

# Interim Report 2004

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*This Interim Report is a translation of the original report in the Danish language (Halvårsrapport 2004). In case of discrepancies, the Danish report prevails.*

## Danske Bank Group – financial highlights

<b>CORE EARNINGS AND NET PROFIT FOR THE PERIOD</b> (DKr m)	First half 2004	First half 2003	Index 04/03	Full year 2003
Net interest income from banking activities, etc.	7,469	7,821	95	15,593
Fee and commission income, net	3,099	2,982	104	5,910
Trading income	1,501	1,858	81	3,315
Other core income	652	660	99	1,127
Core insurance earnings	505	551	92	1,004
<b>Total core income</b>	<b>13,226</b>	<b>13,872</b>	<b>95</b>	<b>26,949</b>
Operating expenses and depreciation	7,102	7,494	95	14,820
Core earnings before provisions	6,124	6,378	96	12,129
Provisions for bad and doubtful debts	452	947	48	1,662
Core earnings	5,672	5,431	104	10,467
Earnings from investment portfolios	601	1,282	47	2,569
Profit before tax	6,273	6,713	93	13,036
Tax	1,850	1,910	97	3,750
Net profit for the period	4,423	4,803	92	9,286
Portion attributable to minority interests	-	-	-	-
<b>BALANCE SHEET (DKr bn)</b>				
Bank loans and advances	427	398	107	397
Repo loans	146	78	187	126
Mortgage loans	508	484	105	498
Bonds and shares, etc.	432	444	97	494
Due to credit institutions and central banks	332	291	114	300
Deposits	461	429	107	435
Repo deposits	49	26	188	49
Issued bonds	735	697	105	765
Subordinated debt	38	32	119	34
Shareholders' equity	62	63	98	60
Total assets	1,827	1,722	106	1,826
<b>RATIOS AND KEY FIGURES</b>				
Net profit for the period per share, DKr	6.6	6.8		13.3
Net profit for the period as % p.a. of average shareholders' equity	14.3	15.4		15.2
Core earnings as % p.a. of average shareholders' equity	18.4	17.4		17.1
Cost/core income ratio, %	53.7	54.0		55.0
Solvency ratio, excl. net profit for the period, %	10.4	10.0		11.0
Core (tier 1) capital ratio, excl. net profit for the period, %	7.6	7.2		7.7
Share price, end of period, DKr	144.8	127.9		138.8
Book value per share, DKr	95.0	91.1		89.9
Number of full-time-equivalent staff, end of period:				
Danske Bank and consolidated subsidiaries	15,737	16,443		16,114
Non-consolidated subsidiaries (insurance companies)	820	831		821

## Review

- Core earnings up 4% on the first half of 2003
- Cost/core income ratio improved from 54.0% to 53.7%
- Increase in lending
- Declining provisions for bad and doubtful debts
- Fall in trading income and earnings from investment portfolios
- Net profit down by 8%
- Core earnings between DKr11bn and DKr12bn expected for full-year 2004

### Financial results for the first half of 2004

Group core earnings matched the expectations announced at the presentation of the Annual Report for 2003 and the report for the first quarter of 2004.

Danske Bank Group recorded a net profit of DKr4,423m for the first half of 2004, against DKr4,803m for the first half of 2003.

#### Core income

Core income fell by 5% to DKr13,226m, compared with the same period the year before.

Net interest income fell by 5% as lower money market rates in the Nordic markets put downward pressure on the deposit margin and the return on capital. The total effect of the fall in interest rates is estimated at a reduction in earnings of nearly DKr350m. The lending margin declined as well due to the decrease in interest rates and general pressure on interest margins. However, growth in lending more than compensated for this fall.

Earnings from fees and commissions rose by 4% due primarily to growing activity in the financial markets.

Trading income could not match the high level recorded in 2003 and fell by 19%.

Core insurance earnings decreased by 8% due primarily to an unsatisfactory result from health and accident insurance.

#### Expenses

The Group's operating expenses and depreciation declined by 5% to DKr7,102m, mainly as a result of staff reductions completed in 2003 and falling severance expenses. The cost/core income ratio improved to 53.7% from 54.0% in the same period of 2003.

#### Provisions for bad and doubtful debts

Provisions for bad and doubtful debts amounted to DKr452m, against DKr947m in the first half of 2003. Bad and doubtful debts stood at 0.08% p.a. of total loans, advances and guarantees, against 0.18% p.a. in the the same period the year before.

#### Core earnings

Against this background, core earnings increased by 4% to DKr5,672m.

#### Earnings from investment portfolios

Earnings from investment portfolios were DKr601m, against DKr1,282m in the first half of 2003. Investment portfolios in the banking business generated earnings of DKr509m, whereas earnings from the investment portfolios of Danica Pension amounted to DKr92m.

#### Tax

The Group's tax charge, including tax on loan loss reserves, is calculated to be DKr1,850m, corresponding to a tax rate of 30%.

### Return on equity

The return on equity was 14.3% p.a., against 15.4% p.a. in the first half of 2003. Core earnings as a percentage of shareholders' equity rose from 17.4% p.a. to 18.4% p.a. The net profit per share for the period fell from DKr6.8 to DKr6.6.

### Capital and solvency

#### Share capital

The share capital totalled DKr6,722,657,520 divided into 672,265,752 shares at the end of June 2004 after the cancellation of the 39,410,097 shares bought back under the repurchase programme in 2003.

In the first half of 2004, the Group bought back another 17,806,468 shares at an average price of 139.87 (excluding dividends), corresponding to a total market value of DKr2,491m. This buyback formed part of the repurchase programme of a total market value of DKr3.0bn under which 21,339,070 shares were bought back during the period beginning January 1, 2004, and ending July 15, 2004. At the annual general meeting in 2005, the Group will propose that the shares bought back be cancelled.

In the course of the second half of the year, Danske Bank plans a further repurchase of own shares of a market value of up to DKr3.0bn.

DANSKE BANK SHARES	First half 2004	First half 2003	Full year 2003
Average number of shares outstanding	666,794,232	706,961,360	696,374,857
Number of shares outstanding, end of period	654,459,284	695,372,185	672,265,752
Number of issued shares, end of period	672,265,752	711,675,849	711,675,849

#### Shareholders' equity

Shareholders' equity was DKr62bn at the end of the first half of 2004. The change in Group equity since the end of 2003 reflects, aside from the net profit for the period, the changes resulting from amendments to Danish accounting legislation (see Accounting policies below). In addition, the shareholders' equity was reduced by DKr2,491m after the share buyback in the first half of 2004.

#### Solvency

With a view to optimising its capital structure, Danske Bank issued notes of a nominal value of \$750m in the second quarter of 2004 in an issuance targeting primarily US investors. The notes were issued as hybrid (tier 1) capital, which ranks below supplementary capital and forms part of the core capital. Interest is payable for ten years at a fixed rate of 5.914% p.a.

In the second quarter of 2004, Danske Bank launched internal market risk models to calculate capital adequacy, and this led to a DKr10bn reduction in risk-weighted items, corresponding to 1.2%, at June 30, 2004.

The solvency ratio at the end of June 2004, excluding the net profit for the period, stood at 10.4%, of which 7.6 percentage points derive from Group core (tier 1) capital, including hybrid core capital.

CAPITAL AND SOLVENCY (DKr m)	June 30, 2004	June 30, 2003	December 31, 2003
Core capital, including hybrid core capital, less statutory deductions	60,222	56,763	58,699
Supplementary capital, less statutory deductions	22,630	22,448	25,351
Total capital base, less statutory deductions	82,852	79,211	84,050
Total risk-weighted items	796,347	790,316	766,985
Solvency ratio, %	10.4	10.0	11.0
Core (tier 1) capital ratio, %	7.6	7.2	7.7
Core (tier 1) capital ratio, excluding hybrid core capital, %	7.0	7.2	7.7

## Balance sheet

The total assets of the consolidated Group were Dkr1,827bn at the end of the period, against Dkr1,722bn a year earlier. Danica Pension's assets, which are not consolidated in the Group accounts, amounted to Dkr195bn, against Dkr188bn at June 30, 2003.

### Lending

Total loans and advances extended by the banking business increased by Dkr29bn, or 7%, to Dkr427bn. Domestic loans and advances grew by Dkr17bn, or 9%, reflecting a Dkr21bn increase in the retail segment and a Dkr4bn fall in the corporate segment.

Since the beginning of the year, domestic lending has risen by Dkr14bn, or 7%, of which the corporate segment accounted for Dkr3bn.

Foreign loans and advances grew by Dkr12bn, or 6%, reflecting a Dkr10bn increase in the retail segment and a Dkr2bn rise in the corporate segment compared with the same period last year. Loans and advances extended in the other Nordic countries increased by Dkr16bn, or 13%, while other non-Danish units recorded a decline in loans and advances of Dkr4bn, or 6%.

Since the beginning of the year, lending by units outside Denmark has risen by Dkr16bn, or 8%.

Repo loans grew by Dkr68bn to Dkr146bn, compared with the repo loan portfolio at the end of the first half of 2003. The growth was attributable to an increase in the business volume with selected global financial institutions.

Mortgage lending rose by 5% to Dkr508bn at the end of the period.

### Securities

Bonds and equities amounted to Dkr432bn, against Dkr444bn at the end of June 2003.

### Deposits

Deposits totalled Dkr461bn, against Dkr429bn at the end of June 2003. The increase of Dkr32bn was the result of a Dkr26bn increase in deposits made by customers in Denmark and a Dkr6bn increase in deposits made by customers abroad. Deposits made by corporate customers accounted for most of the increase.

## Accounting policies

The Interim Report for the first half of 2004 has been prepared in accordance with the rules of the Copenhagen Stock Exchange A/S for issuers of listed securities and the Danish Financial Supervisory Authority's order on the presentation of accounts, etc., by banks. The Group has not changed its accounting policies from those followed in the Annual Report for 2003 except in the instances indicated below. The changes were implemented to adjust the accounting policies to amendments to Danish accounting legislation.

With effect from January 1, 2004, software developed by the Group is capitalised as an intangible asset and amortised over its expected useful life, with a maximum of three years. Previously, development costs were charged fully to the profit and loss account in the year of development. The pre-tax profit for the period was Dkr81m higher because of the change. After tax, the effect was Dkr57m.

Certain types of fee income that form an integral part of the actual return on loans, advances, guarantees and the like are accrued over the term of such facilities. Previously, such types of fee income were booked as income on receipt. Shareholders' equity as at January 1, 2004, was Dkr198m lower because of this change. The change did not affect the profit for the period.

Comparative figures have not been restated.

## International Financial Reporting Standards (IFRS)

The Group plans to present its report for the first quarter of 2005 in accordance with the IFRS.

The IASB's restrictions on the valuation of assets at their fair value still need to be determined before the new international standards can be fully implemented. Apart from this, the Group is implementing the new standards as scheduled.

The Group expects to announce the financial effect of the implementation of the IFRS to come into force on January 1, 2005, in its Annual Report for 2004.

