	94	63,601
Allowance account, guarantees	23	32	73	23	23	101	32	73	26
Allocated capital (average)*	7,639	7,938	96	6,268	8,342	75	8,425	74	8,142
Net interest income as % p.a. of loans and deposits	1.47	1.45		1.34	1.53		1.49		1.43
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROE)	15.7	18.5		18.7	13.2		20.6		17.5
Cost/income ratio before goodwill impairment charges (%)	56.9	58.0		56.1	61.7		52.6		61.1
Full-time-equivalent staff	1,290	1,279	101	1,290	1,273	101	1,279	101	1,287

* Allocated capital equals the legal entity's capital.

Q1-Q3 2016 vs Q1-Q3 2015

Profit before tax decreased 18% to DKK 901 million, with profit before loan impairments being 3% lower as adverse movements in the GBP/DKK exchange rate (11% depreciation year-on-year) offset underlying growth measured in local currency.

Total income stood at DKK 1,598 million, down 5% due to adverse exchange rate movements. Operating expenses were down 7%, again benefiting from exchange rate movements.

Loan impairments continued to show a net reversal, however, reversals were lower in 2016 than in the same period in 2015.

Q1-Q3 2016 vs Q1-Q3 2015 in local currency

In local currency, profit before impairments increased 8%. Income increased 5%, reflecting growth in both lending and deposit volumes, lower funding costs, higher cards-related income and income from the sale of a property. Costs increased 3%, with lower underlying costs offset by higher indirect taxation costs following a change in requirements this year.

UK referendum on EU membership

Following the referendum outcome, the Bank of England reduced the UK base rate from 0.50% to 0.25% and this had an adverse impact on net interest income. Uncertainty and volatility in exchange rates continues to affect the rate of growth and lending demand among large business customers. Consumer confidence remains positive.

Credit quality

The net loan impairment reversal of DKK -211 million in the first nine months of 2016 (down from DKK -393 million in the same period of 2015) is still indicative of a continuing recovery in property values and in the trading results of our business customers.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	30 September 2016	31 December 2015	30 September 2016
Personal customers	17,599	19,443	0.18
Public institutions	14,575	17,598	-0.18
Financial customers	1,047	455	0.22
Commercial customers	29,861	32,535	-1.73
Total	63,083	70,030	-0.60

Q3 2016 vs Q2 2016

Profit before tax rose in the third quarter, reflecting lower operating expenses and continuing impairment reversals.

Operating expenses decreased 10% from the level in the second quarter, reflecting GBP depreciation, reduced staff costs and timing in relation to property costs.

Non-core

Profit before tax for the first nine months of 2016 was DKK 5 million, a decrease of DKK 28 million from the level in the first nine months of 2015. The winding-up of the Non-core portfolios is proceeding according to plan and net credit exposure has decreased DKK 4 billion since the end of 2015.

Non-core (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Total income	190	263	72	46	74	61	157	29	334
Operating expenses	284	311	91	105	92	115	98	107	406
Profit before loan impairment charges	-93	-48	-	-60	-17	-	59	-	-72
Loan impairment charges	-98	-81	-	-17	-82	-	56	-	-118
Profit before tax	5	33	14	-42	65	-	3	-	46
Loans, excluding reverse transactions before impairments	22,626	28,776	79	22,626	25,167	90	28,776	79	27,714
Allowance account, loans	2,885	4,018	72	2,885	3,859	75	4,018	72	3,870
Deposits, excluding repo deposits	2,850	6,975	41	2,850	3,187	89	6,975	41	3,735
Allowance account, guarantees	31	39	79	31	34	91	39	79	46
Allocated capital (average)*	2,999	6,705*	45	2,768	3,199	87	5,215	53	6,224
Net interest income as % p.a. of loans and deposits	1.13	0.95		0.87	1.21		1.70		1.06
Profit before tax as % p.a. of allocated capital (ROAC)*	0.2	0.7		-6.1	8.1		0.2		0.7
Cost/income ratio (%)	149.5	118.3		228.3	124.3		62.4		121.6
Full-time-equivalent staff	154	325	47	154	236	65	325	47	277

Loan impairment charges (DKK millions)

Non-core banking**	-97	-79	-	-17	-82	-	53	-	-118
Non-core conduits etc.	-1	-2	-	-	-	-	3	-	-
Total	-98	-81	-	-17	-82	-	56	-	-118

* From 2016, allocated capital is based on the Group's new, simplified and more transparent capital allocation framework. The framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target.

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

Q1-Q3 2016 vs Q1-Q3 2015

Profit before tax in the first nine months of 2016 amounted to DKK 5 million, against DKK 33 million in the first nine months of 2015, with the decrease being caused by lower income. The result benefited from the sale of the residential mortgage loan portfolio relating to mass personal customer business in Lithuania and Latvia.

Total income declined 28%. The decline was driven by the ongoing balance sheet reduction.

Operating expenses were down 9%, owing primarily to the continued reduction in full-time employees.

Total lending, which amounted to DKK 22.6 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 6.8 billion, against DKK 8.3 billion in the first nine months of 2015. 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 Sept. 2016	31 Dec. 2015	30 Sept. 2016	31 Dec. 2015
Non-core banking*	17,797	20,571	2,689	3,673
-of which Personal customers	17,528	20,035	1,895	2,560
Non-core conduits etc.	6,767	7,992	229	243
Total	24,564	28,563	2,918	3,916

* Non-core Baltics is included in Non-core banking from 1 January 2015 (from the end of the third quarter of 2015, only Estonia).

Total impairments amounted to a net reversal of DKK 98 million, against a net reversal of DKK 81 million in the first nine months of 2015. This development was due to lower reversals within the commercial property portfolio in Ireland combined with a reversal resulting from the completion of the sale of the Non-core mass personal customer business in Lithuania and Latvia.

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

Q3 2016 vs Q2 2016

Profit before tax amounted to a negative DKK 42 million, down from a profit of DKK 65 million in the second quarter.

Operating expenses increased 15% from the level in the second quarter due to a fee relating to the sale of the Non-core mass personal customer business in Lithuania and Latvia.

Loan impairment charges amounted to a net reversal of DKK 17 million, against a net reversal of DKK 82 million in the second quarter.

Other Activities

Other Activities includes Group Treasury and Group support functions as well as eliminations, including the elimination of returns on own shares. Group Treasury is responsible for the Group's liquidity management and funding.

Profit before tax benefited from gains on property sales and the sale of VISA Europe.

Other Activities (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Net interest income	354	282	126	230	134	171	91	252	284
Net fee income	-102	-161	-	-51	-38	-	-44	-	-212
Net trading income	1,028	458	224	414	529	78	8	-	492
Other income	1,134	198	-	230	56	-	14	-	568
Total income	2,414	777	-	823	682	121	69	-	1,132
Operating expenses	210	279	75	-27	169	-	215	-	606
Profit before loan impairment charges	2,204	498	-	849	513	166	-146	-	526
Loan impairment charges	5	-	-	5	-	-	1	-	1
Profit before tax	2,199	498	-	844	513	165	-147	-	525

Profit before tax (DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2	Q3 2015	Index 16/15	Full year 2015
Group Treasury	1,238	444	279	734	490	150	-26	-	286
Own shares	-68	-210	-	-65	36	-	-33	-	-154
Group support functions	1,028	264	-	176	-12	-	-88	-	393
Total Other Activities	2,199	498	-	844	513	165	-147	-	525

Q1-Q3 2016 vs Q1-Q3 2015

Other Activities posted a profit before tax of DKK 2,199 million, against DKK 498 million in the first nine months of 2015.

Net trading income amounted to DKK 1,028 million, benefiting 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, especially in the second quarter.

Other income amounted to DKK 1,134 million, against DKK 198 million in the first nine months of 2015. Other income included a gain related to the sale of the head office buildings at Holmens Kanal in Copenhagen and positive value adjustments of shares in associated companies.

Q3 2016 vs Q2 2016

In the third quarter of 2016, profit before tax was DKK 844 million, against DKK 513 million in the second quarter.

Net interest income increased 71% from the level in the second quarter, due to an increase in income from internal funds transfer pricing caused by higher lending volumes and lower compensation for deposits in the third quarter than in the second quarter.

Operating expenses amounted to a negative DKK 27 million, against DKK 169 million in the second quarter. The decrease was due to the allocation of expenses relating to the second quarter to business units in the third quarter.

Other income amounted to DKK 230 million, against DKK 56 million in the second quarter, owing to positive value adjustments of shares in associated companies.

