



# Interim report – first quarter 2014

Danske  
Bank  
Group



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## Financial highlights – Danske Bank Group

INCOME STATEMENT (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Net interest income	5,351	5,640	95	5,412	99	22,077
Net fee income	2,405	2,763	87	2,252	107	9,468
Net trading income	1,865	1,467	127	1,771	105	5,799
Other income	309	300	103	302	102	1,308
Net income from insurance business	405	614	66	341	119	1,088
Total income	10,335	10,784	96	10,077	103	39,740
Expenses	5,432	6,587	82	5,804	94	23,794
Profit before loan impairment charges	4,903	4,197	117	4,274	115	15,947
Loan impairment charges	641	916	70	1,438	45	4,111
Profit before tax, core	4,262	3,282	130	2,834	150	11,836
Profit before tax, Non-core*	-632	-420	-	-618	-	-1,777
Profit before tax	3,630	2,862	127	2,216	164	10,059
Tax	818	939	87	744	110	2,944
Net profit for the period	2,812	1,923	146	1,472	191	7,115
Attributable to non-controlling interests	-	-1	-	-	-	-

BALANCE SHEET (END OF PERIOD) (DKK millions)						
Due from credit institutions and central banks	78,109	53,714	145	106,604	73	53,714
Repo loans	301,725	316,079	95	311,843	97	316,079
Loans and advances	1,558,948	1,536,773	101	1,619,556	96	1,536,773
Trading portfolio assets	706,906	695,722	102	831,668	85	695,722
Investment securities	202,060	161,917	125	113,643	178	161,917
Assets under insurance contracts	251,323	246,484	102	241,838	104	246,484
Total assets in Non-core*	39,485	41,837	94	49,317	80	41,837
Other assets	175,662	174,531	101	226,529	78	174,531
Total assets	3,314,218	3,227,057	103	3,500,998	95	3,227,057
Due to credit institutions and central banks	137,125	132,253	104	227,823	60	132,253
Repo deposits	445,300	331,091	134	355,185	125	331,091
Deposits	781,700	776,412	101	783,919	100	776,412
Bonds issued by Realkredit Danmark	623,956	614,196	102	623,133	100	614,196
Other issued bonds	308,336	310,178	99	347,289	89	310,178
Trading portfolio liabilities	386,249	435,183	89	544,406	71	435,183
Liabilities under insurance contracts	266,629	262,468	102	265,300	101	262,468
Total liabilities in Non-core*	11,997	17,476	69	18,796	64	17,476
Other liabilities	135,832	135,923	100	132,018	103	135,923
Subordinated debt	65,277	66,219	99	63,561	103	66,219
Additional tier 1 capital	5,575	-	-	-	-	-
Shareholders' equity	146,242	145,657	100	139,568	105	145,657
Total liabilities and equity	3,314,218	3,227,057	103	3,500,998	95	3,227,057

\* Changes have been made to the highlights for 2013, as presented in note 1.

RATIOS AND KEY FIGURES				
Earnings per share (DKK)**	2.8	1.9	1.5	7.1
Diluted earnings per share (DKK)**	2.8	1.9	1.5	7.1
Return on avg. shareholders' equity [% p.a.]**	7.7	5.3	4.3	5.0
Return on avg. tangible equity [% p.a.]**	8.9	6.2	5.1	5.9
Net interest income as % p.a. of loans and deposits	0.91	0.98	0.90	0.95
Cost/income ratio [%]	52.6	61.1	57.6	59.9
Total capital ratio [%]	18.1	21.4	21.6	21.4
Common equity tier 1 capital ratio [%]	14.0	14.7	15.1	14.7
Share price (end of period) (DKK)	151.0	124.4	104.0	124.4
Book value per share (DKK)	146.3	145.6	139.5	145.6
Full-time-equivalent staff (end of period)	18,907	19,122	19,828	19,122

\*\* Ratios are calculated as though the additional tier 1 capital were a liability.

As shown in note 2 on business segments, the financial highlights deviate from the corresponding figures in the consolidated financial statements.

## Executive summary

*“Our financial performance in the first quarter of 2014 is encouraging,” says Thomas F. Borgen, CEO. “Although our income is challenged by the subdued economic activity, our financial results show a number of positives. Our cost programme is driving the fall in expenses, and impairments continue to decline. All in all, net profit increased 91% from the level in the first quarter of 2013.*

*A top priority is still our commitment to strengthen our market position and improve customer satisfaction. This is a challenge and achieving our goals will take time. The encouraging trend in customer satisfaction among our largest Nordic corporate and institutional clients is a sign that we can succeed in reaching our ambitious targets also for personal and business customers.”*

### Financial summary

- In the first quarter of 2014, Danske Bank posted a net profit of DKK 2.8 billion. The net profit represented an increase of 46% from the level in the fourth quarter of 2013 and an increase of 91% from the first quarter of 2013.
- The return on shareholders' equity after tax for the first quarter was 7.7% p.a., against 5.3% p.a. for the fourth quarter of 2013 and 4.3% p.a. for the first quarter of 2013.
- Net interest income fell from the level in the fourth quarter of 2013. Net interest income was adversely affected mainly by fewer interest days in the first quarter of 2014 and by an adjustment of the funds transfer pricing model. The adjustment of the model caused a corresponding increase in net trading income and thus did not cause any decline in total income.
- Net fee income declined from the fourth quarter of 2013 because performance fees at Danske Capital are booked mainly in the fourth quarter, as performance agreements with clients are typically measured at year end. Net fee income otherwise showed a 7% increase from the year-earlier period.
- Net trading income increased 27%, primarily because of improved income at Group Treasury. Client-driven income was slightly higher in the first quarter, while income from Market Making activities was slightly below the level in the fourth quarter of 2013. Risk appetite remained low, and this affected investor activity.
- Net income from insurance business amounted to DKK 0.4 billion, down from DKK 0.6 billion in the fourth quarter of 2013. The fourth quarter of 2013 benefited from the booking of DKK 0.2 billion from the shadow account to income.
- The cost programme is progressing according to plan. Expenses fell to DKK 5.4 billion from DKK 6.6 billion in the fourth quarter of 2013, and the cost/income ratio improved by 8.5 percentage points to 52.6%. Fourth quarter 2013 expenses contained significant restructuring costs. Compared with the first quarter of 2013, expenses declined 6% in the first quarter of 2014.
- Impairments in our core activities remained low at DKK 0.6 billion. This corresponds to a loan loss ratio of 0.14%.
- We raised new capital through an additional tier 1 capital issue of DKK 5.6 billion, and in April, we redeemed the DKK 24 billion hybrid capital raised from the Danish state in 2009. Both initiatives were part of our ongoing capital structure optimisation that will reduce our funding costs going forward.
- On 24 March 2014, Danske Bank signed an agreement to sell its equity interest in Nets Holding A/S. The transaction is subject to regulatory approval and, when completed, the sale will have a positive effect of about DKK 1 billion.
- Non-core activities posted a loss before tax of DKK 0.6 billion, with more than half of this amount relating to activities outside Ireland. The result was in line with our expectations, and the winding-up of our activities in Ireland and conduits etc. continues according to plan.
- The common equity tier 1 capital ratio and the total capital ratio were solid at 14.0% and 18.1%, against 14.7% and 21.4% at 31 December 2013. The redemption of the hybrid capital raised from the Danish state, which was made in April 2014, reduced the total capital ratio at 31 March 2014 by 2.7 percentage points. With an LCR of 119%, our liquidity position remained strong.