## Business areas

The organisational adjustment announced in October 2003 took effect on January 1, 2004. The adjustment included a separation of Banking Activities, Denmark, into a Danske Bank division and a BG Bank division.

Other Banking Activities comprises the Danish banking activities carried out by Nordania and HandelsFinans and the banking activities carried out in the UK, the USA, Luxembourg, Germany, Poland and Finland.

The comparative figures for 2003 have been restated to reflect the new organisational structure.

CORE EARNINGS (DKr m)	First half 2004	First half 2003	Index 04/03	Share First half 2004
- Banking Activities, Danske Bank	1,548	1,474	105	27%
- Banking Activities, BG Bank	751	681	110	13%
- Banking Activities, Norway	178	182	98	3%
- Banking Activities, Sweden	358	194	185	7%
- Other Banking Activities	788	709	111	14%
<b>Total Banking Activities</b>	<b>3,623</b>	<b>3,240</b>	<b>112</b>	<b>64%</b>
Mortgage Finance	1,094	1,075	102	19%
Danske Markets	504	631	80	9%
Danske Capital	193	133	145	3%
Danica Pension	505	551	92	9%
Other areas	-247	-199	-	-4%
<b>Total Group</b>	<b>5,672</b>	<b>5,431</b>	<b>104</b>	<b>100%</b>

The Group's total core earnings were DKr5,672m in the first half of 2004, against DKr5,431m in the first half of 2003, corresponding to an increase of 4%.

Core earnings from Other areas were adversely affected by the currency hedging of the earnings of non-Danish units and a lower return on allocated capital but benefited from the fall in severance payments.

Developments in the individual business areas are described in the following pages.

## Banking Activities, Danske Bank

Banking Activities, Danske Bank, encompasses the banking activities of the Danske Bank division in Denmark. Danske Bank caters to all types of retail and corporate customers. The Bank's finance centres serve large corporate customers, and its private banking department serves affluent retail customers. Banking Activities, Danske Bank, has 291 branches and almost 4,200 employees.

BANKING ACTIVITIES, DANSKE BANK (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Net interest income	2,732	2,853	1,373	1,359	1,414	1,403	1,411	5,670
Fee income	1,423	1,400	690	733	630	663	729	2,693
Other income	334	297	182	152	126	143	169	566
Core income	4,489	4,550	2,245	2,244	2,170	2,209	2,309	8,929
Operating expenses and depreciation	2,581	2,592	1,355	1,226	1,329	1,235	1,371	5,156
Core earnings before provisions	1,908	1,958	890	1,018	841	974	938	3,773
Provisions for bad and doubtful debts	360	484	138	222	203	132	487	819
Core earnings	1,548	1,474	752	796	638	842	451	2,954
Bank loans and advances, end of period	151,929	141,874	151,929	144,973	139,674	137,349	141,874	139,674
Deposits, end of period	185,040	180,005	185,040	179,150	178,553	180,396	180,005	178,553
Risk-weighted items (avg.)	155,762	146,875	161,964	149,560	148,766	146,745	148,451	147,319
Allocated capital (avg.)	10,125	9,547	10,528	9,721	9,670	9,538	9,649	9,576
Core earnings as % p.a. of allocated capital	30.6	30.9	28.6	32.8	26.4	35.3	18.7	30.8
Cost/core income ratio, %	57.5	57.0	60.4	54.6	61.2	55.9	59.4	57.7

- Core earnings up 5%
- Declining provisions for bad and doubtful debts
- Satisfactory sales of *Danske Prioritet*
- Growing market share of retail lending

Core earnings rose by 5% to DKr1,548m. The improvement was due to declining provisions for bad and doubtful debts.

Core income benefited from healthy growth in lending, and the increase in volume more than compensated for lower lending margins. Even so, net interest income fell by 4% due to a decrease of about 0.56 of a percentage point in short-term money market rates in comparison with the first half of 2003. This led to a fall in the return on allocated capital and reduced earnings on the deposit surplus. In addition, the corporate segment in particular exerted a general pressure on the lending margin.

The increase in fee income was generated by a larger trading volume in the securities market and a rise in lending fees.

Expenses were maintained at the same level as the previous period. Provisions for bad and doubtful debts amounted to DKr360m, against DKr484m in the first half of 2003.

Total lending rose by 7% from the first half of 2003. Retail loans rose by 40% since the end of June 2003 and by 17% since the end of 2003 owing mainly to satisfactory sales of the property financing product *Danske Prioritet*, which is an alternative to mortgage loans. This helped lift Danske Bank's share of the retail market from the level recorded in June 2003. Modest demand for corporate loans resulted in a 4% fall in this segment since June 2003. Corporate loans rose by 5% since the end of 2003.

Sales of customer packages were satisfactory. During the first six months, Danske Bank sold 40,000 *Danske Ekstra* customer packages. Sales of the customer packages *Danske Erhverv* and *Danske Ung* were also satisfactory. At the end of June, Danske Bank had sold a total of 317,000 customer packages.

In the first half, the Bank recorded an inflow of both corporate and retail customers to its finance centres and the rest of the branch network. Danske Bank carried out one branch merger in the first half of 2004.



## Banking Activities, BG Bank

Banking Activities, BG Bank, encompasses the banking activities of the BG Bank division in Denmark. BG Bank serves all types of retail customers and most corporate customers through its branch network. In addition, BG Bank serves a number of agricultural customers at special agricultural centres. Banking Activities, BG Bank, has 173 branches and just over 1,800 employees.

BANKING ACTIVITIES, BG BANK (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Net interest income	1,299	1,309	658	641	631	631	643	2,571
Fee income	610	591	296	314	303	300	296	1,194
Other income	68	79	36	32	32	24	54	135
Core income	1,977	1,979	990	987	966	955	993	3,900
Operating expenses and depreciation	1,229	1,257	641	588	658	602	644	2,517
Core earnings before provisions	748	722	349	399	308	353	349	1,383
Provisions for bad and doubtful debts	-3	41	20	-23	84	50	3	175
Core earnings	751	681	329	422	224	303	346	1,208
Bank loans and advances, end of period	50,889	45,847	50,889	48,138	47,543	45,373	45,847	47,543
Deposits, end of period	64,297	61,983	64,297	62,258	62,577	60,856	61,983	62,577
Risk-weighted items (avg.)	52,465	49,963	53,056	51,874	50,749	50,656	50,522	50,336
Allocated capital (avg.)	3,410	3,248	3,449	3,372	3,299	3,293	3,284	3,272
Core earnings as % p.a. of allocated capital	44.0	41.9	38.2	50.1	27.2	36.8	42.1	36.9
Cost/core income ratio, %	62.2	63.5	64.7	59.6	68.1	63.0	64.9	64.5

- Core earnings up 10%
- Declining provisions for bad and doubtful debts
- Increase in lending as a result of satisfactory *Bolig Plus* sales
- Improved cost/core income ratio
- Modest upward trend in share of retail lending

Core earnings were 10% higher in the first half of 2004 than in the first half of 2003. Core earnings before provisions rose 4%.

Net interest income was maintained largely at the level recorded in the first half of 2003. Growth in lending compensated for lower short-term money market rates, which put pressure on the deposit margin and generated a lower return on capital.

Fee income benefited from a larger trading volume on the securities markets.

Expenses were 2% lower than in the first half of 2003 owing to staff reductions in 2003. Provisions for bad and doubtful debts showed a positive result of DKr3m.

Total lending rose by 11% from the first half of 2003. Retail loans rose by 21% since the end of June 2003 and by 12% since the end of 2003 owing mainly to satisfactory sales of the property financing product *Bolig Plus*, which is an alternative to mortgage loans. Corporate loans rose by 2% since the end of June 2003 and by 2% since the end of 2003. The market share of retail loans showed a small rise.

In the first half of 2004, the number of *BG Plus* customer packages increased by 10,000. In the same period, BG Bank sold 2,000 *BG Erhverv* packages to self-employed persons. These packages were launched at the beginning of 2004. By the end of June, BG Bank had sold a total of 225,000 customer packages.

BG Bank benefited from favourable customer trends in the first half of 2004 when it extended its business with a number of customers who had previously used its facilities sparingly. No branches were merged in the first half of 2004.

## Banking Activities, Norway

Banking Activities, Norway, encompasses the banking activities of Fokus Bank in Norway. Banking Activities, Norway, has 64 branches and about 1,000 employees.

BANKING ACTIVITIES, NORWAY (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Net interest income	546	656	282	264	289	325	318	1,270
Fee income	121	116	63	58	68	73	61	257
Other income	25	39	11	14	11	16	29	66
Core income	692	811	356	336	368	414	408	1,593
Operating expenses and depreciation	510	555	255	255	284	244	291	1,083
Core earnings before provisions	182	256	101	81	84	170	117	510
Provisions for bad and doubtful debts	4	74	-9	13	19	43	46	136
Core earnings	178	182	110	68	65	127	71	374
Core earnings in local currency	203	204	125	78	82	139	86	425
Bank loans and advances, end of period	56,452	52,156	56,452	54,415	52,632	55,196	52,156	52,632
Deposits, end of period	28,706	30,383	28,706	27,961	28,424	28,299	30,383	28,424
Risk-weighted items [avg.]	45,805	48,371	46,936	44,674	45,334	47,513	48,223	47,389
Allocated capital [avg.]	2,977	3,144	3,051	2,904	2,947	3,088	3,134	3,080
Core earnings as % p.a. of allocated capital	12.0	11.6	14.4	9.4	8.8	16.4	9.1	12.1
Cost/core income ratio, %	73.7	68.4	71.6	75.9	77.2	58.9	71.3	68.0

- Core earnings remained stable in local currency
- Net interest income down by 17% due to sharp falls in short-term money market rates and the Norwegian krone
- Declining provisions for bad and doubtful debts
- Lending grew 10% in local currency
- Opening of new branches in Oslo, Bergen and Trondheim

Core earnings from Norwegian banking activities were largely unchanged. Core earnings before provisions declined DKr74m. Disregarding the effect of the depreciation of the Norwegian krone, the decrease in core earnings was DKr60m.

Core income declined because of noticeably lower money market rates in Norway. This resulted in a lower return on allocated capital and lower deposit margins, which together overshadowed the positive effects of the growth in lending. Measured in local currency, income fell by 9%, whereas expenses declined by 2%, mainly as a result of lower pension expenses.

Provisions for bad and doubtful debts amounted to DKr4m in the first half of 2004, against DKr74m in the first half of 2003.

Lending totalled Nkr64bn, reflecting a 17% increase in loans to retail customers and a 3% increase in loans to corporate customers. Demand for corporate loans remained moderate, although the inflow of new customers continued. The market share of both loans and deposits was 4%.

The inflow of retail customers was consistently high after the new branch openings and launches of new products and customer programmes in recent years. In the first half of 2004, new branches were opened in the three largest cities: Oslo, Bergen and Trondheim. Fokus Bank now serves 236,000 customers.

## Banking Activities, Sweden

Banking Activities, Sweden, encompasses the banking activities of Östgöta Enskilda Bank and Provsbankerne in Sweden. Banking Activities, Sweden, has 46 branches and about 1,000 employees.