Income statement – Danske Bank Group

Note	(DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Q3 2016	Q3 2015	Full year 2015
	Interest income	42,271	44,861	13,916	14,092	59,666
	Interest expense	17,903	19,519	5,694	5,777	26,333
	Net interest income	24,368	25,342	8,222	8,316	33,333
	Fee income	11,445	11,600	3,880	3,775	15,566
	Fee expenses	4,061	3,681	967	1,266	4,887
	Net trading income	6,946	193	7,080	-6,326	6,908
3	Other income	4,183	3,550	1,043	890	5,275
	Net premiums	18,454	15,696	8,338	5,097	21,359
	Net insurance benefits	24,910	17,590	15,037	-149	30,468
	Operating expenses	18,047	18,099	6,045	5,945	24,785
	Impairment charges on goodwill and customers relations	-	-	-	-	4,601
	Profit before loan impairment charges	18,377	17,012	6,514	4,690	17,701
4	Loan impairment charges	59	116	247	-30	-61
	Profit before tax	18,318	16,896	6,267	4,720	17,762
	Tax	4,050	3,808	1,362	1,051	4,639
	Net profit for the period	14,268	13,088	4,905	3,669	13,123
	Portion attributable to					
	shareholders of Danske Bank A/S (the Parent Company)	13,783	12,645	4,741	3,505	12,516
	additional tier 1 capital holders	485	443	164	164	607
	non-controlling interests	-	-	-	-	-
	Net profit for the period	14,268	13,088	4,905	3,669	13,123
	Earnings per share (DKK)	14.4	12.9	5.0	3.6	12.8
	Diluted earnings per share (DKK)	14.4	12.8	5.0	3.6	12.8
	Proposed dividend per share (DKK)	-	-	-	-	8.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Q3 2016	Q3 2015	Full year 2015
Net profit for the period	14,268	13,088	4,905	3,669	13,123
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	-985	201	-521	-88	568
Tax	207	-22	74	5	-70
Items that will not be reclassified to profit or loss	-778	179	-447	-83	498
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	-1,338	630	-227	-408	681
Hedging of units outside Denmark	1,336	-741	236	425	-797
Unrealised value adjustments of available-for-sale financial assets	236	-33	44	-32	-17
Realised value adjustments of available-for-sale financial assets	-10	-88	-2	-52	-68
Tax	-249	170	-22	-63	176
Items that are or may be reclassified subsequently to profit or loss	-25	-62	29	-130	-25
Total other comprehensive income	-803	117	-418	-213	473
Total comprehensive income for the period	13,465	13,205	4,487	3,456	13,596
Portion attributable to					
shareholders of Danske Bank A/S (the Parent Company)	12,980	12,762	4,324	3,292	12,989
additional tier 1 capital holders	485	443	163	164	607
non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	13,465	13,205	4,487	3,456	13,596

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 September 2016	31 December 2015	30 September 2015
	Assets			
	Cash in hand and demand deposits with central banks	64,374	76,837	58,702
	Due from credit institutions and central banks	255,793	103,859	184,526
	Trading portfolio assets	552,921	547,019	559,636
	Investment securities	335,425	343,304	336,081
	Loans at amortised cost	1,127,393	1,079,257	1,072,700
	Loans at fair value	765,547	741,660	740,105
	Assets under pooled schemes and unit-linked investment contracts	94,092	91,893	85,366
	Assets under insurance contracts	309,412	265,572	259,960
	Intangible assets	6,670	6,505	11,060
	Tax assets	2,494	1,550	3,078
7	Others assets	34,446	35,422	36,838
	Total assets	3,548,569	3,292,878	3,348,051
	Liabilities			
	Due to credit institutions and central banks	333,440	271,588	283,559
	Trading portfolio liabilities	479,244	471,131	445,553
	Deposits	957,601	863,474	958,343
	Bonds issued by Realkredit Danmark	715,730	694,519	687,554
	Deposits under pooled schemes and unit-linked investment contracts	101,950	96,958	91,754
	Liabilities under insurance contracts	337,817	285,030	282,324
6	Other issued bonds	382,487	363,931	344,499
	Tax liabilities	8,077	8,333	8,373
7	Other liabilities	33,706	37,093	44,472
6	Subordinated debt	38,249	39,991	40,022
	Total liabilities	3,388,302	3,132,048	3,186,453
	Equity			
	Share capital	9,837	10,086	10,086
	Foreign currency translation reserve	-595	-593	-588
	Reserve for available-for-sale financial assets	115	-401	-437
	Retained earnings	139,448	132,352	141,040
	Proposed dividends	-	8,069	-
	Shareholders of Danske Bank A/S (the Parent Company)	148,806	149,513	150,101
	Additional tier 1 capital holders	11,460	11,317	11,497
	Non-controlling interests	-	-	-
	Total equity	160,266	160,830	161,598
	Total liabilities and equity	3,548,569	3,292,878	3,348,051

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company)								Total
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	
Total equity at 1 January 2016	10,086	-593	-401	132,352	8,069	149,513	11,317	-	160,830
Changed recognition of insurance liabilities	-	-	-	-205	-	-205	-	-	-205
Restated 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	-	-	-	13,783	-	13,783	485	-	14,268
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-985	-	-985	-	-	-985
Translation of units outside Denmark	-	-1,338	-	-	-	-1,338	-	-	-1,338
Hedging of units outside Denmark	-	1,336	-	-	-	1,336	-	-	1,336
Unrealised value adjustments	-	-	236	-	-	236	-	-	236
Realised value adjustments	-	-	-10	-	-	-10	-	-	-10
Transfer between reserves	-	-	289	-289	-	-	-	-	-
Tax	-	-	-	-42	-	-42	-	-	-42
Total other comprehensive income	-	-2	515	-1,316	-	-803	-	-	-803
Total comprehensive income for the period	-	-2	515	12,467	-	12,980	485	-	13,465
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-	-	-	-	-
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	-	-	-	-28,268	-	-28,268	-57	-	-28,325
Sale of own shares and additional tier 1 capital	-	-	-	22,449	-	22,449	40	-	22,489
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	95	-	95	-	-	95
Total equity at 30 September 2016	9,837	-595	115	139,448	-	148,806	11,460	-	160,266

On 4 February 2016, the Group initiated a share buy-back programme of DKK 9 billion, which may run until 4 February 2017. At the end of September 2016, the Group had acquired 32,345,852 shares for a total amount of DKK 5,936 million under the share buy-back programme based on trade date.

On 25 April 2016, the share capital was reduced by DKK 249,071,650 by cancellation of 24,907,165 shares from Danske Bank's holding of own shares acquired under the share buy-back programme for 2015.

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company)								Total
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	
Total equity at 1 January 2015	10,086	-477	-316	131,869	5,547	146,709	5,673	2	152,384
Net profit for the period	-	-	-	12,645	-	12,645	443	-	13,088
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	201	-	201	-	-	201
Translation of units outside Denmark	-	630	-	-	-	630	-	-	630
Hedging of units outside Denmark	-	-741	-	-	-	-741	-	-	-741
Unrealised value adjustments	-	-	-33	-	-	-33	-	-	-33
Realised value adjustments	-	-	-88	-	-	-88	-	-	-88
Tax	-	-	-	148	-	148	-	-	148
Total other comprehensive income	-	-111	-121	349	-	117	-	-	117
Total comprehensive income for the period	-	-111	-121	12,994	-	12,762	443	-	13,205
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-56	-	-56	5,583	-	5,527
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-161	-	-161
Dividends paid	-	-	-	53	-5,547	-5,494	-	-2	-5,496
Acquisition of own shares and additional tier 1 capital	-	-	-	-27,131	-	-27,131	-41	-	-27,172
Sale of own shares and additional tier 1 capital	-	-	-	23,256	-	23,256	-	-	23,256
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	55	-	55	-	-	55
Total equity at 30 September 2015	10,086	-588	-437	141,040	-	150,101	11,497	-	161,598

Statement of capital – Danske Bank Group

	30 September 2016	31 December 2015
Share capital (DKK)	9,837,128,350	10,086,200,000
Number of shares	983,712,835	1,008,620,000
Number of shares outstanding	945,516,112	976,029,806
Average number of shares outstanding for the period	963,408,863	987,987,050
Average number of shares outstanding, including dilutive shares, for the period	963,941,234	989,291,999
Total capital and total capital ratio		
Total equity	160,266	160,830
Revaluation of domicile property at fair value	591	884
Tax effect of revaluation of domicile property at fair value	-58	-172
Reserves in undertakings consolidated on a pro rata basis	-	3,002
Total equity calculated in accordance with the rules of the Danish FSA	160,799	164,544
Additional tier 1 capital instruments included in total equity	-11,142	-11,177
Accrued interest on additional tier 1 capital instruments	-316	-155
Tax on accrued interest on additional tier 1 capital instruments	70	36
Common equity tier 1 capital instruments	149,410	153,248
Adjustment to eligible capital instruments	-3,423	-154
Prudent valuation	-1,119	-
Prudential filters	-378	-507
Expected/proposed dividends	-7,100	-8,069
Intangible assets of banking operations	-6,586	-6,426
Deferred tax on intangible assets	272	337
Deferred tax assets that rely on future profitability excluding temporary differences	-390	-343
Defined benefit pension fund assets	-801	-808
Statutory deduction for insurance subsidiaries	-1,145	-2,885
Other statutory deductions	-185	-35
Common equity tier 1 capital	128,557	134,359
Additional tier 1 capital instruments	20,689	22,338
Statutory deduction for insurance subsidiaries	-382	-2,164
Other statutory deductions	-	-7
Tier 1 capital	148,864	154,526
Tier 2 capital instruments	22,399	22,782
Statutory deduction for insurance subsidiaries	-382	-2,164
Other statutory deductions	-	-7
Total capital	170,882	175,137
Total risk exposure amount	814,343	833,594
Common equity tier 1 capital ratio (%)	15.8	16.1
Tier 1 capital ratio (%)	18.3	18.5
Total capital ratio (%)	21.0	21.0

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. A new filter has been introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Commission has adopted a Delegated Regulation on regulatory technical standards for prudent valuation that has been effective since February 2016.