- On 29 April 2014, Standard & Poor's (S&P) raised Danske Bank's long-term rating to A from A- and its short-term rating to A-1 from A-2. S&P also changed the outlook for the long-term rating from stable to negative.

### Outlook for 2014

- We expect our full-year 2014 net profit to be at the higher end of the previously communicated range of DKK 9-12 billion. See page 9 for our full outlook.

### Executive management

- The Board of Directors has appointed James Ditmore as new COO to head the Group's IT and operations units. James Ditmore took up his new position and joined the Executive Board on 21 April 2014. Robert Endersby, CRO and member of the Executive Board, will resign from his position at the end of 2014, at the latest.

## Strategy execution

As part of our efforts to realise our vision of becoming the most trusted financial partner, we continued to strengthen our offerings in advisory services and easy banking. We also took further steps to increase simplicity and efficiency throughout the Group.

Generally, an increasing number of customers choose maturities longer than one year when they refinance their mortgages. We continued to support this increasing demand, and the volume of Realkredit Danmark's FlexKort® loans thus rose DKK 6.2 billion to DKK 17.9 billion.

We introduced a new post-trade service for our corporate and institutional customers. This full-service solution includes client clearing, custody services, cash management and regulatory reporting. This setup improves efficiency, reduces costs and streamlines operations for our customers and enhances the customer experience by providing a one point of entry support team.

Building on the success of our MobilePay solution, which is currently offered to personal customers in Denmark and Finland, we introduced MobilePay Business for business customers in Denmark. The application facilitates fast and convenient payments from consumers to businesses and organisations.

We established a new International Banking unit that will serve as a single point of entry for many international corporate and business customers and we continued to strengthen our cash management offering.

We kept working to increase earnings across our business units by optimising the pricing of deposit and lending products, and we further optimised the structure of our liquid bond portfolio. Moreover, our investment in the capital markets area improved our client offerings, and it supports our efforts to create a more stable client-driven income base. Going forward, we expect good progress within equities, debt capital markets and transaction banking in particular.

Our 360-degree customer service review identified a range of opportunities to service customers better and faster. We introduced *Letbank*, a simplified version of Danske eBanking that offers the most basic features such as account overviews, transfers and bill payment. We also improved our advisory services set-up for young customers in Denmark (*Ung Direkte*) by developing a team of specialists dedicated to meeting their particular needs.

We continued our efforts to realise synergies throughout the Group, as evidenced by increasing cross-sales. Sales of investment solutions to personal and business customers rose, as did sales of pension products to personal customers. We also increased our efforts within sales of pension products to business customers.

We optimised our capital structure by issuing additional tier 1 capital of DKK 5.6 billion. The bonds issued have a coupon of 5.75% p.a. The issue was very successful, as it was oversubscribed about 17 times. We subsequently redeemed the hybrid capital raised from the Danish state on 11 April 2014.

The cost-efficiency programme launched in the fourth quarter of 2013 to reduce expenses to around DKK 23 billion for 2014 is well under way, and we maintain strict cost control to ensure that we remain on track towards reaching our nominal cost target.

We completed the transfer of our retail and SME activities in the Republic of Ireland to our Non-core unit. Going forward, we will focus exclusively on corporate and institutional clients in Ireland. The work-out of the Non-core loan portfolio is proceeding as planned, and we continue to reduce our Non-core credit exposure.

### Ambitions and targets

The table shows the financial targets we aim to meet no later than at end-2015.

These targets provide full transparency into Danske Bank's financial developments and our progress on strategy execution.

Financial targets	Target	Year to be achieved	Status at 31 March 2014	Comments
Shareholders' return on equity	9%	2015	7.7%	Initiatives progressing as planned
	Above 12%	Long term		
Ratings	Ratings improved by at least one notch	2015	S&P*/Moody's/Fitch A/Baa1/A Negative/Positive/Stable	In progress
Common equity tier 1 capital ratio	Minimum 13%	End-2013	14.0%	Met since end-2012
Total capital ratio	Minimum 17%	End-2013	18.1%	Met since end-2012
Nominal costs	Below DKK 23 billion	2015	DKK 5.4 billion	Initiatives progressing as planned
C/I ratio	Below 50%		52.6%	
Dividend payments	About 40% of net profit	2015	For 2013: dividends of 28% of net profit	On track

\*Rating change on 29 April 2014.

We remain committed to our 2015 target for return on equity after tax of 9%. We have a firm focus on executing the necessary income and cost initiatives to ensure that we achieve this target.

Danske Bank's credit ratings were unchanged in the first quarter of 2014. We are striving to improve all ratings by at least one notch. S&P's rating upgrade in April 2014 represents a good development. For further information on ratings, please see the financial review on page 13.

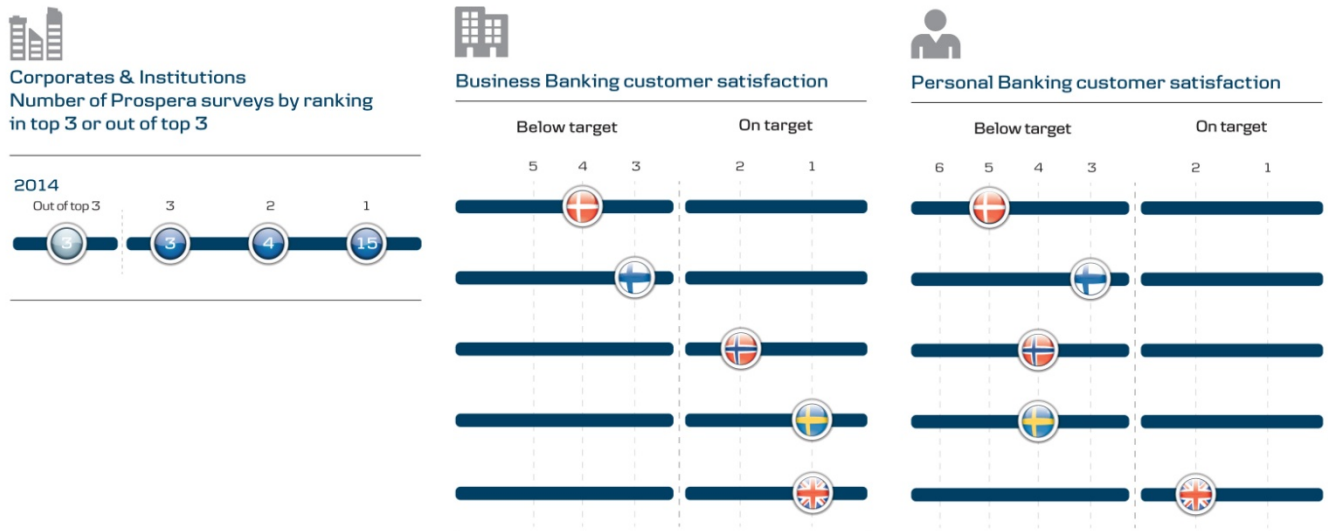
We have met our capital ratio targets since end-2012. At 31 March 2014, the common equity tier 1 capital ratio was 14.0% and the total capital ratio was 18.1% after taking into account the effect of CRD IV and the redemption in April 2014 of the hybrid capital raised from the Danish state.

We continue to reduce nominal expenses, and our initiatives to bring them down to our new target of expenses below DKK 23 billion in 2015 are progressing as planned. We also continue to pursue initiatives to lift income and reduce the cost base to reach our target of a C/I ratio below 50% in 2015.

We aim to pay dividends of about 40% of net profit as soon as it is prudent. We paid dividends of 28% for 2013 after five years without dividend payments.