BANKING ACTIVITIES, SWEDEN (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Net interest income	674	651	340	334	368	321	306	1,340
Fee income	211	145	111	100	88	87	69	320
Other income	27	30	15	12	18	26	17	74
Core income	912	826	466	446	474	434	392	1,734
Operating expenses and depreciation	566	519	279	287	293	250	254	1,062
Core earnings before provisions	346	307	187	159	181	184	138	672
Provisions for bad and doubtful debts	-12	113	-15	3	32	-34	10	111
Core earnings	358	194	202	156	149	218	128	561
Core earnings in local currency	440	241	246	194	187	256	159	684
Bank loans and advances, end of period	82,617	70,943	82,617	77,408	75,262	73,724	70,943	75,262
Deposits, end of period	28,622	24,067	28,622	26,377	26,131	26,161	24,067	26,131
Risk-weighted items [avg.]	66,037	61,636	67,565	64,509	62,380	63,023	62,404	62,173
Allocated capital [avg.]	4,292	4,006	4,392	4,193	4,055	4,096	4,056	4,041
Core earnings as % p.a. of allocated capital	16.7	9.7	18.4	14.9	14.7	21.3	12.6	13.9
Cost/core income ratio, %	62.1	62.8	59.9	64.3	61.8	57.6	64.8	61.2

- Core earnings rose 83% in local currency
- Core income up 10% despite falling interest rates
- Increasing fee income as a result of higher volume in the securities market
- Declining provisions for bad and doubtful debts
- Lending grew 15% in local currency
- Opening of two new branches in Stockholm

Core earnings from banking activities in Sweden amounted to DKr358m, against DKr194m in the first half of 2003.

Total growth in income was 10%, measured in local currency, compared with the first half of 2003.

Sound growth in lending offset the effect of lower money market rates. Net interest income, measured in local currency, rose by 4% from the first half of 2003.

Fee income advanced substantially on the strength of increased equity trading by customers, growing business volume and the launch of a new retail customer programme which gives customers access to a larger number of sophisticated banking products.

The rise in expenses reflects the increase in staff and the establishment of a new Swedish head office at *Norrmalmstorg* in Stockholm. Moreover, two new branches were opened in Stockholm in the first quarter of 2004. Provisions fell from DKr113m to a positive DKr12m.

Lending totalled SKr102bn, reflecting a 29% increase in loans to retail customers and an 8% increase in loans to corporate customers from the end of June 2003. Growth was attributable to the inflow of new customers through the branch network and to good sales of property financing solutions. The launch in May 2004 of a very competitive and flexible property financing solution, *Duoflex*, is expected to reinforce the positive trend.

The market share of lending was 9% and the share of deposits 4%, against 8% and 3%, respectively, in the first half of 2003. Danske Bank in Sweden now serves 180,000 customers.

## Other Banking Activities

*Other Banking Activities comprises the Danish banking activities of Nordania and HandelsFinans and banking activities carried out in the UK, the USA, Luxembourg, Germany, Poland and Finland.*

OTHER BANKING ACTIVITIES (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Net interest income	942	984	482	460	488	462	489	1,934
Fee income	312	287	164	148	176	116	151	579
Other income	62	101	27	35	22	26	59	149
Core income	1,316	1,372	673	643	686	604	699	2,662
Operating expenses and depreciation	428	452	223	205	281	235	220	968
Core earnings before provisions	888	920	450	438	405	369	479	1,694
Provisions for bad and doubtful debts	100	211	-4	104	43	143	-75	397
Core earnings	788	709	454	334	362	226	554	1,297
Bank loans and advances, end of period	92,630	94,713	92,630	89,223	86,812	91,833	94,713	86,812
Deposits, end of period	73,237	69,744	73,237	59,374	61,373	56,382	69,744	61,373
Risk-weighted items (avg.)	113,362	123,732	116,228	110,496	114,001	119,374	120,937	120,181
Allocated capital (avg.)	7,369	8,043	7,555	7,182	7,410	7,759	7,861	7,812
Core earnings as % p.a. of allocated capital	21.4	17.6	24.0	18.6	19.5	11.7	28.2	16.6
Cost/core income ratio, %	32.5	32.9	33.1	31.9	41.0	38.9	31.5	36.4

CORE EARNINGS (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Banking Activities, UK	320	184	215	105	198	5	129	387
Banking Activities, USA	96	185	49	47	-56	67	252	196
Nordania	144	138	57	87	54	78	63	270
HandelsFinans	35	48	21	14	15	16	30	79
Other	193	154	112	81	151	60	80	365
Total Other Banking Activities	788	709	454	334	362	226	554	1,297

### The UK

Core earnings from banking activities in the UK amounted to DKr320m, against DKr184m in the first half of 2003. Despite a fall in activity, core earnings, measured in local currency, rose by 68% from the first half of 2003, since lower income was offset by a reduction in costs and a sharp fall in loss provisions.

### The USA

Core earnings from US banking activities amounted to DKr96m, against DKr185m in the first half of 2003. Disregarding the effect of the fall in the dollar, core earnings declined by DKr81m from the first half of 2003. This trend is due to the ongoing reduction of exposure to businesses outside the Bank's principal markets in northern Europe and to one-off gains in 2003.

### Nordania

Core earnings were DKr144m, against DKr138m in the first half of 2003.

### Other

The growth in earnings from other areas came primarily from positive developments in activities in Luxembourg and Germany and from a general reduction in loss provisions. Moreover, expenses at the Bank's subsidiary in Luxembourg were lower than in the first half of 2003, when parts of the IT systems were converted to Danske Bank's IT platform.

## Mortgage Finance

Mortgage Finance encompasses the Danske Bank Group's mortgage finance and real-estate agency business in Denmark. The division markets its financing solutions through Realkredit Danmark, Danske Bank, BG Bank and "home". Real-estate agency business is carried out through "home".

MORTGAGE FINANCE (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Net interest income	1,507	1,587	756	751	788	851	783	3,226
Fee income	67	111	34	33	47	28	41	186
Other income	147	91	80	67	61	-24	16	128
Core income	1,721	1,789	870	851	896	855	840	3,540
Operating expenses and depreciation	624	690	310	314	370	347	360	1,407
Core earnings before provisions	1,097	1,099	560	537	526	508	480	2,133
Provisions for bad and doubtful debts	3	24	1	2	19	-19	-2	24
Core earnings	1,094	1,075	559	535	507	527	482	2,109
Loans, end of period	507,780	484,464	507,780	503,133	498,037	489,471	484,464	498,037
Risk-weighted items [avg.]	250,310	237,520	251,612	249,008	247,771	244,896	239,535	241,963
Allocated capital [avg.]	16,270	15,439	16,355	16,186	16,105	15,918	15,570	15,728
Core earnings as % p.a. of allocated capital	13.4	13.9	13.7	13.2	12.6	13.2	12.4	13.4
Cost/core income ratio, %	36.3	38.6	35.6	36.9	41.3	40.6	42.9	39.7

- Core earnings up 2%
- Decline in core income due to fall in interest rates and lower refinancing activity
- Loss provisions remained low
- Lending grew 5%
- Market share of net new lending adversely affected by sales of bank-based property loans

In the first half of 2004, Mortgage Finance generated core earnings of DKr1,094m, against DKr1,075m in the first half of 2003.

Core income was DKr1,721m, against DKr1,789m in the first half of 2003. Total lending was 5% higher than at the end of the first half of 2003. Core income was lower than in the same period of 2003 because the mortgage finance market did not see the same extraordinary refinancing activity in the first half of 2004. In addition, lower short-term money market rates led to smaller returns on allocated capital and liquid funds.

Operating expenses and depreciation were 10% lower than in the first half of 2003, mainly because of lower expenses for the development of new IT systems. Provisions for bad and doubtful debts fell from DKr24m to DKr3m.

Realkredit Danmark's gross lending totalled DKr71bn in the first half of 2004, against DKr88bn in the same period the year before. Its market share of gross lending stood at 30.5%, against 30.2% in the first half of 2003. The market share of net new lending was 23.1%, compared with 27.6% in the first half of 2003. Net new lending is defined as gross lending less repayment of loans with or without the raising of new loans. The market share was adversely affected by the bank branches' sales of the new property financing loans structured as bank facilities.

The loan portfolio rose by DKr23bn to DKr508bn since the end of June 2003, the private market accounting for 46% of the increase.

In the first half of 2004, interest-only loans still accounted for much of the activity in the private market. At the end of June, Realkredit Danmark had disbursed a total of DKr48bn worth of interest-only loans, which corresponded to a 40% share of market volume. Almost all interest-only loans were disbursed as FlexLån®. In the first half of 2004, FlexLån® accounted for 70% of all loans disbursed by Realkredit Danmark, against 52% for the whole of 2003. At the end of June 2004, FlexLån® constituted 47% of the mortgage loan portfolio, against 40% at the end of 2003.

## Danske Markets

*Danske Markets is responsible for the Group's activities in the financial markets. These activities include foreign exchange, equity and fixed-income trading, management of the Group's short-term liquidity and trading services for the Group's retail banking units. Danske Markets serves the largest corporate and institutional clients, providing financial products, advisory services regarding acquisitions and assistance to customers in connection with their issue of equity and debt on the international financial markets.*

DANSKE MARKETS (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Core income	1,176	1,403	486	690	620	581	702	2,604
Operating expenses and depreciation	672	772	290	382	310	320	422	1,402
Core earnings before provisions	504	631	196	308	310	261	280	1,202
Provisions for bad and doubtful debts	-	-	-	-	-	-	-	-
Core earnings	504	631	196	308	310	261	280	1,202
Loans, end of period	667	3,936	667	3,515	1,907	4,012	3,936	1,907
Risk-weighted items (avg.)	64,635	74,512	67,640	61,630	45,407	60,678	79,547	63,689
Allocated capital (avg.)	4,201	4,843	4,397	4,006	2,951	3,944	5,171	4,140
Core earnings as % p.a. of allocated capital	24.0	26.1	17.8	30.8	42.0	26.5	21.7	29.0
Cost/core income ratio, %	57.1	55.0	59.7	55.4	50.0	55.1	60.1	53.8

- Core earnings down by 20%
- Core income could not be maintained at the high level of 2003
- Higher earnings from equity trading and corporate finance

In the first half of 2004, Danske Markets generated core earnings of DKr504m, against DKr631m in the first half of 2003. Costs declined because of lower expenses for performance-based compensation.

Income from sales of fixed-income products was affected by the reversal of the past few years' downward trend in yields. The US markets, in particular, saw periods with sharp rises in yields. The changed yield scenario did not affect the leading position of Danske Markets in the Nordic markets.

Danske Markets consolidated its position in the markets for the three Nordic currencies. Trading with customers outside Denmark responded particularly well to the strengthened marketing effort. Trading in non-Nordic currencies remained high, and the growing trade between Danish businesses and businesses in eastern Europe has created a basis for an earnings contribution from the currencies of these countries.