On 30 June 2016, Danske Bank Group stopped consolidating Danmarks Skibskredit A/S and LR Realkredit A/S on a pro rata basis in the statement of capital for regulatory purposes. The change led to a decrease in common equity tier 1 capital and total capital of DKK 3.0 billion and a decrease in the total risk exposure amount of DKK 16.2 billion.

The risk exposure amount calculated under the Basel I rules amounted to DKK 1,482,800 million at 30 September 2016 (31 December 2015: DKK 1,441,527 million). The capital need under the transitional rules was DKK 94,899 million, or 11.7% of the reported risk exposure amount (31 December 2015: DKK 92,258 million).

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

Cash flow statement – Danske Bank Group

(DKK millions)	Q1-Q3 2016	Q1-Q3 2015	Full year 2015
Cash flow from operations			
Profit before tax	18,318	16,896	17,762
Tax paid	-4,850	-5,088	-4,770
Adjustment for non-cash operating items	-1,046	1,069	6,858
Total	12,422	12,877	19,850
Changes in operating capital			
Amounts due to/from credit institutions and central banks	62,153	-44,000	-56,229
Trading portfolio	2,210	77,801	115,996
Acquisition/sale of own shares and additional tier 1 capital	31	45	15
Other financial instruments	21,179	-14,795	-24,083
Loans at amortised cost	-48,195	20,087	13,706
Loans at fair value	-23,886	1,505	-51
Deposits	94,127	-7,853	-102,722
Bonds issued by Realkredit Danmark	21,212	31,589	38,553
Assets/liabilities under insurance contracts	8,948	3,500	593
Other assets/liabilities	7,537	21,660	34,704
Cash flow from operations	157,738	102,416	40,332
Cash flow from investing activities			
Acquisition/sale of businesses	97	5	11
Acquisition of intangible assets	-493	-397	-626
Acquisition of tangible assets	-170	-197	-378
Sale of tangible assets	908	82	661
Cash flow from investing activities	342	-507	-332
Cash flow from financing activities			
Issues of subordinated debt	-	3,725	3,725
Redemption of subordinated debt	-	-5,212	-5,212
Dividends	-7,758	-5,495	-5,494
Share buy back programme*	-5,869	-3,962	-5,000
Issued additional tier 1 capital	-	5,527	5,527
Paid interest on additional tier 1 capital	-325	-161	-529
Change in non-controlling interests	-	-2	-2
Cash flow from financing activities	-13,952	-5,580	-6,985
Cash and cash equivalents at 1 January	178,835	143,543	143,543
Foreign currency translation	-4,355	1,754	2,277
Change in cash and cash equivalents	144,128	96,329	33,015
Cash and cash equivalents, end of period	318,608	241,626	178,835
Cash and cash equivalents, end of period			
Cash in hand	8,603	9,257	10,638
Demand deposits with central banks	55,771	49,445	66,199
Amounts due from credit institutions and central banks within three months	254,234	182,924	101,998
Total	318,608	241,626	178,835

* 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 EU, and additional Danish disclosure requirements for listed financial companies.

On 1 January 2016, the Group implemented the changes made by the Danish FSA to the executive order on financial reports for insurance companies etc. With the exception of these changes, the Group has not changed its significant accounting policies from those followed in the consolidated financial statements for 2015, which provide a full description of the significant accounting policies. The presentation in the financial highlights and segment reporting has been changed to reflect the establishment of Wealth Management and Northern Ireland as separate business units and a change in the presentation of income from equity finance.

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. The interim report for the first nine months of 2016 has not been reviewed or audited.

Changes to the accounting policy for insurance liabilities

On 1 January 2016, the Group implemented the changes made by the Danish FSA to the executive order on financial reports for insurance companies etc. The objective of the changes is to harmonise the measurement of insurance liabilities in the financial statements with measurement under the Solvency II framework. A risk margin has been added to the insurance liabilities for all insurance contracts and the value of the customers' expected frequency of surrenders and conversions into paid-up policies is now explicitly included in the measurement of the liabilities. As a result, insurance liabilities increased DKK 263 million, tax assets increased DKK 58 million and shareholders' equity decreased DKK 205 million at 1 January 2016. Comparative figures have not been restated as this is impracticable due to the interaction with the contribution principle. The change in accounting policy did not have any further impact on insurance liabilities or net profit for the first nine months of 2016.

Changes to financial highlights and segment reporting

The presentation in the financial highlights and segment reporting has been changed to reflect the establishment of Wealth Management and Northern Ireland as separate business units and a change in the presentation of income from equity finance.

Wealth Management consists of Danica Pension, Danske Capital and Private Banking. However, assets allocated to Danica Pension's shareholders' equity, tier 2 capital issued by Danica Pension and the related amounts in the income statement are included in Group Treasury (Other activities) together with special allotments. Danica Pension and Danske Capital were previously presented as separate business units, whereas Private Banking was included in Personal Banking. As a result of the establishment of Wealth Management, Danica Pension's earnings are no longer presented as Net income from insurance business in the financial highlights. The risk allowance for the conventional life insurance business and other income from the unit-link business are now presented under Fee income. Net trading income in Wealth Management consists of the return on assets related to the health and accident business, whereas the special allotments and the return on shareholders' investment in Danica Pension are presented as Net trading income in Group Treasury. The risk and guarantee result and net income from the health and accident business are presented under Other income, together with income from the recharge of certain operating expenses to customers, whereas all costs, except external investment costs, are included under Operating expenses.

Northern Ireland includes the Group's business in Northern Ireland. These activities were previously included in Personal Banking, Business Banking and Other Activities (Group Treasury).

In the financial highlights, the presentation of income from equity finance (part of C&I) is presented as net fee income. Previously, this income was presented as net trading income.

Comparative figures for 2015 have been restated to reflect the change in the presentation in the financial highlights. These changes do not affect the presentation in the IFRS income statement.

Notes – Danske Bank Group

The table below shows the effect on the Group's financial highlights for the first nine months of 2015.

Income statement (DKK millions)	Presentation of			Adjusted highlights Q1-Q3 2015
	Highlights Q1-Q3 2015	Danica Pension	Equity Finance	
Net interest income	16,169	-46	-	16,123
Net fee income	8,963	1,911	103	10,977
Net trading income	5,273	178	-103	5,349
Other income	1,162	413	-	1,575
Net income from insurance business	1,445	-1,445	-	-
Total income	33,012	1,011	-	34,023
Operating expenses	15,953	1,011	-	16,964
Goodwill impairment charges	-	-	-	-
Profit before loan impairment charges	17,059	-	-	17,059
Loan impairment charges	196	-	-	196
Profit before tax, core	16,863	-	-	16,863
Profit before tax, Non-core	33	-	-	33
Profit before tax	16,896	-	-	16,896
Tax	3,808	-	-	3,808
Net profit for the period	13,088	-	-	13,088

The impact in the first nine months of 2015 on each business unit from the establishment of Wealth Management and Northern Ireland as separate business units is shown in the table below. The Total column reflects the total impact on the financial highlights from those changes and relates to the changed presentation of Danica Pension shown in the table above.

(DKK millions)	Personal Banking	Business Banking	Wealth Management	Northern Ireland	Other Activities	Danske Capital	Danica Pension	Total
Net interest income	-1,120	-587	470	1,209	-22	4	-	-46
Net fee income	-1,270	-196	4,809	380	-104	-1,708	-	1,911
Net trading income	-156	-44	265	88	15	10	-	178
Other income	-1	-10	414	11	-	-1	-	413
Net income from insurance business	-	-	-	-	-	-	-1,445	-1,445
Total income	-2,547	-837	5,958	1,688	-111	-1,695	-1,445	1,011
Operating expenses	-1,400	-382	2,658	978	-136	-707	-	1,011
Impairment charges on goodwill and customer relations	-	-	-	-	-	-	-	-
Profit before loan impairment charges	-1,147	-455	3,300	710	25	-988	-1,445	-
Loan impairment charges	66	366	-39	-392	-1	-	-	-
Profit before tax, core	-1,213	-821	3,339	1,102	26	-988	-1,445	-
Profit before tax, non-core	-	-	-	-	-	-	-	-
Profit before tax	-1,213	-821	3,339	1,102	26	-988	-1,445	-
Tax	-	-	-	-	-	-	-	-
Net profit for the period	-1,213	-821	3,339	1,102	26	-988	-1,445	-

Notes – Danske Bank Group

(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 85 million (31 December 2015: DKK 65 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 September 2016, the adjustments totalled DKK 2.9 billion (31 December 2015: DKK 1.3 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. The increase mainly relates to increases in CVA and FVA owing to lower interest rates and model improvements. Note 30 in Annual Report 2015 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 2.5 billion (31 December 2015: DKK 2.8 billion). The collective impairment charges are sensitive to the credit rating of customers. If all customers were downgraded one rating category, collective impairment charges would increase by about DKK 1.8 billion (31 December 2015: DKK 3.0 billion). Further, a collective impairment charge of DKK 3.0 billion (31 December 2015: DKK 3.8 billion) has been recognised on the basis of management's judgement to reflect market conditions at the balance sheet date that are not fully reflected in the Group's models. In 2016, the method used when calculating collective impairment charges for personal customers was improved in order to more directly incorporate certain credit risk factors for personal customers and caused the decline in the collective impairment charge recognised on the basis of management's judgement. Note 14 in Annual Report 2015 and the risk management notes provide more details on loan impairment charges. At 30 September 2016, loans accounted for about 53% of total assets (31 December 2015: 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 September 2016, goodwill amounted to DKK 5.4 billion (31 December 2015: DKK 5.4 billion). Following the impairment charges made in Q4 2015, no goodwill at the banking units remains. For Danske Capital, the carrying amount of goodwill is DKK 1.8 billion (31 December 2015: 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 2015 impairment test for Danske Capital amounted to DKK 0.1 billion. If growth in the terminal period were lowered by 0.5 percentage points to 1.2%, or the discount rate were increased by 0.4 percentage points to 9.4%, the excess value would be zero. It has been assessed that no indication of impairment exists at 30 September 2016. Note 18 in Annual Report 2015 provides more information about impairment testing.