## Customer satisfaction

In our efforts to further strengthen our market position, improving customer satisfaction remains a key priority. Our overall target is to be ranked number one or two in our focus segments by 2015.



Corporates & Institutions' consolidation of its footprint in Danske Bank's core markets is paying off in customer satisfaction. Clients ranked us number one in Trade Finance in all four Nordic countries. This was the first time in any survey category in Prospera's history that one bank has ranked first in all four Nordic countries at the same time. We were also ranked number one in Cash Management Nordic, up from second place in 2013. In total, Corporates & Institutions ranked in the top three in 22 of 25 surveys in the Nordic countries.

Business Banking's customer satisfaction positions were unchanged in all markets. Personal Banking's positions were unchanged in four of five markets. The customer satisfaction among small business customers and personal customers with less complex needs is unsatisfactory, and we continue to work hard to make improvements.

## Market conditions

While economic conditions continue to improve in Europe, albeit from low levels, the beginning of the quarter was affected by uncertainties about US growth as well as continued tapering by the Federal Reserve. This caused some uncertainty among investors about the broader effects on emerging market economies, created some volatility, and affected investors' risk appetite. The main equity markets ended largely unchanged from the level at the beginning of the quarter. European 10-year bond yields fell as a result of very low inflation rates and continuously low growth in a number of eurozone countries.

Economic growth remained low in our home markets. We did not see any significant changes in loan demand from personal or business customers.



## Outlook for 2014

Our guidance for 2014 is based on expectations of continually slow and fragile macroeconomic growth and a continuation of low interest rate levels in our core markets.

Furthermore, the guidance is based on accounting figures adjusted for the transfer of Personal Banking and Business Banking activities in Ireland to the Non-core unit effective from 1 January 2014.

We expect total income above the 2013 level, despite weaker Market Making income, with the increase driven by improvements in most income items. We expect low demand for loans and thus a slight decrease in lending volumes, with the effect on net interest income being offset by lower funding costs.

Expenses are expected to be reduced to around DKK 23 billion.

Impairments in our core activities are expected to be below the 2013 level.

We expect Non-core Ireland impairments to be below our previous guidance and expect impairments of up to DKK 1.5 billion in 2014.

We expect net profit for 2014 to be at the higher end of our previously communicated range of DKK 9-12 billion. This includes an expected gain on the sale of Nets A/S of around DKK 1 billion.

This guidance is generally subject to uncertainty and depends on economic conditions. Our trading income and insurance business income are particularly uncertain. The 2014 results for trading and insurance will depend greatly on developments in the financial markets and on whether Danica Pension can book the risk allowance and part of the balance on the shadow account to income.

## Financial review

In the first quarter of 2014, Danske Bank Group posted a profit before tax from core activities of DKK 4.3 billion. The net profit was DKK 2.8 billion, up 46% from the fourth quarter of 2013 and up 91% from the first quarter of 2013.

### Income

Total income amounted to DKK 10.3 billion, down 4% from the fourth quarter of 2013.

Net interest income totalled DKK 5.4 billion, down 5% from the fourth quarter of 2013. Net interest income fell mainly because of fewer interest days in the first quarter of 2014 compared with the fourth quarter of 2013 and because of an adjustment of the funds transfer pricing model. The model stipulates the internal charge payable by each business unit for funding and was adjusted to reflect the current conditions in the liquidity market. The result was lower net interest income but higher net trading income and thus no decline in total income.

For accounting purposes, additional tier 1 capital is classified as equity, with interest charged directly to equity. To ensure transparency, key equity ratios and earnings per share are, however, calculated as though the additional tier 1 capital were a liability.

Net trading income was 27% higher, primarily because of positive value adjustments of the private equity portfolio and an adjustment of the funds transfer pricing model.

Net income from insurance business fell 44%, mainly because the fourth-quarter figure benefited from the booking of a DKK 0.2 billion portion of the postponed risk allowance.

### Expenses

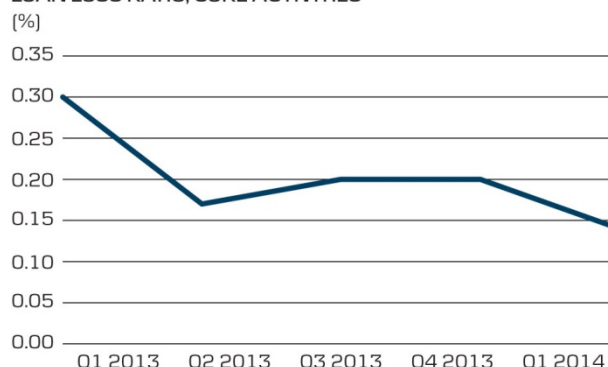
Expenses amounted to DKK 5.4 billion, down 18% from the fourth quarter of 2013. They fell mainly because of a reduction of costs related to salaries, consultancy services, marketing and IT as well as the booking of high severance payments in the fourth quarter of 2013. Expenses fell 6% from the first quarter of 2013.

Expenses for VAT, bank tax and financial services employer tax amounted to DKK 0.5 billion, against DKK 0.6 billion in the fourth quarter of 2013.

### Impairments

Impairments in core activities declined to DKK 0.6 billion, or 0.14% of lending and guarantees, against 0.20% of lending and guarantees in the fourth quarter of 2013. Impairments declined at all business units.

### LOAN LOSS RATIO, CORE ACTIVITIES



### LOAN IMPAIRMENT CHARGES

(DKK millions)	Charges	Q1 2014	Charges	Q4 2013
		% of lending and guarantees		% of lending and guarantees
Personal Banking	337	0.17	453	0.22
Business Banking	299	0.20	425	0.28
C&I	5	-	38	0.03
Other	-	-	-	-
<b>Total</b>	<b>641</b>	<b>0.14</b>	<b>916</b>	<b>0.20</b>

### Tax

Tax on the profit for the first quarter amounted to DKK 0.8 billion, or 22.5% of the profit before tax.

### Q1 2014 vs Q1 2013

Profit before tax amounted to DKK 3.6 billion, against DKK 2.2 billion in the first quarter of 2013.

At DKK 5.4 billion, net interest income remained largely at the year-earlier level.

Net trading income amounted to DKK 1.9 billion, against DKK 1.8 billion in the first quarter of 2013.

Our insurance business generated net income of DKK 0.4 billion, against DKK 0.3 billion in the first quarter of 2013.

Expenses fell 6% from the first-quarter 2013 level to DKK 5.4 billion. The decrease was due to a reduction in the number of FTEs and costs related to consultancy services, marketing and IT.

Impairments amounted to DKK 0.6 billion, a fall of DKK 0.8 billion from the level in the first quarter of 2013. The charges declined at all business units.