Equity sales and earnings continued to show good growth. This growth was due to the generally positive sentiment in the equity markets, and focused research on companies in the Nordic region helped increase customer interest in trading. Using few resources, Danske Markets managed to generate satisfactory growth in sales in Norway and Sweden.

Corporate Finance carried out a number of significant advisory assignments for corporate and institutional clients, and earnings in the area rose satisfactorily. Customers showed increased interest in the possibility of raising fresh capital through share issues.

## Danske Capital

Danske Capital manages the funds of retail customers and institutional clients and the funds of Danica Pension, Firstnordic, Puljeinvest (pooled investment) and Flexinvest. The division also provides advisory services to Danske Invest and BG Invest. Investment management products are sold to retail and corporate customers through the country organisations and external distributors. Danske Capital serves institutional investors directly.

DANSKE CAPITAL (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Core income	350	329	171	179	178	178	170	685
Operating expenses and depreciation	157	196	82	75	117	89	108	402
Core earnings	193	133	89	104	61	89	62	283
Risk-weighted items (avg.)	553	1,291	58	1,048	1,628	1,303	1,409	1,379
Cost/core income ratio, %	44.9	59.6	48.0	41.9	65.7	50.0	63.5	58.7
Assets under management (DKr bn)	382	365	382	383	370	367	365	370

- Core earnings rose 45%
- Higher core income due to positive developments in the capital markets
- Increasing sales to institutional investors
- Lower costs

Core earnings amounted to DKr193m, against DKr133m in the first half of 2003. The increase was due to higher core income and lower expenses. The rise in core income of 6% was generated primarily by the increase in assets under management. The proportion of equities of total assets under management rose to 18% in the first half of 2004 from 16% in the first half of 2003.

Operating expenses and depreciation declined by 20%, due mainly to restructurings in 2003.

Total assets under management rose by 5%, compared with the level recorded at the end of June 2003, to DKr382bn. Increased sales accounted for DKr12bn of the DKr17bn rise, while the remainder was ascribable to developments in the equity and bond markets.

Sales to institutional investors and sales generated by Danske Capital's non-Danish units accounted for most of the increase. Sales by units in Sweden, Norway, Finland and Luxembourg amounted to DKr2.5bn. Sales of Danske Invest and BG Invest unit trust certificates remained at a high level in the first half of 2004. Danske Capital's market share of unit trusts targeting retail customers was 39% of total assets at the end of June 2004, against 42% at the same time in 2003.

Investment returns varied in the first half of 2004. The returns on bond portfolios fluctuated around the benchmark performance, while the global and European equity portfolios generally underperformed benchmark returns. Value was created in tactical asset allocation and a number of Nordic and eastern European equity funds. Moreover, the hedge fund Danske Hedge Mortgage Arbitrage Fund achieved an above-target return.

## Danica Pension

*Danica Pension encompasses all the Group's activities in the life insurance and pensions market. The area, marketed under the name of Danica Pension, is run by the Danica Pension Group and Forsikringselskabet Danica and targets both retail and corporate customers. Products are marketed through a range of distribution channels within the Danske Bank Group, primarily Banking Activities' outlets and Danica Pension's team of insurance brokers and advisers.*

DANICA PENSION (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Net interest income on allocated assets	143	151	72	71	97	62	68	310
Risk allowance	415	448	161	254	211	241	231	900
Unit-linked and health care business, etc.	39	41	5	34	-72	9	24	-22
Core insurance income	597	640	238	359	236	312	323	1,188
Funding cost, net	-92	-89	-47	-45	-57	-38	-41	-184
Core insurance earnings	505	551	191	314	179	274	282	1,004
Technical provisions	176,604	169,785	176,604	177,324	172,645	170,527	169,785	172,645
Allocated capital (solvency margin)	7,093	6,889	7,093	7,081	6,910	6,913	6,889	6,910
Core earnings as % p.a. of allocated capital	14.2	16.0	10.8	17.7	10.4	15.9	16.4	14.5

- At DKr7.2bn, gross premiums were at the same level as in the first half of 2003 - 12% growth in regular premiums and a decline in single premiums
- Unsatisfactory result from health and accident insurance reduced core income
- Return on investments of customer funds of 2.7%, against 4.8% the year before

Core earnings from the Group's insurance activities amounted to DKr505m, against DKr551m in the first half of 2003.

The life insurance risk allowance was DKr415m, against DKr448m in the first half of 2003. The lower risk allowance was due to a considerably lower result from health and accident insurance, although the improved cost result and the remaining risk result partly compensated for this fall. Health and accident insurance recorded a loss in the first half of 2004 due to the increase in provisions in response to a rise in the number of new claims and resumption of old ones. This trend is not satisfactory, and steps have been taken to improve the profitability of the health and accident business.

Danica Pension posted income of DKr39m from its unit-linked and health care businesses, etc., against DKr41m in the first half of 2003.

Danica Pension recorded a return on investments of customer funds of 2.7%, against 4.8% in the first half of 2003. The return on bonds, including derivatives, stood at 2.4%. The return on equities was 6.4%, and the return on real property was 4.3%. Investment assets consisted of bonds (80%), equities (11%) and real property (9%). In the first half of the year, Danica Pension made net investments in equities, increasing its equity risk by DKr1.8bn. Unit-linked life insurance customers with a medium-risk profile obtained a return of 4.3%.

Gross premiums, including premiums for unit-linked products, were DKr7.2bn, in line with the level in the same period of 2003. Up 12%, sales of policies with regular premiums were satisfactory. Income from single premiums was 30% lower than in the same period last year, which included an extraordinarily large amount of single premiums on the acquisition of a few large company schemes.

Gross premiums from unit-linked policies stood at DKr1.3bn in the first half of 2004, up 13% on the figure for the same period a year ago. Developments on the Swedish market were especially strong in the first half of 2004. In the health care area, the positive trend of 2003 continued, and the number of health care policies increased by 9%. However, the result was adversely affected by a high claims ratio for critical illness, whereas the run-off business for loss-of-earnings-capacity insurance performed as expected in the first half of 2004.



At the end of the first half of 2004, the collective bonus potential was DKr7.3bn, corresponding to a bonus rate of 5.0%. A 30% fall in share prices would reduce the collective bonus potential by about DKr4.5bn, whereas a fall of 1.0 percentage point in interest rates would not affect the collective bonus potential because the risk is hedged.

In July 2004, the Danica Group expanded its activities in Norway by purchasing the insurance and pension companies Nordenfjeldske Personforsikring AS and Gjensidige NOR Fondsforsikring AS. Gross premiums of the two acquired companies are expected to amount to DKr0.1bn in the second half of 2004. The Norwegian activities, including the Danica Link branch in Oslo, will be gathered in Trondheim in the course of 2004.

## Earnings from investment portfolios

Earnings from investment portfolios stem from the Group's own equity, fixed-income and currency positions, including the total portfolio of unlisted shares, which include shares in companies providing the financial infrastructure in Denmark.

EARNINGS FROM INVESTMENT PORTFOLIOS (DKr m)	First half 2004	First half 2003	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Full year 2003
Fixed-income and currency positions	115	531	-97	212	64	235	183	830
Shares								
Unlisted	266	375	220	46	102	-34	367	443
Listed	206	317	-46	252	23	24	262	364
Expenses	78	82	18	60	19	43	41	144
Earnings from investment portfolios, banking business	509	1,141	59	450	170	182	771	1,493
Share of return on investments, Danica Pension	92	141	19	73	-14	-5	65	122
Risk allowance, Danica Pension	0	0	0	0	954	0	217	954
Earnings from investment portfolios, Danica Pension	92	141	19	73	940	-5	282	1,076
Total earnings from investment portfolios	601	1,282	78	523	1,110	177	1,053	2,569
Risk-weighted items, banking business (avg.)	29,434	25,685	29,809	29,059	25,523	24,545	25,516	25,357
Allocated capital, banking business (avg.)	1,913	1,670	1,938	1,889	1,659	1,595	1,659	1,648

- Increasing bond yields in the second quarter
- Earnings from investment portfolios fell by half
- Lower interest rate risk

The Group's total earnings from investment portfolios were DKr601m in the first half of 2004, against DKr1,282m in the first half of 2003.

The first half of 2004 was characterised by increasing yields and volatile equity indices, which were slightly higher at the end of June than at the beginning of the year.

Earnings from investment portfolios generated by the banking business amounted to DKr509m, against DKr1,141m the year before.

Fixed-income and currency positions generated earnings of DKr115m in the first half of 2004, against DKr531m in the same period last year. Earnings fell because of the increase in yields, although the effect on earnings of this increase was partly offset by lower interest rate risk.

Equities generated a return of DKr472m, against DKr692m in the first half of 2003. The return on listed shares amounted to DKr206m in the first half of 2004, compared with DKr317m the year before. At a 10% change in equity prices, the Group's portfolio of listed shares would experience a change in earnings of around DKr80m, against some DKr50m at the end of June 2003.

Unlisted shares generated a return of DKr266m, against DKr375m in the first half of 2003. Holdings of unlisted shares totalled DKr3.4bn, against DKr3.2bn at June 30, 2003.

Earnings from investment portfolios in the insurance business totalled DKr92m, against DKr141m a year ago. The decline was ascribable primarily to a lower return on bonds.

The Group's overall sensitivity to a 1 percentage point change in interest rates was DKr476m at the end of June 2004. The highest interest rate risk during the first six months of 2004 was DKr1,088m and the lowest DKr354m.

The currency exposure, calculated in accordance with foreign exchange indicator 2 of the Danish Financial Supervisory Authority, was DKr39m at the end of the period. During the first six months of 2004, the lowest exposure was DKr11m and the highest DKr85m.

## Events after June 30, 2004

Danske Bank Group has made a conditional agreement to sell investment properties of a total value of Dkr1.0bn. The Group expects to complete the sale in the second half of 2004, at a profit of just over Dkr0.5bn.

Danske Bank expects to sell its holding of 45% of the shares in DMdata a/s to IBM Danmark A/S. Today, DMdata is in charge of the centralised IT operations of the Danske Bank Group.

In connection with the share sale, the parties to the sale will agree to extend the remaining term of the operating agreement from three and a half years to ten years. In future, the operating agreement will also cover the decentralised IT platform and the network and telephony platforms. These changes mean that some 330 staff members currently employed by the Group will work for DMdata.

In the second half of 2004, the Group will book a capital gain of just over Dkr100m on the sale of its shares in DMdata. In addition, the Group expects to cut IT operating expenses during the 10-year term of the agreement. The savings, which are expected to increase progressively over the next ten years, will amount to more than Dkr100m in 2005.

## Outlook for 2004

For 2004 as a whole, the Group still expects a generally positive trend in its business activities in comparison with 2003. Lower average interest rates in Denmark and Norway, however, are likely to leave net interest income at the level recorded in 2003. Fee income is expected to rise slightly in 2004 as a result of higher activity. Market conditions are likely to reduce trading income to a level below that recorded in 2003. Other core income is expected to rise as a result, among other things, of the profit on the planned sale of investment properties. Core insurance earnings are likely to remain at the same level as in 2003.