Measurement of liabilities under insurance contracts

Measurement of liabilities under insurance contracts 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 of 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. As of 1 January 2016, the Group implemented the changes made by the Danish FSA to its executive order on financial reports for insurance companies to harmonise the measurement of insurance liabilities in the financial statements with measurement under the Solvency II framework. A risk margin has been added to the insurance liabilities and the value of customers' expected frequency of surrenders and conversions into paid-up policies is now explicitly included in the measurement of liabilities for all insurance contracts. Further, the discount yield curve that is set out in the executive order has been changed to the risk free discount yield curve and a volatility adjustment, both published by EIOPA. Previously, the discount yield curve was fixed on a zero-coupon yield curve on the basis of euro swap market rates to which a spread between Danish and German government bonds and a mortgage yield curve spread was added. As required by IFRS and in line with previous changes to the discount yield curve, the change to the discount yield curve is treated as a change in accounting estimates and resulted in a reduction in insurance liabilities of DKK 0.1 billion. The reduction is included in the income statement under Net insurance benefits.

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 future profit. At 30 September 2016 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.4 billion (31 December 2015: 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 3.1 billion (31 December 2015: DKK 3.2 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 6.0 billion (31 December 2015: DKK 5.9 billion). Note 20 in Annual Report 2015 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. From 2016, the Group has five business units, a Non-core unit and Other Activities.

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 centers, 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. 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, the gains or losses on the sale of the lease asset at the end of the lease agreement are presented on a net basis under other income in the financial highlights. In the IFRS income statement, gains or losses on the sale of operating lease assets, excluding properties, are presented on a gross basis (i.e. the revenue on the sale of the assets are recognised under other income and the carrying amount of the lease assets is 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) 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 and other income in the IFRS income statement.

For the new Wealth Management business unit, the risk allowance for the conventional life insurance business and other 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, and the risk and guarantee result, net income from the health and accident business and the income from recharge of certain operating expenses to customers are presented as other income in the segment reporting and in the financial highlights. All costs, except external investment costs, are included under operating expenses. In the IFRS income statement, income and expenses at Danica Pension are consolidated on a line-by-line basis.

In the financial highlights, the Non-core segment is presented as a separate line item, Profit before tax, Non-core, whereas the individual income and expense line items are included in the various line items in the IFRS income statement.

Definition of ratios presented in the management report

Ratios and key figures	Definition
Return on avg. shareholders' equity	Net profit for the period (annualised) divided by the quarterly average shareholders' equity. Net profit and shareholders equity are stated as if the equity-accounted additional tier 1 capital was liability accounted.
Return on avg. tangible equity	As above but with shareholders' equity reduced by intangible assets and net profit adjusted for amortisation on intangible assets.
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights (annualised) divided by the sum of loans and deposits, all amounts from the financial highlights.
Cost/income ratio	Operating expenses plus goodwill impairment charges divided by total income, all amounts from financial highlights.
Book value per share	Shareholders' equity (i.e. excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments first nine months 2016

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS income statement
Net interest income	5,722	6,279	2,266	499	1,117	-	333	21	16,239	8,130	24,368
Net fee income	2,487	1,224	1,596	4,584	363	-	-99	-3	10,151	-2,767	7,384
Net trading income	385	392	3,934	443	102	-	1,148	-120	6,284	662	6,946
Other income	456	405	21	352	16	-	1,227	-93	2,383	1,800	4,183
Net premiums	-	-	-	-	-	-	-	-	-	18,454	18,454
Net insurance benefits	-	-	-	-	-	-	-	-	-	24,910	24,910
Total income	9,050	8,300	7,816	5,878	1,598	-	2,607	-193	35,057	1,368	36,425
Operating expenses	5,661	3,527	3,496	2,784	909	-	85	125	16,586	1,461	18,047
Profit before loan impairment charges	3,388	4,774	4,321	3,094	689	-	2,522	-318	18,471	-93	18,377
Loan impairment charges	-289	-54	789	-82	-211	-	5	-	157	-98	59
Profit before tax, core	3,678	4,828	3,532	3,176	901	-	2,517	-318	18,314	5	18,318
Profit before tax, Non-core	-	-	-	-	-	5	-	-	5	-5	-
Profit before tax	3,678	4,828	3,532	3,176	901	5	2,517	-318	18,318	-	18,318
Loans, excluding reverse transactions	735,828	647,684	186,921	71,082	43,873	-	25,587	-35,942	1,675,034	19,741	1,694,775
Other assets	177,964	160,282	3,853,733	504,437	25,609	-	2,580,852	-5,450,186	1,852,691	1,103	1,853,794
Total assets in Non-core	-	-	-	-	-	20,844	-	-	20,844	-20,844	-
Total assets	913,792	807,967	4,040,654	575,519	69,482	-	2,627,283	-5,486,128	3,548,569	-	3,548,569
Deposits, excluding repo deposits	267,371	224,288	249,733	63,948	57,586	-	18,278	-9,176	872,027	2,850	874,877
Other liabilities	623,306	542,472	3,753,265	499,079	5,989	-	2,577,029	-5,476,952	2,524,187	699	2,524,886
Allocated capital	23,116	41,207	37,657	12,492	5,907	-	28,427	-	148,806	-	148,806
Total liabilities in Non-core	-	-	-	-	-	3,549	-	-	3,549	-3,549	-
Total liabilities and equity	913,792	807,967	4,040,654	575,519	69,482	-	2,627,283	-5,486,128	3,548,569	-	3,548,569
Profit before tax as % of allocated capital (avg)	21.8	15.6	12.4	30.4	15.7	-	13.0	-	16.4	-	16.4
Cost/income ratio (%)	62.6	42.5	44.7	47.4	56.9	-	3.3	-	47.3	-	49.5
Full-time-equivalent staff, end of period	4,971	2,712	1,812	1,980	1,290	154	6,513	-	19,433	-	19,433

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.

From 2016, capital allocation between business units is based on the Group's new, simplified and more transparent capital allocation framework. The new framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target. Therefore, the capital consumption of the individual business units is closely aligned with the Group's total capital consumption. For the new Northern Ireland business unit, the capital allocated equals the legal entity's capital.

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments first nine months 2015

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non- core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS income statement
Net interest income	5,937	6,195	2,030	470	1,208	-	254	28	16,123	9,219	25,342
Net fee income	2,686	1,433	1,830	4,810	380	-	-139	-22	10,978	-3,059	7,919
Net trading income	399	471	3,667	265	89	-	731	-273	5,348	-5,155	193
Other income	478	471	3	414	11	-	300	-102	1,575	1,975	3,550
Net premiums	-	-	-	-	-	-	-	-	-	15,696	15,696
Net insurance benefits	-	-	-	-	-	-	-	-	-	17,590	17,590
Total income	9,500	8,570	7,530	5,958	1,688	-	1,145	-368	34,023	1,087	35,110
Operating expenses	6,248	3,467	3,334	2,658	979	-	437	-158	16,964	1,135	18,099
Profit before loan impairment charges	3,252	5,103	4,197	3,300	709	-	708	-210	17,059	-48	17,012
Loan impairment charges	455	173	-	-39	-393	-	-	-	197	-81	116
Profit before tax, core	2,797	4,930	4,197	3,339	1,102	-	708	-210	16,862	33	16,896
Profit before tax, Non-core	-	-	-	-	-	33	-	-	33	-33	-
Profit before tax	2,797	4,930	4,197	3,339	1,102	33	708	-210	16,895	-	16,896
Loans, excluding reverse transactions	708,727	597,884	172,280	66,860	49,745	-	19,194	-24,884	1,589,806	24,758	1,614,564
Other assets	170,552	155,332	3,263,855	423,359	26,432	-	2,012,281	-4,322,660	1,729,151	4,336	1,733,487
Total assets in Non-core	-	-	-	-	-	29,094	-	-	29,094	-29,094	-
Total assets	879,279	753,216	3,436,135	490,219	76,177	-	2,060,569	-4,347,544	3,348,051	-	3,348,051
Deposits, excluding repo deposits	254,067	221,476	226,505	55,386	61,379	-	13,017	-8,222	823,608	6,975	830,583
Other liabilities	603,405	497,717	3,175,406	419,388	6,870	-	2,001,652	-4,339,322	2,365,117	2,250	2,367,367
Allocated capital	21,807	34,022	34,224	15,445	7,928	-	36,674	-	150,101	-	150,101
Total liabilities in Non-core	-	-	-	-	-	9,225	-	-	9,225	-9,225	-
Total liabilities and equity	879,279	753,216	3,436,135	490,219	76,177	-	2,060,569	-4,347,544	3,348,051	-	3,348,051
Profit before tax as % of allocated capital (avg)	16.5	19.0	14.9	28.6	18.5	-	3.1	-	15.1	-	15.1
Cost/income ratio (%)	65.8	40.5	44.3	44.6	58.0	-	38.2	-	49.9	-	51.5
Full-time-equivalent staff, end of period	5,163	2,773	1,811	1,975	1,279	325	5,658	-	18,984	-	18,984