## Balance sheet

LENDING (END OF PERIOD) (DKK billions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Personal Banking	804.8	808.1	100	844.4	95	808.1
Business Banking	622.3	612.6	102	645.2	96	612.6
C&I	169.0	154.4	109	167.4	101	154.4
Other Activities incl. eliminations	-3.8	-4.8	-	-3.1	-	-4.8
Allowance account, lending	33.4	33.4	100	34.2	98	33.4
<b>Total lending</b>	<b>1,558.9</b>	<b>1,536.8</b>	<b>101</b>	<b>1,619.6</b>	<b>96</b>	<b>1,536.8</b>

DEPOSITS (END OF PERIOD)						
Personal Banking	330.0	333.9	99	346.5	95	333.9
Business Banking	259.0	263.4	98	256.2	101	263.4
C&I	189.4	179.3	106	181.3	104	179.3
Other Activities incl. eliminations	3.3	-0.1	-	-0.1	-	-0.1
<b>Total deposits</b>	<b>781.7</b>	<b>776.4</b>	<b>101</b>	<b>783.9</b>	<b>100</b>	<b>776.4</b>

BONDS ISSUED BY REALKREDIT DANMARK (END OF PERIOD)						
Bonds issued	624.0	614.2	102	623.1	100	614.2
Own holdings of bonds	115.8	116.8	99	111.3	104	116.8
<b>Total Realkredit Danmark bonds</b>	<b>739.7</b>	<b>731.0</b>	<b>101</b>	<b>734.4</b>	<b>101</b>	<b>731.0</b>
<b>Total covered bonds</b>	<b>192.8</b>	<b>193.9</b>	<b>99</b>	<b>218.2</b>	<b>88</b>	<b>193.9</b>
Deposits and issued mortgage bonds etc.	1,714.3	1,701.3	101	1,736.5	99	1,701.3
Lending as % of deposits and issued mortgage bonds etc.	91	90		93		90

### Lending

At the end of March 2014, total lending largely matched the level at the end of 2013. Most of Danske Bank's markets saw weak growth and suppressed demand for credit.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 20.0 billion. Lending to personal customers accounted for DKK 7.0 billion of this amount.

Our market share of total lending in Denmark increased to 27.1% from 26.9% at the end of 2013, while the market share fell slightly in Finland. We maintained our market share of lending in Sweden, and in Norway, the market share increased slightly.

MARKET SHARE OF LENDING [%]	31 March 2014	31 December 2013
Denmark (excluding mortgage loans)*	27.1	26.9
Finland	10.1	10.3
Sweden	4.8	4.8
Norway	4.5	4.4

\* The market share for Denmark at 31 March 2014 is based on data from the Danish central bank at 28 February 2014.

Lending equalled 91% of the total amount of deposits, mortgage bonds and covered bonds, against 90% at the end of 2013.

### Deposits

At the end of March 2014, total deposits were in line with the level at the end of 2013.

The market share of total deposits in Denmark fell to 27.4% from 27.6% at the end of 2013. In Sweden and Norway, Danske Bank's market shares of deposits also fell, whereas the market share was maintained in Finland.

MARKET SHARE OF DEPOSITS [%]	31 March 2014	31 December 2013
Denmark *	27.4	27.6
Finland	10.5	10.5
Sweden	4.3	4.7
Norway	5.5	5.8

\* The market share for Denmark at 31 March 2014 is based on data from the Danish central bank at 28 February 2014.

### Credit exposure

Credit exposure totalled DKK 3,498 billion, against DKK 3,395 billion at the end of 2013. Exposure from trading and investment activities amounted to DKK 910 billion of total credit exposure, against DKK 858 billion at the end of 2013. Exposure from lending activities amounted to DKK 2,223 billion, against DKK 2,173 billion at the end of 2013.

Home loans to personal customers accounted for 34% of the exposure related to lending activities and some 14% related to repo transactions. The credit quality of these portfolios was good. Most of the remaining credit exposure related to investment-grade-equivalent customers, mainly financial institutions and public customers.

Risk Management 2013, which is available at [danskebank.com/ir](http://danskebank.com/ir), provides more details on Danske Bank's credit risks.

### Credit quality

Credit quality is sound, and the impairment coverage ratios after haircuts on impaired loans remained high. The ratios are based on the exposure to customers in rating categories 10 (not in default) and 11 (in default) for which an individual impairment charge has been made.

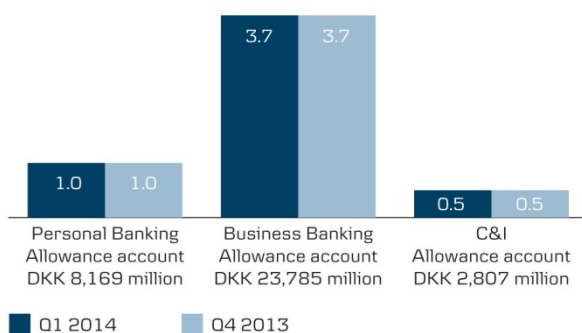
Impaired loans related mainly to commercial property customers and Danish personal customers.

LOAN IMPAIRMENT COVERAGE				
	31 Mar.	31 Dec.	Loan impairment coverage (%)	
(DKK billion)	2014	2013	31 Mar. 2014	31 Dec. 2013
Total impaired loans	31.3	28.9	83.4	85.9
- Rating category 10	21.9	19.1	65.5	69.2
- Rating category 11	9.4	9.8	99.4	99.9

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

Accumulated individual impairments amounted to DKK 31.2 billion, or 1.6% of lending and guarantees. Accumulated collective impairments amounted to DKK 3.6 billion, or 0.2% of lending and guarantees. The corresponding figures at 31 December 2013 were DKK 31.5 billion and DKK 3.3 billion, respectively.

ALLOWANCE ACCOUNT BY BUSINESS UNITS  
(% of loans and guarantees)



Recognised losses in the first quarter of 2014 amounted to DKK 1.0 billion. Of these losses, DKK 0.2 billion was attributable to facilities not already subject to impairment.

### Asset Quality Review

As of November 2014, the ECB will have regulatory responsibility for around 130 European banks. In order to prepare for the new task, the ECB has launched an Asset Quality Review (AQR), which is a balance sheet review that focuses on credit quality and adequate provisioning. The review covers both retail and business customers, and the results will be included in an EBA stress test.

Danske Bank is subject to two parallel AQRs. Danske Bank Plc (Finland), which will be supervised by the ECB as of November, is currently participating in the AQR led by the ECB. Danske Bank Group is currently participating in an AQR led by the Danish FSA, which has decided to follow the ECB initiative.

The combined results of the AQR and stress test exercise for all the participating banks are expected to be announced to the market in October 2014, before the ECB takes over regulatory responsibility.

### Trading and investment activities

At 31 March 2014, credit exposure from trading and investment activities amounted to DKK 910 billion, against DKK 858 billion at 31 December 2013. The increase was primarily in the hold-to-maturity bond portfolio.

Danske Bank has made agreements with many of its counterparties to net positive and negative market values. The net exposure was DKK 75 billion, against DKK 73 billion at the end of 2013, and most of it was secured through collateral management agreements.

The value of the bond portfolio was DKK 652 billion. Of the total bond portfolio, 85.3% was recognised at fair value and 14.7% at amortised cost.

BOND PORTFOLIO (%)	31 March 2014	31 December 2013
Government bonds and bonds guaranteed by central or local governments	41	35
Bonds issued by quasi-government institutions	2	1
Danish mortgage bonds	39	44
Swedish covered bonds	11	14
Other covered bonds	3	2
Short-term bonds (CP etc.), primarily with banks	-	-
Corporate bonds	4	4
Total holdings	100	100
Hold-to-maturity bonds included in total holdings	15	10
Available-for-sale bonds included in total holdings	9	10

### Capital and solvency

Danske Bank's total capital consists of tier 1 capital (common equity tier 1 capital and additional tier 1 capital instruments after deductions) and tier 2 capital. At 31 March 2014, the total capital amounted to DKK 162.7 billion, and the total capital ratio was

18.1%. The common equity tier 1 capital ratio stood at 14.0%.

In April 2014, Danske Bank repaid the hybrid capital of DKK 24 billion raised from the Danish state. The capital ratios at 31 March 2014 excluded this amount of hybrid capital.

In the first quarter of 2014, Danske Bank issued EUR 750 million (DKK 5.6 billion) of additional tier 1 capital and redeemed EUR 125 million (DKK 0.9 billion) of additional tier 1 capital at Danske Bank Finland.