Total core income should be at roughly the same level as in 2003.

The decline in headcount in 2003 will help to cut staff expenses in 2004, and severance payments will be lower than in preceding years. IT operating expenses are also expected to decline. The Group will continue to focus on tight cost containment, and overall expenses are likely to fall in 2004, although at a slower pace than in 2003. Hence the downward trend in the cost/core income ratio recorded in recent years should continue in 2004.

The provisioning ratio is expected to fall below the level recorded in 2003.

Against this background, core earnings in 2004 should be between Dkr11bn and Dkr12bn.

Earnings from investment portfolios in the banking and insurance businesses will depend heavily on the trends in the financial markets, including the level of securities prices at the end of the year. As regards earnings from investment portfolios in the insurance business, the full risk allowance can be booked, assuming an unchanged interest rate level, even if equity prices fall by 15%.

The Group expects its tax charge, including the tax on loan loss reserves, to amount to 30% of pre-tax profit.

Copenhagen, August 17, 2004

# Danske Bank Group

<b>CORE EARNINGS AND NET PROFIT FOR THE PERIOD</b> (DKr m)	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Net interest income from banking activities, etc.	3,760	3,709	3,876	3,896	3,795
Fee and commission income, net	1,540	1,559	1,456	1,472	1,507
Trading income	645	856	815	642	875
Other core income	359	293	231	236	413
Core insurance earnings	191	314	179	274	282
<b>Total core income</b>	<b>6,495</b>	<b>6,731</b>	<b>6,557</b>	<b>6,520</b>	<b>6,872</b>
Operating expenses and depreciation	3,629	3,473	3,830	3,496	3,815
Core earnings before provisions	2,866	3,258	2,727	3,024	3,057
Provisions for bad and doubtful debts	131	321	400	315	469
Core earnings	2,735	2,937	2,327	2,709	2,588
Earnings from investment portfolios	78	523	1,110	177	1,053
Profit before tax	2,813	3,460	3,437	2,886	3,641
Tax	830	1,020	985	855	1,097
Net profit for the period	1,983	2,440	2,452	2,031	2,544
Portion attributable to minority interests	-	-	-	-	-
<b>BALANCE SHEET HIGHLIGHTS</b> (DKr bn)					
Bank loans and advances	427	410	397	397	398
Repo loans	146	144	126	124	78
Mortgage loans	508	503	498	489	484
Bonds and shares, etc.	432	429	494	435	444
Due to credit institutions and central banks	332	364	300	315	291
Deposits	461	448	435	417	429
Repo deposits	49	50	49	44	26
Issued bonds	735	723	765	693	697
Subordinated debt	38	33	34	34	32
Shareholders' equity	62	62	60	64	63
Total assets	1,827	1,842	1,826	1,768	1,722

## Profit and loss account for the six months ended June 30

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2004	2003	2004	2003
2, 9	Interest income	32,069	35,317	16,993	17,912
3	Interest expense	22,679	25,370	10,476	10,939
	Net interest income	9,390	9,947	6,517	6,973
9	Dividends from shares, etc.	246	171	213	155
4, 9	Fee and commission income	3,981	3,692	3,599	3,316
	Fees and commissions paid	722	654	586	550
	Net interest and fee income	12,895	13,156	9,743	9,894
5, 9	Securities and foreign exchange income	-366	227	-235	215
9	Other operating income	527	824	348	641
6	Staff costs and administrative expenses	6,964	7,343	5,631	5,868
	Amortisation, depreciation and write-downs	208	226	185	193
	Other operating expenses	8	8	8	7
	Provisions for bad and doubtful debts	452	947	411	812
7	Income from associated and subsidiary undertakings	849	1,030	2,652	2,843
	Profit before tax	6,273	6,713	6,273	6,713
8	Tax	1,850	1,910	1,850	1,910
	Net profit for the period	4,423	4,803	4,423	4,803
	Portion attributable to minority interests	-	-	-	-

## Balance sheet at June 30

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2004	2003	2004	2003
		<b>ASSETS</b>			
	Cash in hand and demand deposits with central banks	4,895	11,189	4,118	9,180
10	Due from credit institutions and deposits with central banks	208,338	167,499	241,772	214,912
11, 12	Loans and advances	1,081,084	960,123	487,214	403,044
	Bonds	416,491	432,083	369,014	400,073
	Shares, etc.	14,431	9,798	13,996	9,453
	Holdings in associated undertakings, etc.	1,425	1,315	1,040	934
	Holdings in subsidiary undertakings	13,758	12,277	49,947	46,194
	Intangible assets	156	41	156	41
	Tangible assets	5,732	6,113	4,502	4,758
13	Own shares	1,380	957	1,380	957
	Other assets	77,590	119,418	75,452	115,656
	Prepayments	1,394	985	1,290	860
	<b>Total assets</b>	<b>1,826,674</b>	<b>1,721,798</b>	<b>1,249,881</b>	<b>1,206,062</b>
		<b>LIABILITIES AND EQUITY</b>			
	Due to credit institutions and central banks	331,501	291,278	349,356	349,842
14	Deposits	509,754	455,119	478,749	424,430
15	Issued bonds	735,391	696,908	184,117	167,405
	Other liabilities	147,907	181,599	136,535	169,290
	Deferred income	879	622	756	516
16	Provisions for obligations	1,063	1,303	198	269
17	Subordinated debt	37,989	31,588	37,989	30,938
	Minority interests	9	9	-	-
	Shareholders' equity	62,181	63,372	62,181	63,372
	<b>Total liabilities and equity</b>	<b>1,826,674</b>	<b>1,721,798</b>	<b>1,249,881</b>	<b>1,206,062</b>
		<b>OFF-BALANCE-SHEET ITEMS</b>			
18	Guarantees, etc.	99,306	82,729	217,325	209,421
19	Other commitments	111,174	101,668	104,085	91,193
	<b>Total off-balance-sheet items</b>	<b>210,480</b>	<b>184,397</b>	<b>321,410</b>	<b>300,614</b>

# Capital

<b>MOVEMENTS IN THE CAPITAL OF DANSKE BANK IN THE FIRST HALF OF 2004</b> (DKr m)	Beginning of period	Capital reduction	Other additions	Other disposals	End of period
Share capital	7,117	-394	-	-	6,723
Equity method reserve	3,852	-	-	-	3,852
Reserve for own shares	986	-	394	-	1,380
Revaluation reserve	37	-	-	-4	33
Profit brought forward	48,459	394	4,029	-2,689	50,193
<b>Total shareholders' equity</b>	<b>60,451</b>	<b>-</b>	<b>4,423</b>	<b>-2,693</b>	<b>62,181</b>

<b>MOVEMENTS IN SHAREHOLDERS' EQUITY AND MINORITY INTERESTS</b> (DKr m)	<b>DANSKE BANK GROUP</b>	
	2004	2003
Shareholders' equity at January 1	60,451	60,319
Adjustment of accounting policies	-198	250
Reduction of own shares	-2,491	-2,000
Reversal of revaluation reserve upon sale	-4	-
Net profit for the period	4,423	4,803
<b>Shareholders' equity at June 30</b>	<b>62,181</b>	<b>63,372</b>
Minority interests at January 1	9	9
Minority interests at June 30	9	9

<b>CAPITAL BASE AND SOLVENCY RATIO</b> (DKr m)	<b>DANSKE BANK GROUP</b>		<b>DANSKE BANK</b>	
	2004	2003	2004	2003
Core capital	57,734	58,539	57,725	58,530
Hybrid core capital	4,586	-	4,586	-
Statutory deductions	-2,098	-1,776	-1,696	-1,084
<b>Core capital, including hybrid core capital, less statutory deductions</b>	<b>60,222</b>	<b>56,763</b>	<b>60,615</b>	<b>57,446</b>
Eligible subordinated debt and revaluation reserve	30,569	29,741	30,569	29,313
Statutory deduction for insurance subsidiaries	-7,100	-6,896	-7,093	-6,889
Other statutory deductions	-839	-397	-839	-397
<b>Supplementary capital, less statutory deductions</b>	<b>22,630</b>	<b>22,448</b>	<b>22,637</b>	<b>22,027</b>
<b>Total capital base, less statutory deductions</b>	<b>82,852</b>	<b>79,211</b>	<b>83,252</b>	<b>79,473</b>
Weighted items				
not included in trading portfolio	739,114	712,427	499,795	481,413
with market risk included in trading portfolio	57,233	77,889	55,416	79,119
<b>Total weighted items</b>	<b>796,347</b>	<b>790,316</b>	<b>555,211</b>	<b>560,532</b>
Core (tier 1) capital ratio, %	7.56	7.18	10.92	10.25
Solvency ratio, %	10.40	10.02	14.99	14.18
Statutory minimum solvency requirement, %	8.00	8.00	8.00	8.00

The solvency ratio is calculated in accordance with the rules on capital adequacy for banks and certain credit institutions. The rules stipulate that the Group's insurance subsidiaries are not to be consolidated into the Group accounts. Hence, the solvency margins of these companies are deducted from the Group's capital base before the capital base is included in the calculation of its solvency ratio. The consequent reduction in the solvency ratio was 0.8 percentage points at June 30, 2004, similar to the reduction at the end of 2003.

# Notes to the profit and loss account

Note

1	Segments, first half 2004								Earnings		Total *
	(DKr m)	Banking Activities	Mortgage Finance	Danske Markets	Danske Capital	Danica Pension	Other	Core earnings	investment portfolios	Trading income, etc.	
	Net interest income	6,193	1,507	-	4	-	-235	7,469	647	1,274	9,390
	Dividends from shares, etc.	126	-	-	-	-	-	126	125	-5	246
	Fee and commission income	2,677	67	-	351	-	4	3,099	-10	170	3,259
	Net interest and fee income	8,996	1,574	-	355	-	-231	10,694	762	1,439	12,895
	Trading income/Securities and foreign exchange income	323	79	1,172	-5	-	-68	1,501	-330	-1,537	-366
	Other operating income	67	68	4	-	-	387	526	1	-	527
	Expenses, depreciation and amortisation	5,314	624	672	157	-	327	7,094	78	-	7,172
	Other operating expenses	-	-	-	-	-	8	8	-	-	8
	Insurance activities/ Income from associated and subsidiary undertakings	-	-	-	-	505	-	505	246	98	849
	Provisions for bad and doubtful debts	449	3	-	-	-	-	452	-	-	452
	Profit before tax	3,623	1,094	504	193	505	-247	5,672	601	-	6,273
	Total assets (avg.)	527,693	524,923	686,019	3,586	-	8,541	1,750,762	119,757	-	1,870,519
	Risk-weighted items (avg.)	433,431	250,310	64,635	553	-	5,029	753,958	29,434	-	783,392
	Allocated capital (avg.)	28,173	16,270	4,201	36	7,093	327	56,100	1,913	-	58,013
	Number of full-time-equivalent staff at June 30	8,871	998	533	189	820	5,110	16,521	36	-	16,557