Notes – Danske Bank Group

3. Other income

Other income amounted to DKK 4,183 million (30 September 2015: DKK 3,550 million), including income from associates of DKK 393 million (30 September 2015: DKK 413 million). Other income include a gain of DKK 825 million related to the sale of the head office buildings at Holmens Kanal, Copenhagen. Title was formally transferred on 1 October 2016.

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 September 2016	30 September 2015
New and increased impairment charges	5,826	6,353
Reversals of impairment charges	5,249	5,911
Write-offs charged directly to income statement	774	671
Received on claims previously written off	1,145	763
Interest income, effective interest method	-146	-235
Total	59	115

Reconciliation of total allowance account (DKK millions)	30 September 2016	31 December 2015
Balance at 1 January	31,413	40,947
New and increased impairment charges	5,826	7,601
Reversals of impairment charges	5,249	7,224
Write-offs debited to the allowance account	2,981	9,716
Foreign currency translation	-347	580
Other items*	-664	-775
Balance at end of period	27,997	31,413

* Other items include changes from the presentation of some loan portfolios as held for sale in 2015. Note 7, Other assets, provides more information.

5. Deposits

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

(DKK millions)	30 September 2016	31 December 2015
Deposits from other credit institutions	333,440	271,588
hereof repo transactions	165,324	134,479
Other deposits	957,601	863,474
hereof repo transactions	82,725	42,977
Total deposits excluding repo transactions	1,042,993	957,606

Of total deposits excluding repo transactions, 33% (31 December 2015: 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 27% (31 December 2015: 25%).

Notes – Danske Bank Group

6. Issued bonds and subordinated debt

This note includes information on senior and senior secured and subordinated bonds issued by the Group, with the exception of bonds issued by Realkredit Danmark. The Group has made two bond issues that fulfil the requirements for additional tier 1 capital under the Capital Requirements Regulation. As the additional tier 1 capital is perpetual and interest and principal payments are discretionary, the bonds are accounted for as equity.

	30 September 2016	31 December 2015
Other issued bonds (DKK millions)		
Commerical paper and certificates of deposit	55,227	60,839
Other	327,260	303,092
Total	382,487	363,931

Nominal value (DKK millions)	1 January 2016	Issued	Redeemed	Foreign currency translation	30 September 2016
Commerical paper and certificates of deposit	60,836	143,834	146,381	-3,072	55,217
Other	350,780	76,841	54,942	-982	371,697
Other issued bonds	411,616	220,675	201,322	-4,055	426,914

Nominal value (DKK millions)	1 January 2015	Issued	Redeemed	Foreign currency translation	31 December 2015
Commerical paper and certificates of deposit	25,671	94,826	61,148	1,487	60,836
Other	342,520	82,414	78,861	4,707	350,780
Other issued bonds	368,190	177,240	140,009	6,193	411,616

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 17.6 billion (31 December 2015: DKK 17.7 billion) are excluded. Further, retained and repurchased bonds held by Group Treasury amounting to DKK 50.8 billion (31 December 2015: 49.8 billion) have been excluded.

Subordinated debt and additional tier 1 capital, which is accounted for as equity

During the first nine months of 2016, the Group did not redeem (full year 2015: DKK 5,211 million) or issue (full year 2015: DKK 3,731 million) any subordinated debt.

At 30 September 2016, the nominal value of issued additional tier 1 capital amounted to EUR 1,500 million (31 December 2015: EUR 1,500 million) equivalent to DKK 11,177 million (31 December 2015: DKK 11,194 million). Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bondholders. Any interest payments made must be made out of retained earnings in Danske Bank A/S and Danske Bank Group. Retained earnings at end September 2016 are disclosed in the balance sheet for both Danske Bank A/S and Danske Bank Group. The additional tier 1 capital will be temporarily written down if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. The ratios at end September 2016 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. The solvency need for Danske Bank A/S and Danske Bank Group is provided in the Internal Capital Adequacy Assessment report at 30 September 2016, which is available at danskebank.com/ir/reports. The issued additional tier 1 capital is classified as equity instruments in the financial statements.

7. Other assets and other liabilities

Other assets amounted to DKK 34,446 million (31 December 2015: DKK 35,422 million), including holdings in associates of DKK 1,355 million (31 December 2015: DKK 1,209 million), investment property of DKK 4,845 million (31 December 2015: DKK 4,681 million), tangible assets of DKK 5,620 million (31 December 2015: DKK 5,082 million) and assets held for sale of DKK 1,991 million (31 December 2015: DKK 5,582 million). Other liabilities amounted to DKK 33,706 million (31 December 2015: DKK 37,093 million), including accrued interest and commissions due of DKK 10,121 (31 December 2015: DKK 12,569), other staff commitments of DKK 3,053 million (31 December 2015: DKK 3,186 million), and liabilities held for sale of DKK 0 million (31 December 2015: DKK 1,334 million).

In the third quarter of 2016, the Group entered into a binding agreement on the sale of a loan portfolio with a nominal value of DKK 1.9 billion in the Non-core segment. The transaction was settled in October 2016. The loans are presented as Assets held for sale as at 30 September 2016.

In 2015, the Group entered into an agreement to sell a residential mortgage loan portfolio relating to the Group's Non-core mass personal customer business in Lithuania and Latvia and final approval by the competition authorities was received in March 2016. The transaction was settled in June 2016. The loans and deposits were presented as Asset and Liabilities held for sale, respectively, as at 31 December 2015.

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 September 2016	31 December 2015
Guarantees (DKK millions)		
Financial guarantees	8,790	8,638
Mortgage finance guarantees	1,028	1,367
Other guarantees	69,479	71,750
Total	79,297	81,755
Other contingent liabilities		
Loan commitments shorter than 1 year	129,130	124,978
Loan commitments longer than 1 year	157,808	153,650
Other unutilised loan commitments	489	523
Total	287,427	279,151

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 356 billion (31 December 2015: DKK 329 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 FSA has reported Danske Bank to the Danish Prosecutor for Special Economic and International Crime for investigation in relation to violation of the provisions of the Danish Anti-Money Laundering Act with regard to identification of and monitoring procedures for correspondent banks.

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 required payments, extraordinary contributions of up to 0.5 percent of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage rate require the consent of the Danish FSA. The first contribution to the Resolution Fund was made in December 2015. Danske Bank A/S and Realkredit Danmark A/S make contributions to the fund on the basis of their size and risk relative to other credit institutions in Denmark. The contribution for 2016 of DKK 0.4 billion is accrued over the year as operating expenses. If the Resolution Fund does not have sufficient means to make 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.

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 required payments. However, for Finland, the deposit guarantee fund is fully funded, and no further contributions to the resolution fund are expected before 2018.

Notes – Danske Bank Group

8. Contingent liabilities continued

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 September 2016, Danske Bank A/S had deposited securities worth DKK 20.5 billion as collateral with Danish and international clearing centres and other institutions (31 December 2015: DKK 10.1 billion).

At 30 September 2016, Danske Bank A/S had provided cash and securities worth DKK 94.8 billion as collateral for derivatives transactions (31 December 2015: DKK 80.7 billion).

At 30 September 2016, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 338.3 billion (31 December 2015: DKK 326.9 billion) as collateral for policyholders' savings of DKK 338.1 billion (31 December 2015: DKK 320.8 billion).

At 30 September 2016, the Group had registered loans at fair value and securities worth a total of DKK 766.7 billion (31 December 2015 DKK 743.0 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 715.7 billion (31 December 2015: DKK 694.5 billion). Similarly, the Group had registered loans and other assets worth DKK 265.3 billion (31 December 2015: DKK 273.1 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 September 2016			31 December 2015		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	34,667	34,667	-	33,800	33,800
Trading portfolio securities	222,770	82,424	305,194	161,165	63,108	224,273
Loans at fair value	-	765,547	765,547	-	741,660	741,660
Loans at amortised cost	-	274,640	274,640	-	281,721	281,721
Assets under insurance contracts	-	266,685	266,685	-	273,954	273,954
Other assets	-	105	105	-	105	105
Total	222,770	1,424,068	1,646,838	161,165	1,394,348	1,555,513
Own issued bonds	20,657	108,495	129,152	12,487	88,136	100,623
Total, including own issued bonds	243,427	1,532,563	1,775,990	173,652	1,482,484	1,656,136

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 222.8 billion at 30 September 2016 (31 December 2015 DKK 161.2 billion).