At 31 March 2014, risk-weighted assets amounted to DKK 897 billion, against DKK 852 billion at 31 December 2013. The main reason for the increase was the implementation of CRR/CRD IV at 1 January 2014.

At 31 March 2014, Danske Bank's solvency need amounted to DKK 94.4 billion, or 10.5% of risk-weighted assets. The capital base thus included a capital buffer of DKK 68.3 billion. Under Danish law, Danske Bank must publish its solvency need on a quarterly basis. More detailed information is available at [danskebank.com/ir](http://danskebank.com/ir).

We estimate that the effect of CRR/CRD IV on our fully loaded common equity tier 1 capital ratio in 2018 will be a reduction of about 1.0 percentage point in comparison with the ratio at 31 March 2014.

Danske Bank has been designated as a financial conglomerate by the Danish FSA and has received approval to continue to use the deduction method for Danica Pension. However, the deduction will now be based on Danica Pension's solvency need instead of the minimum capital requirement [the change will be phased in linearly from 2014 to 2016]. In addition, the deduction will be made fully from common equity tier 1 capital instead of being split evenly between tier 1 capital and tier 2 capital [the change will be phased in linearly from 2014 to 2018]. The non-deductible part of the investment in Danica Pension will be risk-weighted at the current level of 100%.

The CRR/CRD IV rules include a leverage ratio to be assessed under Pillar II. This is pending a subsequent EU decision on whether this should be a Pillar I requirement from 2018. On the basis of the CRR definition, Danske Bank's leverage ratio, taking transitional arrangements into account, was 3.9% at 31 March 2014. Assuming fully phased-in tier 1 capital rules without taking into account any refinancing of non-eligible hybrid tier 1 capital instruments, the leverage ratio would be 3.4%.

For more information about the effect of the new regulations, see Risk Management 2013.

## Ratings

Danske Bank's long- and short-term ratings were unchanged in the first quarter of 2014.

### DANSKE BANK'S RATINGS AT 31 MARCH 2014

	Moody's	S&P*	Fitch
Long-term	Baa1	A	A
Short-term	P-2	A-1	F1
Outlook	Positive	Negative	Stable

\* Rating change on 29 April 2014.

We aim to improve all ratings by at least one notch. On 29 April 2014, Standard & Poor's (S&P) raised Danske Bank's long-term rating to A from A- and its short-term rating to A-1 from A-2. S&P also changed the outlook for the long-term rating from stable to negative.

Mortgage bonds and mortgage-covered bonds issued by Realkredit Danmark are rated AAA by S&P (stable outlook).

Realkredit Danmark bonds are also rated by Fitch Ratings. Bonds issued from capital centre S are rated AAA, while bonds issued from capital centre T are rated AA+. Both ratings have a stable outlook.

## SIFI requirements

Danske Bank is a Danish SIFI. In addition to the minimum capital requirement of 8% of risk-weighted assets and a capital conservation buffer requirement of 2.5%, Danske Bank will face a unique SIFI capital buffer requirement of 3%, bringing the fully phased-in capital requirement to 13.5% in 2019, excluding Pillar II requirements. The total common equity tier 1 requirement for Danske Bank will be 10%. An additional countercyclical capital buffer of up to 2.5% may be imposed during periods of high loan growth.

Under the SIFI agreement, SIFIs must comply with the LCR requirement from 2015 onwards. The final requirement awaits the European Commission's decision on the definition of liquid assets in the LCR in 2014.

If Danish covered bonds cannot be included in liquid assets to a sufficient extent, the LCR requirement for Danish SIFIs will be phased in gradually until 2018, as will the requirement for non-SIFIs.

CRD IV prescribes a gradual LCR phasing-in of at least 60% of the full requirement in 2015, 70% in 2016, 80% in 2017, and 100% in 2018.

## Funding and liquidity

With a liquidity buffer of DKK 450 billion at the end of March 2014, Danske Bank's liquidity position remained strong. The buffer consists of cash and holdings at central banks of DKK 62 billion; securities issued or guaranteed by sovereigns, central banks or multilateral development banks of DKK 92 billion; covered bonds (including mortgage bonds) of



DKK 266 billion; and other holdings of DKK 30 billion.

With an LCR of 119% at the end of March 2014, Danske Bank complied satisfactorily with the LCR requirement. Danske Bank also complied with all other liquidity requirements.

Danske Bank will count holdings of covered bonds and Danish mortgage bonds, including own issued bonds, in the ratio until the final European guidelines are announced and implemented in 2015.

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

In the first quarter of 2014, Danske Bank issued senior debt for DKK 0.9 billion and additional tier 1 capital for DKK 5.6 billion, for a total of DKK 6.5 billion. We also redeemed long-term debt of DKK 10.6 billion.

At end of March 2014, the total amount of outstanding long-term funding, excluding additional tier 1 capital and senior debt issued by Realkredit Danmark, was DKK 324 billion, against DKK 332 billion at the end of 2013.

DANSKE BANK EXCLUDING REALKREDIT DANMARK		
(DKK billions)	31 March 2014	31 December 2013
Covered bonds	165	164
Senior unsecured debt	93	102
Subordinated debt	65	66
Total	324	332

#### Reduced F1 FlexLån® refinancing risk

The shift in personal and business customer demand from short-term F1 FlexLån® mortgage loans to mortgage products funded by bonds with longer maturities continued. The volume of FlexKort® loans rose DKK 6.2 billion to DKK 17.9 billion. The F1 FlexLån® volume amounted to DKK 103.8 billion and accounted for 14% of total mortgage lending at 31 March 2014, compared with DKK 122.1 billion, or 17%, at the end of 2013.

#### The Supervisory Diamond

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

Danske Bank will continue to ensure that it has a prudent ratio of lending to long-term funding, with a solid margin to the threshold values stipulated in the Supervisory Diamond.

At 31 March 2014, Danske Bank A/S was in compliance with all threshold values. A separate report is available at [danskebank.com/ir](http://danskebank.com/ir).

#### Shareholders

At the end of 2013, the A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Møller Holding Group, Copenhagen, held 22.84% of the share capital. In April 2014, this shareholding had increased to 22.86%.

#### Changes to the Board of Directors

Danske Bank's annual general meeting was held on 18 March 2014. Niels B. Christiansen did not stand for re-election. The general meeting elected Rolv Erik Ryssdal, CEO of Schibsted Media Group, as his replacement.

Danske Bank's employees held a ballot to elect their representatives to the Board of Directors. Carsten Eilertsen and Charlotte Hoffmann were re-elected, and Steen Lund Olsen and Kirsten Ebbe Brich were elected new members.

More information about the composition of the Board of Directors and the board committees is available at [danskebank.com/Corporate-Governance](http://danskebank.com/Corporate-Governance).

#### Changes to the Executive Board

James Ditmore joined the Executive Board on 21 April 2014, when he took up his position as new COO to head the Group's IT and operations units.

## Personal Banking

In the first quarter of 2014, we continued to deliver on our promise to make banking easy for our customers. In all our markets, we launched initiatives to simplify processes and devoted an increasing share of our resources to advising customers. We launched our successful MobilePay application in Finland and added new features. Personal Banking remained on target with customer satisfaction in one of five markets: ranked number two in Northern Ireland.

### Key developments from Q4 2013 to Q1 2014

- Profit before tax of DKK 1.0 billion, up 25%
- Return on allocated capital of 12.7%, up 2.3 percentage points
- Total income of DKK 4.0 billion, down 7%
- Net interest income of DKK 2.6 billion, down 5%
- Expenses down 12% to DKK 2.7 billion
- Impairments of DKK 0.3 billion, down 26%
- Cost/income ratio improved to 66%, down 4.4 percentage points

Profit before tax rose 25% from DKK 0.8 billion in the fourth quarter of 2013 to DKK 1.0 billion because of lower expenses and lower impairments. Total income remained under pressure as demand remained subdued and competition in all our markets intensified.