## Segments, first half 2003

	Segments, first half 2003								Earnings		Total *
	(DKr m)	Banking Activities	Mortgage Finance	Danske Markets	Danske Capital	Danica Pension	Other	Core earnings	investment portfolios	Trading income, etc.	
	Net interest income	6,453	1,587	-	-	-	-219	7,821	765	1,361	9,947
	Dividends from shares, etc.	101	-	-	-	-	-	101	67	3	171
	Fee and commission income	2,539	111	-	346	-	-14	2,982	-13	69	3,038
	Net interest and fee income	9,093	1,698	-	346	-	-233	10,904	819	1,433	13,156
	Trading income/Securities and foreign exchange income	325	36	1,403	-17	-	111	1,858	-108	-1,523	227
	Other operating income	120	55	-	-	-	384	559	265	-	824
	Expenses, depreciation and amortisation	5,375	690	772	196	-	453	7,486	83	-	7,569
	Other operating expenses	-	-	-	-	-	8	8	-	-	8
	Insurance activities/ Income from associated and subsidiary undertakings	-	-	-	-	551	-	551	389	90	1,030
	Provisions for bad and doubtful debts	923	24	-	-	-	-	947	-	-	947
	Profit before tax	3,240	1,075	631	133	551	-199	5,431	1,282	-	6,713
	Total assets (avg.)	494,801	509,640	644,042	1,159	-	10,653	1,660,295	81,550	-	1,741,845
	Risk-weighted items (avg.)	430,577	237,520	74,512	1,291	-	8,662	752,562	25,685	-	778,247
	Allocated capital (avg.)	27,988	15,439	4,843	84	6,889	563	55,806	1,670	-	57,476
	Number of full-time-equivalent staff at June 30	9,108	1,015	515	202	831	5,565	17,236	38	-	17,274

\* The accounting format of the Danish Financial Supervisory Authority.



## Notes to the profit and loss account

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2004	2003	2004	2003
<b>2</b>	<b>Interest income</b>				
	Repo transactions with central banks	92	146	84	119
	Central banks	836	1,020	824	884
	Repo transactions with credit institutions	687	1,347	685	1,343
	Credit institutions	1,235	796	1,385	712
	Mortgage loans	12,883	14,211	-	-
	Repo loans	1,336	842	1,335	841
	Loans and advances	9,665	11,071	7,991	8,751
	Bonds	6,300	7,844	5,550	7,202
	Derivatives				
	Currency contracts	-671	-1,605	-661	-1,476
	Interest rate contracts	-412	-472	-241	-464
	Total derivatives	-1,083	-2,077	-902	-1,940
	Other interest income	118	117	41	-
	<b>Total</b>	<b>32,069</b>	<b>35,317</b>	<b>16,993</b>	<b>17,912</b>
<b>3</b>	<b>Interest expense</b>				
	Repo transactions with central banks	58	16	58	16
	Central banks	1,045	1,083	1,038	1,083
	Repo transactions with credit institutions	558	1,533	554	1,578
	Credit institutions	2,451	1,611	2,565	1,620
	Repo deposits	508	333	508	332
	Deposits	3,668	5,129	3,299	4,149
	Mortgage bonds issued	11,792	13,340	-	-
	Other bonds issued	1,638	1,470	1,563	1,402
	Subordinated debt	893	765	878	747
	Other interest expenses	68	90	13	12
	<b>Total</b>	<b>22,679</b>	<b>25,370</b>	<b>10,476</b>	<b>10,939</b>
<b>4</b>	<b>Fee and commission income</b>				
	Guarantee commissions	279	214	383	342
	Securities and custody commissions	1,336	1,274	1,302	1,246
	Payment services	743	709	717	687
	Remortgaging and loan fees	891	930	628	601
	Other commissions	732	565	569	440
	<b>Total</b>	<b>3,981</b>	<b>3,692</b>	<b>3,599</b>	<b>3,316</b>

## Notes to the profit and loss account

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2004	2003	2004	2003
<b>5</b>	<b>Securities and foreign exchange income</b>				
	Bonds	-730	747	-608	681
	Shares	658	856	661	839
	Fixed-rate loans and advances	43	25	34	36
	Foreign exchange	385	97	342	67
	Derivatives				
	Currency contracts	-100	-55	-95	-56
	Interest rate contracts	32	-302	87	-211
	Equity contracts	-225	-723	-226	-723
	Other contracts	-12	-10	-13	-10
	Total derivatives	-305	-1,090	-247	-1,000
	Adjustment for pooled schemes	-417	-408	-417	-408
	<b>Total</b>	<b>-366</b>	<b>227</b>	<b>-235</b>	<b>215</b>
	Securities and foreign exchange income after adjustment for pooled schemes				
	Bonds	-625	547	-504	481
	Shares	226	266	229	249
	Fixed-rate loans and advances	43	25	35	36
	Foreign exchange	295	480	251	450
	Derivatives	-305	-1,091	-246	-1,001
	<b>Total</b>	<b>-366</b>	<b>227</b>	<b>-235</b>	<b>215</b>
<b>6</b>	<b>Staff costs and administrative expenses</b>				
	Salaries and remuneration of Board of Directors and Executive Board				
	Executive Board	4	4	4	4
	Board of Directors	4	5	4	5
	<b>Total</b>	<b>8</b>	<b>9</b>	<b>8</b>	<b>9</b>
	Staff costs				
	Salaries	3,690	4,050	3,175	3,513
	Pension costs	366	407	312	333
	Financial services employer tax, etc.	421	423	364	363
	<b>Total</b>	<b>4,477</b>	<b>4,880</b>	<b>3,851</b>	<b>4,209</b>
	Other administrative expenses, gross	2,662	2,599	1,955	1,795
	Consideration for administrative services from non- consolidated subsidiaries	-183	-145	-183	-145
	Other administrative expenses, net	2,479	2,454	1,772	1,650
	<b>Total staff costs and administrative expenses</b>	<b>6,964</b>	<b>7,343</b>	<b>5,631</b>	<b>5,868</b>

## Notes to the profit and loss account

Note

6 (cont'd)

### Equity-based incentive programme

#### Share options

	Number				Strike price	Market value (DKr m)	
	Executive Board	Senior staff	Other employees	Total		At issue	30 June 04
Allotted in 2001, beg.	83,335	468,960	70,815	623,110	152.89	21.5	6.3
Cancelled/added	-	-8,330	8,330	0	-	-	-
Allotted in 2001, end	83,335	460,630	79,145	623,110	152.89	21.5	6.3
Allotted in 2002, beg.	112,667	1,013,933	81,867	1,208,467	140.84	41.7	20.0
Cancelled/added	-	-19,667	-22,000	-41,667	-	-	-
Allotted in 2002, end	112,667	994,266	59,867	1,166,800	140.84	40.3	19.4
Allotted in 2003, beg.	138,600	1,246,600	24,800	1,410,000	118.50	28.4	40.0
Cancelled/added	-	-41,200	-6,800	-48,000	-	-	-
Allotted in 2003, end	138,600	1,205,400	18,000	1,362,000	118.50	27.4	38.7
Allotted in 2004	190,667	1,992,510	96,805	2,279,982	157.18	41.0	34.6
Cancelled/added	-	-	-	-	-	-	-
Allotted in 2004, end	190,667	1,992,510	96,805	2,279,982	157.18	41.0	34.6

#### Specification of share options allotted to the Executive Board

Allotted in 2001, end							
Peter Straarup	57,145			57,145	152.89	2.0	0.6
Jakob Brogaard	26,190			26,190	152.89	0.9	0.3
Allotted in 2002, end							
Peter Straarup	66,667			66,667	140.84	2.3	1.1
Jakob Brogaard	46,000			46,000	140.84	1.6	0.8
Allotted in 2003, end							
Peter Straarup	81,600			81,600	118.50	1.6	2.3
Jakob Brogaard	57,000			57,000	118.50	1.1	1.6
Allotted in 2004, end							
Peter Straarup	116,667			116,667	157.18	2.1	1.8
Jakob Brogaard	74,000			74,000	157.18	1.3	1.1

Market value is calculated according to a dividend-adjusted Black & Scholes formula on the basis of the following assumptions on June 30, 2004: Share price 144.77. Dividend 4.5%. Interest rate 2.9-3.9%. Volatility 20.0%. Average time to expiry 1.88-4.75 years. The lifetime of the share options is seven years from allotment, consisting of a vesting period of three years and an exercise period of four years.

## Notes to the profit and loss account

Note

6 (cont'd)

### Equity-based incentive programme

#### Purchase rights to conditional shares

	Number				Market value (DKr m)	
	Executive Board	Senior staff	Other employees	Total	At issue	30 June 04
Allotted in 2002, beg.	7,969	62,140	273,049	343,158	43.9	49.7
Cancelled/added	-	4,855	-6,432	-1,577	-	-
Allotted in 2002, end	7,969	66,995	266,617	341,581	43.7	49.5
Allotted in 2003, beg.	9,706	74,205	313,902	397,813	42.9	57.6
Cancelled/added	-	3,329	-6,863	-3,534	-	-
Allotted in 2003, end	9,706	77,534	307,039	394,279	42.5	57.1
Allotted in 2004	5,377	57,394	247,032	309,803	44.3	44.9
Cancelled/added	-	-	-	-	-	-
Allotted in 2004, end	5,377	57,394	247,032	309,803	44.3	44.9
Specification of purchase rights allotted to the Executive Board						
Allotted in 2002, end						
Peter Straarup	5,247			5,247	0.7	0.8
Jakob Brogaard	2,722			2,722	0.3	0.4
Allotted in 2003, end						
Peter Straarup	6,377			6,377	0.7	0.9
Jakob Brogaard	3,329			3,329	0.4	0.5
Allotted in 2004, end						
Peter Straarup	3,058			3,058	0.4	0.4
Jakob Brogaard	2,319			2,319	0.3	0.3

Conditional shares, which constitute part of the bonuses set for the year, are available three years after allotment subject to continuous employment.

The number of Danske Bank shares (exclusive of options and rights to buy conditional shares) held by the Board of Directors and the Executive Board was 36,434 at June 30, 2004 (36,453 at the end of 2003).