At 30 September 2016, the Group had received securities worth DKK 266.1 billion (31 December 2015: DKK 225.7 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 many 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 September 2016, the Group had sold securities or provided securities as collateral worth DKK 135.0 billion (31 December 2015: DKK 150.9 billion).

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

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 September 2016		31 December 2015	
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	64,374	-	76,837
Due from credit institutions and central banks	-	255,793	-	103,859
Trading portfolio assets	552,921	-	547,019	-
Investment securities	207,833	127,592	224,102	119,202
Loans at amortised cost	-	1,127,393	-	1,079,257
Loans at fair value	765,547	-	741,660	-
Assets under pooled schemes and unit-linked investment contracts	94,092	-	91,893	-
Assets under insurance contracts	284,291	-	239,863	-
Total	1,904,685	1,575,152	1,844,538	1,379,155
Financial liabilities				
Due to credit institutions and central banks	-	333,440	-	271,588
Trading portfolio liabilities	479,244	-	471,131	-
Deposits	-	957,601	-	863,474
Bonds issued by Realkredit Danmark	715,730	-	694,519	-
Deposits under pooled schemes and unit-linked investment contracts	101,950	-	96,958	-
Other issued bonds	7,218	375,269	3,558	360,373
Subordinated debt	-	38,249	-	39,991
Other liabilities (loan commitments and guarantees)	-	676	-	611
Total	1,304,142	1,705,235	1,266,166	1,536,037

Negative interest income during the first nine months of 2016 amounted to DKK 841 million and negative interest expenses to DKK 882 million. For the first nine months of 2015, negative interest income and expenses were insignificant. The amounts are offset against interest income and interest expenses, respectively.

Financial instruments at fair value

Note 30 in Annual Report 2015 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 reclassification 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 2015 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 September 2016 was in line with the difference at 31 December 2015.

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 September 2016				
Financial assets				
Derivatives				
Interest rate contracts	3,236	255,748	7,290	266,274
Currency contracts etc.	581	82,416	1,077	84,074
Trading portfolio bonds				
Government bonds and other bonds	74,217	390	-	74,607
Danish mortgage bonds	28,243	5,914	-	34,157
Other covered bonds	57,203	913	-	58,116
Other bonds	14,934	4,106	-	19,040
Trading portfolio shares	16,102	-	552	16,654
Investment securities, bonds	154,726	51,292	-	206,018
Investment securities, shares	1,749	-	66	1,815
Loans at fair value	-	765,547	-	765,547
Assets under pooled schemes and unit-linked investment contracts	94,092	-	-	94,092
Assets under insurance contracts, bonds				
Danish mortgage bonds	49,913	7,268	-	57,181
Other bonds	93,423	372	4,977	98,772
Assets under insurance contracts, shares	73,255	-	18,674	91,929
Assets under insurance contracts, derivatives	151	36,252	6	36,409
Total	661,825	1,210,218	32,642	1,904,685
Financial liabilities				
Derivatives				
Interest rate contracts	3,183	236,635	7,841	247,659
Currency contracts etc.	681	94,581	1,349	96,611
Obligations to repurchase securities	134,660	303	11	134,974
Bonds issued by Realkredit Danmark	715,730	-	-	715,730
Deposits under pooled schemes and unit-linked investment contracts	-	101,950	-	101,950
Other issued bonds	-	7,218	-	7,218
Total	854,254	440,687	9,201	1,304,142

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non- observable input	Total
31 December 2015				
Financial assets				
Derivatives				
Interest rate contracts	4,147	216,507	4,825	225,479
Currency contracts etc.	171	103,929	1,436	105,536
Trading portfolio bonds				
Government bonds and other bonds	80,123	1,007	-	81,130
Danish mortgage bonds	35,863	7,953	-	43,816
Other covered bonds	37,670	830	-	38,500
Other bonds	28,190	3,561	-	31,751
Trading portfolio shares	19,955	-	852	20,807
Investment securities, bonds	181,776	40,679	-	222,455
Investment securities, shares	106	-	1,542	1,648
Loans at fair value	-	741,660	-	741,660
Assets under pooled schemes and unit-linked investment contracts	91,893	-	-	91,893
Assets under insurance contracts, bonds				
Danish mortgage bonds	52,379	2,137	-	54,516
Other bonds	86,307	1,070	3,170	90,547
Assets under insurance contracts, shares	70,826	-	16,140	86,966
Assets under insurance contracts, derivatives	26	7,808	-	7,834
Total	689,432	1,127,141	27,965	1,844,538
Financial liabilities				
Derivatives				
Interest rate contracts	4,253	191,721	5,828	201,802
Currency contracts etc.	883	116,091	1,494	118,468
Obligations to repurchase securities	149,509	1,334	18	150,861
Bonds issued by Realkredit Danmark	694,519	-	-	694,519
Deposits under pooled schemes and unit-linked investment contracts	-	96,958	-	96,958
Other issued bonds	-	3,558	-	3,558
Total	849,164	409,662	7,340	1,266,166

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

At 30 September 2016, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 19,281 million (31 December 2015: DKK 18,516 million), illiquid bonds of DKK 4,977 million (31 December 2015: DKK 3,170 million) and derivatives with a net market value of DKK -817 million (31 December 2015: DKK -1,062 million).

Unlisted shares of DKK 18,674 million (31 December 2015: DKK 16,140 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 607 million (31 December 2015: DKK 2,376 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 61 million (31 December 2015: DKK 238 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 nine months of 2016, the Group recognised DKK -597 million in unrealised gains (2015: DKK 146 million) and DKK 386 million in realised gains (2015: DKK 74 million) on those shares. The unrealised adjustments in the first nine months of 2016 and in 2015 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised gains in the first nine months of 2016 amounted to DKK 794 million (2015: DKK 1,292 million) and the realised gains to DKK 469 million (2015: DKK 1,137 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 85 million (31 December 2015: DKK 65 million). If the credit spread narrows 50bp, fair value will increase DKK 88 million (31 December 2015: DKK 67 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 September 2016			31 December 2015		
	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value beginning of period	18,516	3,170	-1,062	14,674	1,610	-1,211
Value adjustment through profit or loss	1,052	-2	-257	2,649	125	-148
Acquisitions	12,264	3,391	61	4,704	1,520	-670
Sale and redemption	-12,551	-1,582	589	-3,511	-85	837
Transferred from quoted prices and observable input	-	-	12	-	-	-
Transferred to quoted prices and observable input	-	-	-160	-	-	131
Fair value end of period	19,281	4,977	-817	18,516	3,170	-1,062

11. Events after the reporting date

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 expires at the end of 2016. As part of this agreement, Mandatum Life has a right to sell all or part of the insurance portfolio sold under the agreement to Danske Bank Group. On 27 October 2016, Mandatum Life exercised this right.

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2015 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions) 30 September 2016	Lending activities			Counterparty risk (derivatives)	Trading and invest- ment securities	Customer-funded investments
	Total	Core	Non-core			
Balance sheet items						
Demand deposits with central banks	55.8	55.8	-	-	-	-
Due from credit institutions and central banks	222.4	222.3	-	-	-	-
Repo loans with credit institutions and central banks	33.4	33.4	-	-	-	-
Trading portfolio assets	552.9	-	-	350.3	202.6	-
Investment securities	335.4	-	-	-	335.4	-
Loans at amortised cost	929.2	909.5	19.7	-	-	-
Repo loans	198.2	198.2	-	-	-	-
Loans at fair value	765.5	765.5	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	94.1	-	-	-	-	94.1
Assets under insurance contracts	309.4	-	-	-	-	309.4
Off-balance-sheet items						
Guarantees	79.3	79.3	-	-	-	-
Loan commitments shorter than 1 year	129.1	124.7	4.4	-	-	-
Loan commitments longer than 1 year	157.8	157.4	0.4	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,863.1	2,546.2	24.6	350.3	538.5	403.5
31 December 2015						
Balance sheet items						
Demand deposits with central banks	66.2	66.2	-	-	-	-
Due from credit institutions and central banks	75.2	75.2	-	-	-	-
Repo loans with credit institutions and central banks	28.6	28.6	-	-	-	-
Trading portfolio assets	547.0	-	-	331.0	216.0	-
Investment securities	343.3	-	-	-	343.3	-
Loans at amortised cost	891.6	867.7	23.8	-	-	-
Repo loans	187.7	187.7	-	-	-	-
Loans at fair value	741.7	741.7	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	91.9	-	-	-	-	91.9
Assets under insurance contracts	265.6	-	-	-	-	265.6
Off-balance-sheet items						
Guarantees	81.8	81.7	-	-	-	-
Loan commitments shorter than 1 year	125.0	121.0	4.0	-	-	-
Loan commitments longer than 1 year	153.6	153.0	0.7	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,599.7	2,322.8	28.6	331.0	559.8	357.5

In addition to credit exposure from lending activities, Danske Bank had made loan offers and granted uncommitted lines of credit of DKK 356 billion at 30 September 2016 (31 December 2015: DKK 329 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.