PERSONAL BANKING (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Net interest income	2,615	2,741	95	2,736	96	11,009
Net fee income	1,062	1,153	92	986	108	4,204
Net trading income	205	227	90	197	104	644
Other income	138	185	75	141	98	667
Total income	4,020	4,306	93	4,060	99	16,524
Expenses	2,652	3,030	88	2,883	92	11,738
Profit before loan impairment charges	1,368	1,276	107	1,177	116	4,786
Loan impairment charges	337	453	74	550	61	1,887
Profit before tax	1,031	823	125	627	164	2,899
Loans and advances before impairments	804,827	808,087	100	844,383	95	808,087
Allowance account, loans	7,558	7,691	98	7,999	94	7,691
Deposits	329,959	333,852	99	346,516	95	333,852
Bonds issued by Realkredit Danmark	424,302	419,907	101	424,031	100	419,907
Allocated capital (average)	32,431	31,758	102	27,029	120	29,613
Net interest income as % p.a. of loans and deposits	0.93	0.96		0.91		0.97
Profit before loan impairment charges as % p.a. of allocated capital	16.9	16.1		17.4		16.2
Profit before tax as % p.a. of allocated capital (ROE)	12.7	10.4		9.3		9.8
Cost/income ratio [%]	66.0	70.4		71.0		71.0
Full-time-equivalent staff	6,780	6,856	99	7,570	90	6,856

PERSONAL BANKING Q1 2014 (DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Other	Total
Total income	2,614	518	226	398	219	45	4,020
Expenses	1,544	376	181	271	171	109	2,652
Profit before loan impairment charges	1,070	142	45	127	48	-64	1,368
Loan impairment charges	218	28	39	28	14	10	337
Loans and advances before impairments	541,228	95,104	72,501	73,205	17,148	5,641	804,827

## Developments in Q1 2014

We continued to execute the Personal Banking strategy. To serve our customers proactively and give them the best possible experience, we launched many initiatives to simplify processes to enable our advisers to spend more time with customers. We also enhanced our Young Direct service set-up that offers young customers assistance from specialist teams that cater to their specific needs. The new Young Direct set-up has so far been introduced in Denmark.

Customers are responding well to our initiatives. They have embraced our online meeting concept, and the percentage of meetings held online is increasing steadily in Norway, Finland, Sweden and Denmark. In Denmark, we successfully launched *Letbank*, which is an easy-to-use version of Danske eBanking that enables customers to carry out basic banking transactions. The solution has initially been launched in Denmark.

Demand for our new digital solutions remains strong, with MobilePay downloads now totalling almost 1.4 million in Denmark. We also launched MobilePay in Finland, and we continue to add new features. Most recently, we added a feature that automatically helps users locate nearby shops that use MobilePay.

## Q1 2014 vs Q4 2013

Profit before tax increased 25% to DKK 1.0 billion, and the return on allocated capital improved 2.3 percentage points to 12.7%, mainly because of lower expenses and lower impairments.

Total income declined 7% to DKK 4.0 billion. The fall was caused mainly by seasonality in net fee income and other income, combined with continually intense competition in lending, fewer interest days in the first quarter of 2014 than in the fourth quarter of 2013 and changes in funds transfer pricing.

Expenses were reduced 12% through tight cost control and further efficiency gains.

Impairments fell 26% to DKK 0.3 billion as household finances improved.

## Credit exposure

Credit exposure consists of mortgages, loans secured by other assets, consumer loans, and fully or partially secured credits.

Total credit exposure seems to be stabilising after a period of continuous decrease and amounted to DKK 802 billion in the first quarter of 2014. Credit exposure is still affected by low demand for credits though, as households continue to focus on debt reduction rather than new borrowing.

	Credit exposure (DKK millions)		Impairments (ann.) [%]
	31 March 2014	31 Dec. 2013	31 March 2014
Denmark	539,638	540,644	0.16
Finland	94,497	95,895	0.12
Sweden	72,718	74,137	0.21
Norway	73,063	71,890	0.16
Northern Ireland	16,782	16,638	0.34
Other	5,747	5,589	0.80
<b>Total</b>	<b>802,445</b>	<b>804,792</b>	<b>0.17</b>

## Improved credit quality

Macroeconomic conditions in Denmark are slowly improving, which translates into declining impairments and upgrades of mid- and high-rated customers. Credit quality for the lower-rated portion of the lending book is stable. The loan loss ratio was 0.17%. The delinquency rate at Realkredit Danmark is stable, on par with the level in 2013. The loan loss ratio at Realkredit Danmark was 0.12%.

The credit quality of Personal Banking customers in most other Nordic markets has also improved. The number of low-quality loans and loans in rating category 11 (in default) fell gradually in most markets during the quarter.

Impairments continued their downward trend, ending at DKK 337 million in the first quarter of 2014. This is below the average quarterly impairments in 2013.

## Reset of interest-only loans

The interest rates on the first interest-only loans in Denmark, disbursed in 2003 and early 2004, have been reset, which means that more than 60% of these customers have started to amortise. Customers who continue to have interest-only financing are primarily those with a strong credit quality. The overall share of interest-only loans is gradually decreasing.

LOAN-TO-VALUE RATIO, HOME LOANS				
	31 March 2014		31 December 2013	
	LTV [%]	Credit exposure (DKK bn)	LTV [%]	Credit exposure (DKK bn)
Denmark	73.7	501	72.5	501
Finland	62.0	86	61.5	87
Sweden	67.0	66	67.4	67
Norway	63.7	68	62.2	67
Northern Ireland	76.8	16	78.4	15
<b>Average</b>	<b>70.9</b>	<b>737</b>	<b>69.9</b>	<b>737</b>

**Q1 2014 vs Q1 2013**

Profit before tax increased 64% to DKK 1.0 billion because of lower expenses and impairments.

Total income decreased 1% because of pressure on net interest income, while net fee income and net trading income posted strong results. Net interest income was lower in the first quarter of 2014 because of a drop in volumes stemming from shrinking demand and keen price competition in most markets.

Expenses fell 8% on the strength of tight cost control and efficiency measures. Impairments were down 39% because of a further improvement in credit quality, mainly in Denmark and Northern Ireland.

## Business Banking

In the first quarter of 2014, we offered business customers a new mobile payment solution and a new benchmarking advisory service. We also delivered on our promise to increase the speed of credit processing. Business Banking remained on target with customer satisfaction in three of five markets: ranked number one in Sweden and Northern Ireland and number two in Norway.

### Key developments from Q4 2013 to Q1 2014

- Profit before tax of DKK 1.3 billion, up 5%
- Return on allocated capital of 11.9%, up 0.8 of a percentage point
- Total income of DKK 2.9 billion, down 7%
- Net interest income of DKK 2.1 billion, down 8%
- Expenses of DKK 1.3 billion, down 12%
- Impairments of DKK 0.3 billion, down 30%
- Cost/income ratio improved to 46.2%, down 2.1 percentage points

Profit before tax was DKK 1.3 billion, rising 5% from the level in the fourth quarter of 2013 because of lower impairments and lower expenses. Total income fell mainly as a result of fewer interest days in the first quarter of 2014 than in the fourth quarter of 2013. A slight increase in lending was driven primarily by larger lending volumes in Sweden and Norway.