## Notes to the profit and loss account

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK					
		2004	2003	2004	2003				
7	<b>Income from associated and subsidiary undertakings</b>								
	Income from associated undertakings, etc.	164	250	149	237				
	Income before tax from subsidiary undertakings	685	780	2,503	2,606				
	<b>Total</b>	<b>849</b>	<b>1,030</b>	<b>2,652</b>	<b>2,843</b>				
8	<b>Tax (minus denotes a credit)</b>								
	The current tax rate of the Danske Bank Group	30.0	30.0	30.0	30.0				
	Non-liable income and non-deductible expenses, etc., %	-1.7	-0.3	-1.7	-0.3				
	Adjustment of prior-year tax charges, %	0.4	-2.6	0.4	-2.6				
	Difference in tax rate of foreign units from Danish tax rate, %	0.3	0.8	0.3	0.8				
	Tax on provisions, %	0.5	0.6	0.5	0.6				
	<b>Effective tax rate</b>	<b>29.5</b>	<b>28.5</b>	<b>29.5</b>	<b>28.5</b>				
9	<b>Geographical segments</b>								
		Gross income		Core earnings before provisions		Total assets		Number of employees	
	(DKr m)	2004	2003	2004	2003	2004	2003	2004	2003
	Denmark	31,601	34,330	6,454	6,723	1,585,849	1,631,367	13,952	14,591
	Finland	181	220	42	39	9,586	11,021	48	54
	Germany	178	145	64	55	9,222	6,536	37	38
	Hong Kong	-	-	-	-	-	23	-	-
	Luxembourg	567	462	107	78	33,941	38,851	109	102
	Norway	1,718	2,823	222	275	87,133	73,880	1,025	1,048
	Poland	83	43	11	7	2,187	1,458	47	52
	Sweden	2,974	2,788	383	335	196,780	184,545	1,119	1,124
	United Kingdom	2,420	2,332	510	507	168,289	111,528	153	197
	United States	795	829	150	185	125,104	121,603	67	68
	Eliminations	-4,060	-3,741	-1,819	-1,826	-391,417	-459,014	-	-
	<b>Total</b>	<b>36,457</b>	<b>40,231</b>	<b>6,124</b>	<b>6,378</b>	<b>1,826,674</b>	<b>1,721,798</b>	<b>16,557</b>	<b>17,274</b>

Geographical segmentation is based on the locations where the individual transactions are recorded. The figures for Denmark include funding costs related to investments in foreign activities.

Total gross income comprises interest income, dividends, fee and commission income, securities and foreign exchange income (net), and other operating income.

## Notes to the balance sheet

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2004	2003	2004	2003
10	<b>Due from credit institutions and deposits with central banks</b>				
	Repo transactions with central banks	12,788	11,206	11,966	9,536
	Other deposits with central banks	69,413	46,775	49,724	46,775
	Repo transactions with credit institutions	71,841	61,175	72,093	61,187
	Other amounts due from credit institutions	54,296	48,343	107,989	97,414
	<b>Total</b>	<b>208,338</b>	<b>167,499</b>	<b>241,772</b>	<b>214,912</b>
11	<b>Loans and advances</b>				
	Mortgage loans	507,834	484,536	-	-
	Repo loans	146,141	78,276	145,704	78,200
	Leases	22,357	20,922	16,575	14,555
	Other loans and advances through foreign units	216,851	211,642	132,005	133,609
	Other loans and advances	187,901	164,747	192,930	176,680
	<b>Total</b>	<b>1,081,084</b>	<b>960,123</b>	<b>487,214</b>	<b>403,044</b>
12	<b>Accumulated provisions</b>				
	Provisions against loans, advances and guarantees at June 30	12,089	12,410	10,247	10,388
	Provisions against amounts due from credit institutions and other items involving a credit risk at June 30	292	314	283	311
	<b>Total</b>	<b>12,381</b>	<b>12,724</b>	<b>10,530</b>	<b>10,699</b>
	Accumulated provisions against loans, advances and guarantees as a percentage of loans, advances and guarantees at June 30	1.02	1.19	1.45	1.70
	Non-accrual loans and advances to customers and non-accrual amounts due from credit institutions at June 30	4,406	3,983	3,884	3,304
13	<b>Own shares recognised at market value</b>				
	Number of own shares (in thousands)	9,533	7,560	9,533	7,560
	Nominal holding of own shares	95	76	95	76
	Book value	1,380	957	1,380	957
	Of which pooled schemes	433	372	433	372
	Percentage of share capital at June 30	1.4	1.0	1.4	1.0
	<b>Own shares recognised at nil</b>				
	Own shares acquired with the object of reducing the share capital are written down to nil against shareholders' equity				
	Number of own shares (in thousands)	17,806	16,304	17,806	16,304
	Nominal holding of own shares	178	163	178	163
	Cost	2,491	2,000	2,491	2,000
	Percentage of share capital at June 30	2.6	2.3	2.6	2.3
14	<b>Deposits</b>				
	On demand	219,342	214,521	192,553	187,335
	At notice	7,352	7,026	5,960	6,262
	Time deposits	186,021	159,635	183,197	156,920
	Repo deposits	48,703	26,393	48,703	26,369
	Special deposits	48,336	47,544	48,336	47,544
	<b>Total</b>	<b>509,754</b>	<b>455,119</b>	<b>478,749</b>	<b>424,430</b>
15	<b>Issued bonds</b>				
	Mortgage bonds	542,230	525,142	-	-
	Other bonds	193,161	171,766	184,117	167,405
	<b>Total</b>	<b>735,391</b>	<b>696,908</b>	<b>184,117</b>	<b>167,405</b>
16	<b>Provisions for obligations</b>				
	Reserves in early series subject to a reimbursement obligation	672	777	-	-
	Pensions and similar obligations	314	277	126	101
	Cases pending	77	90	72	72
	Other provisions for obligations	-	159	-	96
	<b>Total</b>	<b>1,063</b>	<b>1,303</b>	<b>198</b>	<b>269</b>

## Notes to the balance sheet

Note

17 **Subordinated debt**

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid core capital which, in case of the Bank's voluntary or compulsory winding-up, will not be repaid until after the claims of ordinary creditors have been met. The capital base, as calculated in accordance with sections 124, 132 and 136 of the Danish Financial Business Act, includes subordinated debt.

**Subordinated debt issued by Danske Bank A/S**

Denomination	Millions	Rate of interest	Issued	Maturity	Redemption price	2004 (DKr m)	2003 (DKr m)
<b>Redeemed loans</b>							
USD	200	7.25	21/6 1995	2005	100	1,223	3,008
JPY	10,000	6.30	14/9 1992	2010	100	561	1,300
DKK	75	6.00	30/9 1999	2007	100	75	541
GBP	125	floating	22/7 1996	2007	100	1,385	75
GBP	75	floating	22/10 1996	2007	100	831	1,340
EUR	150	floating	24/11 1999	2007	100	1,115	804
USD	300	6.375	17/6 1998	2008	100	1,835	1,114
USD	300	floating	4/4 1997	2009	100	1,835	1,951
USD	500	7.40	11/6 1997	2010	100	3,057	3,251
EUR	700	5.75	26/3 2001	2011	100	5,203	5,201
EUR	400	5.875	26/3 2002	2015	100	2,973	2,972
EUR	500	5.125	12/11 2002	2012	100	3,716	3,715
EUR	500	4.250	20/6 2003	2016	100	3,716	3,715
NOK	1,770	floating	12/9 2003	2014	100	1,559	-
GBP	350	5.375	29/9 2003	2021	100	3,878	-
NOK	500	floating	22/12 2003	2014	100	441	-
Total value of capital instruments constituting supplementary capital issued by Danske Bank A/S						33,403	30,938

**Hybrid core capital issued by Danske Bank A/S**

USD	750	5.914	15/6 2004	Perpetual	100	4,586	-
Total subordinated debt issued by Danske Bank A/S						37,989	30,938

**Capital instruments issued by subsidiaries included in the Group's capital base**

Redeemed loans						-	650
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Total subordinated debt issued by the Danske Bank Group						37,989	31,588
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Subordinated debt included in the capital base of Danske Bank A/S						35,123	29,275
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Subordinated debt included in the capital base of the Danske Bank Group						35,123	29,703
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The cost of repaying and issuing subordinated debt amounted to DKr42m in 2004.

In 2003, the corresponding amount was DKr5m.

## Notes to off-balance-sheet items

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2004	2003	2004	2003
18	<b>Guarantees, etc.</b>				
	Financial guarantees	25,151	22,257	69,097	65,065
	Other guarantees	74,155	59,310	148,228	143,194
	Acceptances and endorsements, etc.	-	1,162	-	1,162
	<b>Total</b>	<b>99,306</b>	<b>82,729</b>	<b>217,325</b>	<b>209,421</b>
19	<b>Other commitments</b>				
	Irrevocable loan commitments	110,193	97,996	103,291	90,244
	Other commitments	981	3,672	794	949
	<b>Total</b>	<b>111,174</b>	<b>101,668</b>	<b>104,085</b>	<b>91,193</b>

### 20 Contingent liabilities

Owing to its size and business volume, the Danske Bank Group is continually a party to various lawsuits.

The outcomes of the cases pending are not expected to have any material effect on the financial position of the Danske Bank Group.

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of what they would have been entitled to under ordinary terms of employment.

The Bank is jointly and severally liable for the corporation tax of the jointly taxed companies. The Bank is registered jointly with all significant wholly-owned Danish subsidiaries for the financial services employer tax and VAT, for which it is jointly and severally liable.

#### Collateral

The Group has deposited securities worth Dkr139,385m with Danmarks Nationalbank and domestic and international clearing centres, etc., as collateral.

#### Related parties

The Danske Bank Group's related parties are the Group's Executive Board, Board of Directors, associated undertakings and the non-consolidated subsidiary Forsikringssselskabet Danica, Skadeforsikringsaktieselskab af 1999.

No unusual transactions took place with related parties in 2004. Intra-group restructurings were effected at market price.



## Notes to the balance sheet

Note

21 **Market value adjustment**

The Danske Bank Group continuously monitors the hedging of the interest rate risk on the Group's portfolio of fixed-rate assets and liabilities. The portfolio of assets and the liabilities are hedged in full or in part by means of derivatives so that, for each currency, the interest rate risk on the hedged portfolio of assets and the liabilities corresponds to the interest rate risk, for each currency, on the derivatives employed for hedging them.

Under Danish accounting regulations applying to banks and savings banks, part of the Group's fixed-rate assets (loans and advances as well as unlisted bonds) must be valued at cost or lower. Revaluation to a market value in excess of cost is consequently not allowed. For some of these assets, the interest rate risk has been hedged by derivatives (swaps), and in accordance with the accounting regulations, no value adjustment of these instruments has been made. Consequently, the Group did not expense DKr1,660m in 2004 and DKr2,375m in 2003.

The interest rate risk on the fixed-rate liabilities, which are not value adjusted under Danish accounting regulations, is hedged by derivatives (swaps) in respect of long-term liabilities. Market value adjustment of these derivatives employed for hedging purposes is not allowed. Consequently, the Group did not book income of DKr939m in 2004 and DKr2,080m in 2003.