Loans to customers for which objective evidence of impairment exists are placed in rating category 10 or 11, including 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 millions)	PD level Upper Lower		30 September 2016				31 December 2015			
			Acc. individual		Net exposure, ex collateral	Acc. individual		Net exposure, ex collateral		
			Gross exposure a	impairment charges b		Net exposure =a-b	Gross exposure a		impairment charges b	Net exposure =a-b
	0.00	0.01	240.0	-	240.0	220.9	99.3	-	99.3	83.1
	0.01	0.03	248.0	-	248.0	135.6	248.1	-	248.1	118.5
3	0.03	0.06	436.1	-	436.1	146.6	382.2	-	382.2	126.5
4	0.06	0.14	543.9	-	543.9	224.5	458.5	-	458.5	162.4
5	0.14	0.31	459.4	-	459.4	144.3	494.5	-	494.5	158.8
6	0.31	0.63	303.5	-	303.5	88.2	302.5	-	302.5	81.8
7	0.63	1.90	178.7	-	178.7	47.6	195.7	-	195.7	50.1
8	1.90	7.98	70.6	-	70.6	22.3	70.2	-	70.2	20.5
9	7.98	25.70	14.1	-	14.1	4.5	16.1	-	16.1	4.5
10	25.70	99.99	41.6	6.3	35.3	11.2	44.3	7.0	37.3	10.9
11 (default)	100.00	100.00	30.6	14.0	16.6	0.8	34.7	16.2	18.5	1.8
Total before collective impairment charges			2,566.5	20.3	2,546.2	1,046.7	2,345.9	23.2	2,322.8	818.8
Collective impairment charges			4.7				4.3			
Total gross exposure			2,571.3				2,350.3			

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 September 2016				31 December 2015			
	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	306.5	-	306.5	284.5	166.4	-	166.4	143.9
Banks	73.4	0.1	73.2	60.3	78.2	0.1	78.1	63.2
Credit institutions	11.3	-	11.3	4.0	8.8	-	8.8	2.8
Insurance	52.5	-	52.5	10.8	58.4	-	58.4	8.8
Investment funds	47.4	0.2	47.1	15.2	82.9	0.4	82.5	13.5
Other financials	98.1	-	98.1	56.6	65.1	-	65.1	36.7
Agriculture	66.3	3.2	63.1	11.6	66.4	2.7	63.7	12.5
Commercial property	303.3	3.8	299.5	59.8	289.1	4.8	284.3	51.7
Construction, engineering and building products	43.5	1.2	42.3	32.2	37.8	1.4	36.4	26.3
Consumer discretionary	98.5	1.8	96.7	56.1	91.8	1.9	89.9	47.7
Consumer staples	53.9	0.2	53.7	36.4	55.9	0.2	55.7	36.9
Energy and utilities	49.0	0.2	48.8	35.8	45.0	0.1	44.9	37.2
Health care	36.7	0.1	36.6	25.1	35.6	0.1	35.5	25.5
Industrial services, supplies and machinery	100.0	1.3	98.8	78.4	85.6	1.3	84.3	63.8
IT and telecommunication services	27.3	0.1	27.2	24.0	26.2	0.2	26.0	22.9
Materials	46.0	0.8	45.1	34.1	44.7	1.1	43.5	33.4
Non-profits and other associations	152.3	0.9	151.4	29.7	142.0	0.9	141.0	23.6
Other commercial	46.2	0.3	46.0	24.3	44.7	0.3	44.5	28.5
Shipping	39.7	0.9	38.8	15.1	44.5	1.1	43.4	19.2
Transportation	22.1	0.2	22.0	12.1	19.5	0.2	19.3	9.9
Personal customers	892.6	5.2	887.4	140.7	857.4	6.2	851.2	110.8
Total before collective impairment charges	2,566.5	20.3	2,546.2	1,046.7	2,345.9	23.2	2,322.8	818.8
Collective impairment charges	4.7				4.3			
Total gross exposure	2,571.3				2,350.3			

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 September 2016				31 December 2015			
	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	497.2	3.7	493.5	71.1	480.9	4.2	476.7	56.6
Finland	91.2	0.5	90.7	6.5	90.7	0.4	90.3	4.9
Sweden	74.4	0.1	74.3	13.8	72.4	0.1	72.3	8.9
Norway	113.0	0.1	112.9	25.3	96.3	0.1	96.3	18.6
Other	-	-	-	0.1	-	-	-	-
Personal Banking	775.8	4.4	771.5	116.8	740.4	4.8	735.6	89.0
Denmark	446.4	9.3	437.1	106.2	434.1	10.2	423.8	103.7
Finland	72.6	0.9	71.7	32.9	68.8	1.0	67.8	32.0
Sweden	153.3	0.6	152.7	61.9	148.4	0.6	147.7	50.1
Norway	79.7	0.9	78.8	33.5	71.2	0.7	70.4	25.0
Baltics	21.0	0.3	20.7	11.4	19.0	0.3	18.7	10.4
Other	-	-	-	-	-	-	-	-
Business Banking	773.1	12.0	761.1	245.8	741.4	13.0	728.5	221.3
C&I*	831.4	1.7	829.6	596.8	669.4	2.1	667.3	413.7
Wealth Management**	81.6	0.5	81.1	20.0	74.2	0.6	73.6	16.3
Northern Ireland**	64.9	1.8	63.1	30.6	72.7	2.6	70.0	33.8
Other	39.9	-	39.9	36.8	47.8	-	47.8	44.8
Total before collective impairment charges	2,566.5	20.3	2,546.2	1,046.8	2,345.9	23.2	2,322.8	818.8
Collective impairment charges	4.7				4.3			
Total gross exposure	2,571.3				2,350.3			

*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.

** Two new segments were established in 2016: Wealth Management and Northern Ireland. Customers have been transferred from the relevant business unit to the relevant new segment. Comparative figures have been restated accordingly.

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.

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 nine months of 2016, the Group recognised properties taken over in Denmark at a carrying amount of DKK 115 million (31 December 2015: DKK 76 million) and properties taken over in other countries at DKK 73 million (31 December 2015: DKK 388 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 2015. 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 September 2016		31 December 2015	
	Performing	Non-performing	Performing	Non-performing
Modification	67	1,140	36	1,347
Refinancing	249	14,130	1,848	9,150
Under probation	7,797	-	5,312	-
Total	8,113	15,270	7,196	10,497

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 any 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 forborne exposures that are now performing and are under probation.

(DKK millions)	30 September 2016	31 December 2015
Total non-performing loans	22,334	24,670
-portion in default	8,924	10,469
Coverage ratio (default) (%)	97	93
Coverage ratio (non-default) (%)	62	66
Coverage ratio (total non-performing loans) (%)	82	83
Non-performing loans as a percentage of total gross exposure (%)	1.7	2.0

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 2015	7,260	16,677	3,158	696	5,243	-	33,035	29,050	3,985
New and increased impairment charges	1,901	3,469	558	131	193	1	6,253	5,154	1,099
Reversals of impairment charges from previous periods	1,351	3,106	432	155	798	-	5,843	5,190	653
Write-offs debited to allowance account	938	2,006	1,150	31	2,128	-	6,254	6,254	-
Foreign currency translation	3	-7	175	4	348	-	523	503	20
Other items	-262	64	60	-38	-43	1	-219	-113	-106
31 December 2015	6,614	15,091	2,369	606	2,814	2	27,496	23,151	4,346
New and increased impairment charges	1,337	2,362	1,186	72	149	-	5,105	4,193	912
Reversals of impairment charges from previous periods	1,455	2,190	383	155	388	1	4,572	3,911	661
Write-offs debited to allowance account	630	1,292	489	28	278	-	2,717	2,717	-
Foreign currency translation	5	36	-4	-	-372	-	-334	-355	21
Other items	41	169	-181	107	-33	-	101	-21	122
30 September 2016	5,911	14,176	2,498	603	1,891	1	25,080	20,340	4,740

* Two new segments were established in 2016: Wealth Management and Northern Ireland. Customers have been transferred from the relevant business unit to the relevant new segment. Comparative figures have been restated accordingly. The introduction of the two new segments has led to minor changes for 2015 to netting of 'new and increased impairment charges' and 'reversals of impairment charges from previous periods'.

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 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 1.7 billion (31 December 2015: about DKK 2.7 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 2.3 billion (31 December 2015: about DKK 2.5 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.

In the third quarter of 2016, the Group entered into a binding agreement on the sale of a loan portfolio with a nominal value of DKK 1.9 billion in the Non-core segment. The transaction was settled in October 2016. The loan portfolio was not included in credit exposure as at 30 September 2016.

In 2015, the Group entered into an agreement to sell a residential mortgage loan portfolio relating to the Group's Non-core mass personal customer business in Lithuania and Latvia with a nominal value of DKK 4.3 billion. The transaction was settled in June 2016. The portfolio has not been included in credit exposure since the third quarter of 2015.