BUSINESS BANKING (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Net interest income	2,085	2,256	92	2,200	95	8,892
Net fee income	507	507	100	487	104	1,926
Net trading income	195	272	72	197	99	758
Other income*	132	120	110	125	106	495
Total income	2,919	3,155	93	3,009	97	12,071
Expenses	1,348	1,524	88	1,337	101	5,482
Profit before loan impairment charges	1,571	1,631	96	1,672	94	6,589
Loan impairment charges	299	425	70	598	50	1,751
Profit before tax	1,272	1,206	105	1,074	118	4,838
Loans and advances before impairments	622,318	612,573	102	645,154	96	612,573
Allowance account, loans	22,885	22,726	101	22,868	100	22,726
Deposits	259,040	263,424	98	256,193	101	263,424
Bonds issued by Realkredit Danmark	290,230	290,237	100	298,606	97	290,237
Allocated capital (average)	42,934	43,376	99	44,765	96	44,483
Net interest income as % p.a. of loans and deposits	0.97	1.06		1.00		1.04
Profit before loan impairment charges as % p.a. of allocated capital	14.6	15.0		14.9		14.8
Profit before tax as % p.a. of allocated capital (ROE)	11.9	11.1		9.6		10.9
Cost/income ratio [%]	46.2	48.3		44.4		45.4
Full-time-equivalent staff	3,688	3,759	98	3,747	98	3,759

BUSINESS BANKING Q1 2014 (DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Baltics	Other	Total
Total income*	1,532	293	470	264	231	172	-43	2,919
Expenses*	550	184	212	143	130	100	29	1,348
Profit before loan impairment charges	982	109	258	121	101	72	-72	1,571
Loan impairment charges	213	5	18	48	14	1	-	299
Loans and advances before impairments	368,669	46,579	103,459	51,627	33,680	18,313	-9	622,318

\* Operational leasing, excluding property leasing, is presented on a net basis under Other income.



## Developments in Q1 2014

We continued to execute the Business Banking strategy and launched initiatives to achieve our ambition of further improving our service setup, creating digital solutions that meet customer needs and increasing the consistency and speed of credit processing.

Across the Nordic countries, as a new advisory service, we can now offer our customers to benchmark their business against industry competitors. Summarising financial performance in a compact, easy-to-use format, the industry benchmark report enhances our dialogue with the individual business and enables us to provide proactive, targeted advice and fact-based insight into the customer's activities and industry.

In February, we launched MobilePay Business, a new mobile payment solution for businesses in Denmark. Based on the award-winning MobilePay app, MobilePay Business provides retailers with the option of receiving payments from their customers via a mobile phone within seconds. More than 3,200 businesses have already expressed an interest in MobilePay Business, and some 1,300 businesses have started using or are about to start using the solution in shops and other businesses across Denmark.

We know that the capacity to respond promptly to credit requests is one of our customers' most important requirements. To improve our ability to meet that requirement, we have launched a number of initiatives. One of the most frequent requests is for property loans, and in Denmark, we have reduced response times significantly.

### Q1 2014 vs Q4 2013

Business Banking's return on allocated capital improved from 11.1% in the fourth quarter of 2013 to 11.9% in the first quarter of 2014. Impairments were down 30%.

Although income initiatives had a positive effect, total income fell. Loan demand remained low but saw a slightly upward trend in the first quarter, mainly in Sweden and Norway.

Net interest income fell 8%, primarily because of fewer interest days than in the fourth quarter of 2013 and changes in funds transfer pricing. Activity and income initiatives offset the negative effect of a shift towards low-risk and low-margin lending.

Net fee income was stable as an increase in financing activity offset lower investment income. Because of high refinancing income at Realkredit Danmark in the fourth quarter of 2013, net trading income fell despite increased customer activity.

Expenses were down 12% because of a reduction in expenses for consultancy services, marketing and IT. Moreover, the fourth quarter of 2013 was affected by the booking of higher severance payments.

### Credit exposure

At the end of Q1 2014, credit exposure to business customers amounted to DKK 644 billion, against DKK 639 billion at the end of 2013.

	Credit exposure (DKK millions)		Impairments (ann.) (%)
	31 March 2014	31 Dec. 2013	31 March 2014
Denmark	371,572	378,808	0.24
Finland	54,962	49,904	0.04
Sweden	108,262	107,249	0.07
Norway	57,820	53,815	0.37
Northern Ireland	29,207	26,899	0.21
Baltics	22,086	22,656	0.02
Other	7	10	0.00
Total	643,915	639,343	0.20

### Credit quality improving

Slightly improving market conditions combined with initiatives to improve asset quality resulted in a decline in impairments of 30% from the fourth quarter of 2013. Impairments amounted to DKK 0.3 billion.

The decline in impairments was associated primarily with the commercial property segment in Northern Ireland, and the materials and agriculture segments. Commercial property and agriculture remained the most challenged Business Banking segments.

### Q1 2014 vs Q1 2013

Profit before tax increased 18% to DKK 1.3 billion in the first quarter of 2014, and the return on allocated capital rose from 9.6% to 11.9%.

Total income fell 3% from DKK 3.0 billion to DKK 2.9 billion as lower loan demand more than offset the positive effect of income initiatives.

Net interest income was negatively affected by changes in funds transfer pricing and lower loan demand. Net fee income showed a satisfactory rise despite lower lending volumes.

Expenses increased slightly because of changes to the allocation of staff and expenses between business units. Excluding the effect of these changes, expenses fell, primarily because of a reduction in the number of FTEs and lower expenses for consultancy services, marketing and IT.

## Corporates & Institutions

In the first quarter of 2014, we continued to improve our offering by adjusting the organisation to enhance the customer experience. Client-driven income benefited from lead roles in a large number of Debt Capital Markets transactions and a strong quarter in the equities area. A strengthened Transaction Banking unit and a new International Banking unit serve business, corporate and institutional customers, leveraging our strong product portfolio. The strong client satisfaction reflects our efforts. In the first quarter, we continued to receive positive customer feedback – most notably, we were ranked best in the Nordics by our customers in the Prospera surveys for Cash Management and Trade Finance.

### Key developments from Q4 2013 to Q1 2014

- Profit before tax of DKK 1.2 billion, up 27%
- Return on allocated capital of 12.4%, up 0.2 of a percentage point
- Total income of DKK 2.3 billion, down 1%
- Net interest income of DKK 0.6 billion, down 10%
- Client-driven income of DKK 1.9 billion, up 1%
- Expenses of DKK 1.1 billion, down 18%
- Impairments of DKK 5 million, down from DKK 38 million
- Cost/income ratio improved to 48.2%, down 10 percentage points

Profit before tax rose 27% from the preceding quarter, mainly because of lower expenses. In the fourth quarter of 2013, expenses were above normal because of restructuring costs. Income for the first quarter of 2014 was nearly flat.