(DKr m)	2004				2003		
Danske Bank Group	Purchase price	Book value	Market value	Nominal/notional value	Book value	Market value	Nominal/notional value
<b>Assets</b>							
Loans and advances	101,744	101,744	103,404	101,744	63,630	65,961	63,561
Bonds	-	-	-	-	14,327	14,371	14,326
<b>Total</b>	<b>101,744</b>	<b>101,744</b>	<b>103,404</b>	<b>101,744</b>	<b>77,957</b>	<b>80,332</b>	<b>77,887</b>
<b>Derivatives hedging interest rate risks</b>							
Swaps			1,660	101,298		2,375	76,459
<b>Liabilities</b>							
Deposits		34,759	35,198	34,759	6,357	6,738	6,357
Issued bonds, etc.		6,213	6,325	6,213	9,568	10,052	9,568
Subordinated debt		30,799	31,188	30,799	20,281	21,497	20,281
<b>Total</b>	<b>-</b>	<b>71,771</b>	<b>72,711</b>	<b>71,771</b>	<b>36,206</b>	<b>38,287</b>	<b>36,206</b>
<b>Derivatives hedging interest rate risks</b>							
Swaps			939	74,112		2,080	36,201

Fixed-rate loans granted by the mortgage finance company are funded through the issue of mortgage bonds, which are not value adjusted. In accordance with a ruling given by the Danish Financial Supervisory Authority, fixed-rate mortgage loans are not value adjusted either. Therefore, the fixed-rate assets and liabilities listed above do not include fixed-rate mortgage loans and mortgage bonds issued.

Danske Bank							
Assets							
Loans and advances	83,624	83,624	84,850	83,624	57,104	59,055	57,104
Bonds	-	-	-	-	14,327	14,371	14,326
<b>Total</b>	<b>83,624</b>	<b>83,624</b>	<b>84,850</b>	<b>83,624</b>	<b>71,431</b>	<b>73,426</b>	<b>71,430</b>
<b>Derivatives hedging interest rate risks</b>							
Swaps			1,226	83,178		1,995	70,853
<b>Liabilities</b>							
Deposits		34,759	36,198	34,759	6,357	6,738	6,357
Issued bonds, etc.		2,563	2,596	2,563	7,677	8,137	7,677
Subordinated debt		30,799	31,188	30,799	20,281	21,497	20,281
<b>Total</b>	<b>-</b>	<b>68,121</b>	<b>69,982</b>	<b>68,121</b>	<b>34,315</b>	<b>36,372</b>	<b>34,315</b>
<b>Derivatives hedging interest rate risks</b>							
Swaps			860	70,894		2,056	34,310

## Highlights for Danske Bank Group

PROFIT AND LOSS ACCOUNT (DKr m)	First half 2004	First half 2003	First half 2002	First half 2001	First half 2000
Net interest income	9,390	9,947	9,455	8,957	5,117
Net interest and fee income	12,895	13,156	12,748	12,533	7,631
Securities and foreign exchange income	-366	227	580	1,027	509
Other operating income	527	824	617	705	273
Operating expenses and depreciation	7,180	7,577	7,575	8,299	4,862
Provisions for bad and doubtful debts	452	947	640	665	156
Income from associated and subsidiary undertakings	849	1,030	338	814	485
Profit before tax	6,273	6,713	6,068	6,115	3,880
Tax	1,850	1,910	1,734	1,760	1,160
Net profit for the period	4,423	4,803	4,334	4,355	2,720

### BALANCE SHEET (DKr bn)

Loans and advances	1,081	960	943	913	412
Bonds and shares	431	442	324	254	142
Due to credit institutions and central banks	332	291	274	256	147
Deposits	510	455	412	394	275
Issued bonds	735	697	621	555	167
Subordinated debt	38	32	31	34	22
Shareholders' equity	62	63	60	56	33
Total assets	1,827	1,722	1,566	1,420	755

### RATIOS

1. Solvency ratio, %	10.4	10.0	9.8	9.5	10.3
2. Core (tier 1) capital ratio, %	7.6	7.2	7.0	6.4	6.9
3. Half year return on equity before tax, %	10.2	10.9	10.4	11.4	12.2
4. Half year return on equity after tax, %	7.2	7.8	7.4	8.1	8.6
5. Income/cost ratio, DKr	1.82	1.79	1.74	1.68	1.77
6. Interest rate risk, %	0.6	2.1	1.9	4.1	3.1
7. Foreign exchange position, %	3.6	6.0	7.2	4.0	6.3
8. Foreign exchange risk, %	0.1	0.1	0.3	0.1	0.1
9. Excess cover relative to the statutory liquidity requirements, %	216.5	135.9	132.6	97.6	120.7
10. Total amount of large exposures, %	128.4	129.9	143.9	137.9	263.2
11. Provisioning ratio	1.0	1.2	1.3	1.4	2.2
12. Write-off and provisioning ratio for the half year	0.0	0.1	0.1	0.1	0.1
13. Growth in loans and advances for the half year, %	5.9	1.2	2.1	5.6	8.2
14. Gearing of loans and advances	17.4	15.2	15.8	16.2	12.5

The ratios are defined in the executive order on bank accounts issued by the Danish Financial Supervisory Authority.

## Highlights for Danske Bank

PROFIT AND LOSS ACCOUNT (DKr m)	First half 2004	First half 2003	First half 2002	First half 2001	First half 2000
Net interest income	6,517	6,973	6,830	6,423	4,034
Net interest and fee income	9,743	9,894	9,673	9,694	6,404
Securities and foreign exchange income	-235	215	470	864	378
Other operating income	348	641	453	541	152
Operating expenses and depreciation	5,824	6,068	5,905	6,703	4,089
Provisions for bad and doubtful debts	411	812	611	799	99
Income from associated and subsidiary undertakings	2,652	2,843	1,988	2,517	1,132
Profit before tax	6,273	6,713	6,068	6,114	3,878
Tax	1,850	1,910	1,734	1,760	1,160
Net profit for the period	4,423	4,803	4,334	4,354	2,718

### BALANCE SHEET (DKr bn)

Loans and advances	487	403	417	416	271
Bonds and shares	383	410	307	235	131
Due to credit institutions and central banks	349	350	296	273	152
Deposits	479	424	381	368	251
Issued bonds	184	167	142	100	80
Subordinated debt	38	31	30	33	21
Shareholders' equity	62	63	60	56	33
Total assets	1,250	1,206	1,067	944	644

### RATIOS

1. Solvency ratio, %	15.0	14.2	13.8	12.8	11.4
2. Core (tier 1) capital ratio, %	10.9	10.2	9.9	8.6	7.7
3. Half year return on equity before tax, %	10.2	10.9	10.4	11.4	12.2
4. Half year return on equity after tax, %	7.2	7.8	7.4	8.1	8.6
5. Income/cost ratio, DKr	2.01	1.98	1.93	1.82	1.93
6. Interest rate risk, %	0.3	2.0	1.8	3.4	2.9
7. Foreign exchange position, %	2.6	3.9	7.1	4.1	6.4
8. Foreign exchange risk, %	0.1	0.1	0.2	0.1	0.1
9. Loans and advances, plus provisions in relation to deposits, %	103.8	97.3	112.2	115.8	111.2
10. Excess cover relative to the statutory liquidity requirements, %	221.6	176.3	173.2	144.5	119.7
11. Total amount of large exposures, %	125.3	118.3	142.3	136.9	266.4
12. Provisioning ratio	1.4	1.7	1.8	2.0	2.2
13. Write-off and provisioning ratio for the half year	0.1	0.1	0.1	0.1	0.1
14. Growth in loans and advances for the half year, %	10.1	-0.3	1.3	41.2	13.9
15. Gearing of loans and advances	7.8	6.4	7.0	7.4	8.2
16. Half year earnings before tax per share amount of DKr100	90.7	93.0	82.9	82.0	73.3
17. Half year earnings after tax per share amount of DKr100	63.9	66.5	59.2	58.4	51.4
18. Book value per share amount of DKr100	925	890	817	768	623
19. Share price at June 30/book value per share	1.56	1.44	1.70	2.06	1.48

The ratios are defined in the executive order on bank accounts issued by the Danish Financial Supervisory Authority.

## Group holdings and undertakings

		Share capital June 30, 2004 (thousands)	Share capital held by the Group (%)
<b>Danske Bank A/S, Copenhagen</b>	DKK	6,722,658	
<b>CONSOLIDATED SUBSIDIARIES</b>			
Realkredit Danmark A/S, Copenhagen	DKK	625,000	100
home a/s, Copenhagen	DKK	15,000	100
Danske Bank International S.A., Luxembourg	EUR	90,625	100
Firstnordic Fund Management Company S.A., Luxembourg	EUR	125	100
DDB Fokus Invest AS, Trondheim	NOK	1,650,000	100
Fokus Bank ASA, Trondheim	NOK	1,849,567	100
Fokus Kreditt AS, Oslo	NOK	1,300,000	100
Firstnordic Fondene AS, Trondheim	NOK	6,000	100
DDB Invest AB, Linköping	SEK	100,000	100
Firstnordic Fonder AB, Stockholm	SEK	10,000	100
Byggnads AB Slaget in the process of being wound up, Stockholm	SEK	100	100
Östgöta Enskilda BFH AB, Linköping	SEK	100	100
Danske Securities AB, Stockholm	SEK	100	100
Bokredit i Sverige AB, Stockholm	SEK	43,000	100
Danske Bank Polska S.A., Warsaw	PLN	42,225	97
Danske Markets Inc., Delaware	USD	2,000	100
Nordania Finans A/S, Birkerød	DKK	5,700	100
HandelsFinans A/S, Copenhagen	DKK	110,000	100
Danske Corporation, Delaware	USD	4	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	100
Danske Capital Finland Oy, Helsinki	EUR	1,000	100
Firstnordic Rahastoyhtiö Oy, Tampere	EUR	600	100
KHB VI A/S, Copenhagen	DKK	111,700	100
DDB-Ejendomsselskab af 1. januar 1990 A/S, Copenhagen	DKK	35,700	100
BG Investeringselskab af 10/10 1991 ApS, Copenhagen	DKK	300	100
Medicon Valley Capital II K/S, Copenhagen	DKK	8,027	99
Ejendomsaktieselskabet Virum-Vang, Copenhagen	DKK	2,000	100
Ejendomsaktieselskabet Tårnbæk Vang, Copenhagen	DKK	1,000	100
A/S Forma Ejendomsselskab, Copenhagen	DKK	1,000	100
Ejendomsselskabet SJ af 1/7 1990 A/S, Copenhagen	DKK	10,300	100
Ejendomsselskabet Aros A/S, Århus	DKK	10,000	100
DB I A/S, Copenhagen	DKK	500	100
DB II A/S, Copenhagen	DKK	500	100
DB III A/S, Copenhagen	DKK	500	100
DB IV A/S, Copenhagen	DKK	500	100
DDB VI A/S, Copenhagen	DKK	500	100
<b>NON-CONSOLIDATED SUBSIDIARIES</b>			
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,000,000	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen			
The company has 7 subsidiaries			
A/S Conair in the process of being wound up, Copenhagen *	DKK	20,000	52
Omegadane SARL, Paris *	EUR	8	100

\* Acquired to minimise losses. Total book value of DKr0.1m.

## Financial calendar

Danske Bank plans to announce its financial report for the first nine months of 2004 on October 26, 2004.

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## Relevant links

[www.danskebank.com/ir](http://www.danskebank.com/ir)

[www.bgbank.dk](http://www.bgbank.dk)

[www.fokus.no](http://www.fokus.no)

[www.oeb.se](http://www.oeb.se)

[www.rd.dk](http://www.rd.dk)

[www.danicapension.dk](http://www.danicapension.dk)