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

(DKK millions)	30 September 2016				31 December 2015			
	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	19,100	1,571	17,528	1,894	21,879	1,844	20,035	1,093
Consumer discretionary	98	84	14	-	191	129	61	12
Commercial property	491	323	168	-	752	445	307	-
Other	358	272	86	156	556	389	167	-
Non-core Banking	20,047	2,250	17,797	2,049	23,378	2,807	20,570	1,105
Non-core conduits etc.	6,996	229	6,767	834	8,235	243	7,992	3,109
Total Non-core before collective impairment charges	27,043	2,479	24,564	2,883	31,613	3,050	28,563	4,214
Collective impairment charges	439				865			
Total gross Non-core exposure	27,482				32,479			

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

(DKK millions)	30 September 2016						31 December 2015			
	PD level		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	0.00	0.01	162	-	162	-	208	-	208	-
2	0.01	0.03	1,919	-	1,919	-	2,398	-	2,398	-
3	0.03	0.06	1,072	-	1,072	78	1,447	-	1,447	864
4	0.06	0.14	1,961	-	1,961	494	2,704	-	2,704	1,028
5	0.14	0.31	196	-	196	-	490	-	490	113
6	0.31	0.63	1,041	-	1,041	29	680	-	680	-
7	0.63	1.90	1,980	-	1,980	-	13,142	-	13,142	1,177
8	1.90	7.98	12,056	-	12,056	1,595	1,194	-	1,194	-
9	7.98	25.70	449	-	449	35	716	-	716	54
10	25.70	99.99	3,015	611	2,404	651	3,570	640	2,929	978
11 (default)	100.00	100.00	3,192	1,868	1,324	-	5,063	2,410	2,653	-
Total Non-core before collective impairment charges			27,043	2,479	24,564	2,883	31,613	3,050	28,563	4,214
Collective impairment charges			439				865			
Total Non-core exposure			27,482				32,479			

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 3,316 million (31 December 2015: DKK 5,311 million), of which the average unsecured portion of non-performing loans was 17.9% at the end of September 2016 (31 December 2015: 17.9%).

Counterparty risk

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

(DKK billions)	30 September 2016	31 December 2015
Counterparty risk		
Derivatives with positive fair value	350.3	331.0
Credit exposure from other trading and investment securities		
Bonds	519.5	535.9
Shares	18.5	22.5
Other unutilised commitments	0.5	0.5
Total	888.8	889.8

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 September 2016							
Held-for-trading	85,689	1,027	36,353	51,174	5,706	5,970	185,919
Designated at fair value	33,336	731	88,446	14,564	5,679	3,193	145,950
Available-for-sale	519	-	58,831	-	720	-	60,069
Hold-to-maturity	67,334	1,322	55,922	535	2,059	420	127,592
Total	186,878	3,080	239,552	66,273	14,164	9,583	519,530
2015							
Held-for-trading	90,321	4,506	49,781	30,637	6,633	13,319	195,197
Designated at fair value	41,298	2,207	108,442	16,844	5,008	1,886	175,685
Available-for-sale	150	-	45,534	-	1,085	-	46,770
Hold-to-maturity	68,899	1,325	45,863	545	1,925	645	119,202
Total	200,668	8,038	249,620	48,027	14,651	15,850	536,854

At 30 September 2016, the Group had an additional bond portfolio worth DKK 155,953 million (31 December 2015: DKK 145,063 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2015 provides more information. For bonds classified as hold-to-maturity, fair value exceeded amortised cost at the end of 30 September 2016 and 31 December 2015.

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 September 2016							
Denmark	26,117	-	239,552	-	-	3,077	268,746
Sweden	29,386	-	-	66,246	-	2,130	97,762
UK	9,537	28	-	-	2,273	209	12,047
Norway	4,752	-	-	-	6,923	878	12,553
USA	8,372	211	-	-	1	105	8,688
Spain	13,058	-	-	-	379	-	13,437
France	23,725	-	-	-	1,124	539	25,388
Luxembourg	-	2,822	-	-	-	1	2,823
Finland	16,816	18	-	27	1,725	1,032	19,618
Ireland	2,944	-	-	-	18	18	2,980
Italy	3,351	-	-	-	-	-	3,351
Portugal	2,129	-	-	-	-	-	2,129
Austria	8,033	-	-	-	229	-	8,263
Netherlands	9,455	-	-	-	547	1,072	11,074
Germany	20,419	-	-	-	611	66	21,096
Belgium	8,173	-	-	-	130	-	8,303
Other	611	1	-	-	204	456	1,272
Total	186,878	3,080	239,552	66,273	14,164	9,583	519,530
31 December 2015							
Denmark	22,345	-	249,620	-	-	1,652	273,618
Sweden	27,285	-	-	48,027	-	3,719	79,031
UK	19,548	135	-	-	2,224	1,121	23,027
Norway	5,763	-	-	-	6,914	1,287	13,964
USA	8,081	1,132	-	-	-	771	9,984
Spain	9,502	-	-	-	917	-	10,418
France	20,846	-	-	-	1,123	528	22,497
Luxembourg	-	6,502	-	-	-	11	6,513
Finland	14,593	247	-	-	1,849	1,927	18,616
Ireland	4,618	-	-	-	90	48	4,756
Italy	7,194	-	-	-	-	-	7,194
Portugal	1,506	-	-	-	-	-	1,506
Austria	7,626	-	-	-	224	-	7,850
Netherlands	11,069	-	-	-	86	2,751	13,906
Germany	31,001	-	-	-	589	754	32,344
Belgium	8,873	-	-	-	333	-	9,206
Other	817	23	-	-	302	1,282	2,424
Total	200,668	8,038	249,620	48,027	14,651	15,850	536,854

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 September 2016							
AAA	96,086	1,563	239,276	66,273	13,257	2,750	419,205
AA+	32,125	343	-	-	424	132	33,024
AA	29,938	1,174	57	-	192	810	32,171
AA-	6,529	-	164	-	-	472	7,165
A+	146	-	-	-	272	928	1,346
A	40	-	-	-	-	1,852	1,892
A-	2,944	-	3	-	-	543	3,490
BBB+	6,143	-	-	-	-	367	6,510
BBB	10,767	-	52	-	-	748	11,567
BBB-	-	-	-	-	-	225	225
BB+	1,823	-	-	-	-	151	1,974
BB	305	-	-	-	-	388	693
BB-	-	-	-	-	-	-	-
Sub-inv. grade or unrated	32	-	-	-	19	217	268
Total	186,878	3,080	239,552	66,273	14,164	9,583	519,530
31 December 2015							
AAA	103,778	4,814	249,578	48,027	12,403	849	419,448
AA+	40,696	2,064	-	-	1,249	464	44,474
AA	25,435	1,160	-	-	346	529	27,470
AA-	7,118	-	-	-	-	1,186	8,304
A+	4,769	-	-	-	273	2,602	7,644
A	41	-	-	-	188	4,046	4,275
A-	600	-	-	-	186	1,077	1,863
BBB+	9,288	-	-	-	-	1,709	10,997
BBB	7,412	-	41	-	-	2,136	9,589
BBB-	1	-	-	-	-	346	347
BB+	1,499	-	-	-	-	270	1,769
BB	7	-	-	-	-	366	373
BB-	-	-	-	-	-	33	33
Sub-inv. grade or unrated	25	-	-	-	8	236	269
Total	200,668	8,038	249,620	48,027	14,651	15,850	536,854

Derivatives with positive fair value

(DKK millions)	30 September 2016	31 December 2015
Derivatives with positive fair value before netting	640,606	512,418
Netting (under accounting rules)	290,258	181,403
Carrying amount	350,348	331,015
Netting (under capital adequacy rules)	256,300	237,014
Net current exposure	94,048	94,000
Collateral	49,915	52,624
Net amount	44,133	41,376
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	266,274	225,479
Currency contracts	81,651	102,845
Other contracts	2,423	2,691
Total	350,348	331,015

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim report - first nine months 2016 of Danske Bank Group.

The interim financial statements have been prepared in accordance with IAS 34, Interim Financial reporting, as adopted by the EU. Furthermore, the interim report has been prepared in accordance with Danish disclosure requirements for interim reports of listed financial institutions.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 30 September 2016 and of the results of the Group's operations and the consolidated cash flows for the period starting 1 January 2016 and ending 30 September 2016. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 28 October 2016

Executive Board

Thomas F. Borgen
CEO

Tonny Thierry Andersen

Jacob Aarup-Andersen

James Ditmore

Gilbert Kohnke

Lars Mørch

Jesper Nielsen

Glenn Söderholm

Board of Directors

Ole Andersen
Chairman

Trond Ø. Westlie
Vice Chairman

Urban Bäckström

Lars-Erik Brenøe

Jørn P. Jensen

Rolv Erik Ryssdal

Carol Sergeant

Hilde Merete 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

Supplementary information

Conference call

Danske Bank will hold a conference call on 28 October 2016 upon the presentation of its interim report for the first nine months of 2016. The conference call is scheduled for 2.30pm CET and will be webcast live at danskebank.com.

Financial calendar

2 February 2017	Annual report 2016
16 March 2017	Annual General Meeting
28 April 2017	Interim report - first quarter 2017
20 July 2017	Interim report - first half 2017
2 November 2017	Interim report - first nine months 2017

Contacts

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Links

Danske Bank	danskebank.com
Denmark	danskebank.dk
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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