CORPORATES & INSTITUTIONS (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Net interest income	599	663	90	504	119	2,306
Net fee income	354	346	102	292	121	1,218
Net trading income*	1,380	1,342	103	1,581	87	4,894
Other income	1	7	14	5	20	17
Total income	2,334	2,358	99	2,382	98	8,435
Expenses	1,126	1,372	82	1,100	102	4,588
Profit before loan impairment charges	1,208	986	123	1,282	94	3,847
Loan impairment charges	5	38	13	291	2	473
Profit before tax	1,203	948	127	991	121	3,374
Loans and advances before impairments	169,028	154,406	109	167,382	101	154,406
Allowance account, loans	2,399	2,410	100	2,789	86	2,410
Deposits	189,398	179,273	106	181,348	104	179,273
Bonds issued by Realkredit Danmark	25,168	20,856	121	11,757	214	20,856
Allocated capital (average)	38,723	31,127	124	32,194	120	31,471
Net interest income as % p.a. of loans and deposits	0.67	0.81		0.58		0.71
Profit before loan impairment charges as % p.a. of allocated capital	12.5	12.7		15.9		12.2
Profit before tax as % p.a. of allocated capital (ROE)	12.4	12.2		12.3		10.7
Cost/income ratio (%)	48.2	58.2		46.2		54.4
Full-time-equivalent staff	1,562	1,571	99	1,535	102	1,565

TOTAL INCOME (DKK millions)						
General Banking	980	991	99	843	116	3,635
Capital Markets	207	214	97	174	119	624
Sales and Research	708	677	105	715	99	2,719
Market Making	440	476	92	650	68	1,457
Total income	2,334	2,358	99	2,382	98	8,435

\* All income from Capital Markets, Sales and Research and Market Making is presented under Net trading income.

## Developments in Q1 2014

We continued to execute the Corporates & Institutions strategy and our promise to deliver distinctive value propositions and grow the client-driven income base.

All of Danske Bank's non-Nordic corporate and business customers are now served by our new International Banking unit. We established this cross-organisational unit in order to enhance our service offering by improving accessibility.

All business customers now have access to our market-leading products and services through an improved Transaction Banking set-up. An increasing number of institutional clients are demanding services that assist them in meeting new regulatory, technology and reporting requirements. We therefore introduced a new post-trade service, including client clearing, custody services, cash management and regulatory reporting. As part of our efforts to enhance the client experience in this area, clients are served by a dedicated support team from a single point of entry.

We continued to meet client demand for capital markets products and services, especially within debt capital markets, where we demonstrated our ability to assist large corporate clients. We proceeded to drive the development of a DKK-denominated corporate bond market with yet another issuance. Within Equity Capital Markets, we acted as sole bookrunner in the largest accelerated bookbuilding in a Danish equity on record.

### Q1 2014 vs Q4 2013

At DKK 2.3 billion, total income was down 1% from the level in the fourth quarter of 2013. The main reason was a drop in net interest income, primarily because of fewer interest days in the first quarter of 2014 than in the fourth quarter of 2013 and changes in funds transfer pricing.

Trading income was on par with the level in the fourth quarter of 2013. No clear trend appeared in the market, and investors remained cautious at the beginning of 2014.

Client-driven income from Capital Markets, Sales and Research, and General Banking also remained at the same high level as in the fourth quarter of 2013.

TOTAL INCOME  
(DKK millions)



General Banking income was largely unchanged as an increase in net fee income offset the lower net interest income. Net fee income was driven mainly by increased activity within cash management and leveraged finance.

Capital Markets saw bond issuance activity continue the upward trend from 2013 with a large number of issues. Corporate Finance had a satisfactory first quarter.

Income from Sales and Research maintained the level from the fourth quarter of 2013.

Market Making income remained at the relatively low level of the fourth quarter. Risk appetite remained low, and this affected investor activity.

Expenses fell 18%, mainly because the preceding quarter included one-off restructuring costs.

Impairments amounted to only DKK 5 million in the first quarter.

### Credit exposure

The loan portfolio quality at Corporates & Institutions is strong. At 31 March 2014, total credit exposure from lending activities amounted to DKK 742 billion. The total portfolio was up 8% from the level at year-end 2013, mainly because of increased exposure towards existing clients.

Impairments have fluctuated over the past six quarters and are expected to continue to do so quarter-on-quarter. Impairments in the first quarter remained low. Accumulated impairments (allowance account), which totalled DKK 3 billion, related mainly to a small number of corporate clients.

	Credit exposure (DKK millions)		Impairments (ann.) [%]
	31 March 2014	31 Dec. 2013	31 March 2014
Sovereign	94,316	76,038	0.02
Financial Institutions	351,930	335,097	0.05
Corporate	294,881	275,966	-0.06
Other	472	99	-0.60
Total	741,598	687,201	0.00

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

### Q1 2014 vs Q1 2013

Profit before tax rose 21% from the level in the first quarter of 2013, mainly because of lower impairments.

General Banking income continued to improve, mainly because of higher net interest income and net fee income.

Capital Markets saw bond issuance increase slightly, and Corporate Finance saw a rise in fees.

Sales and Research income was unchanged despite more difficult market conditions than those prevailing in the year-earlier period. The first quarter of 2013 benefited from clearer financial market trends.

Market Making income fell because of reduced market activity. The higher level of activity in the first quarter of 2013 was fuelled by positive market sentiment resulting from the resolution of the US budgetary problems.

Expenses remained at the year-earlier level.

## Danske Capital

In the first quarter of 2014, we continued to execute the Danske Capital strategy. A substantial net inflow of assets from both new and existing clients, combined with a positive securities market, led to a record-high level of assets under management of DKK 748 billion at the end of March 2014. Excluding performance fees and associated performance-based compensation, profit before tax was up 21 % from the preceding quarter.

### Key developments from Q4 2013 to Q1 2014

- Excluding performance fees and associated performance-based compensation, profit before tax was DKK 0.2 billion, up 21 %
- Excluding performance fees, total income was DKK 0.5 billion, up 1 %
- Expenses were DKK 0.2 billion, down 29 %

Assets under management amounted to DKK 748 billion, up DKK 21 billion from the level at the end of 2013. The cost development was influenced by lower performance-based compensation and lower marketing, IT and refurbishing costs.

DANSKE CAPITAL (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Net interest income	-	-9	-	-9	-	-38
Net fee income	494	773	64	487	101	2,186
Other income	-1	7	-	2	-	16
Total income	493	771	64	480	103	2,164
Expenses	228	322	71	270	84	1,033
Profit before loan impairment charges	265	449	59	210	126	1,131
Loan impairment charges	-	-	-	-	-	-
Profit before tax	265	449	59	210	126	1,131
Loans and advances before impairments	333	296	113	238	140	296
Allowance account, loans	-	-	-	-	-	-
Deposits	116	219	53	228	51	219
Allocated capital (average)	2,580	2,580	100	2,499	103	2,557
Cost/income ratio (%)	46.2	41.8		56.3		47.7
Assets under management (DKK billions)	748	727	103	722	104	727

BREAKDOWN OF NET FEE INCOME (DKK millions)						
Performance fees	20	302	7	50	40	365
Other fee income	474	471	101	437	108	1,821
Total net fee income	494	773	64	487	101	2,186



## Developments in Q1 2014

In recent years, we have focused on developing our solution strategy for both retail and institutional clients. Retail clients are offered a solution through the managed accounts concept. The concept is now available in all of our Nordic markets. In the first quarter of 2014, we passed an important milestone in Denmark as retail solution assets exceeded DKK 100 billion.

On the institutional side, it was gratifying to see that our Finnish unit succeeded in attracting important new clients. Net sales in Finland amounted to DKK 4 billion.

We also received important awards that testify to the high quality of our product offerings. For the sixth consecutive year, Morningstar named Danske Invest the best equity fund manager in Denmark. Danske Invest Hedge Fixed Income Strategy also received the HFM award for the third consecutive year.

For the first three months of 2014, 57% of Danske Invest funds generated above-benchmark returns. Of the bond-based funds, 62% delivered above-benchmark returns, but for equity-based funds, the figure was an unsatisfactory 50%. Of the balanced funds, 75% performed above their benchmarks. Some 35% of Danske Invest funds ranked in the top third of European funds in their categories, indicating an average level of investment performance compared with peers.

## Q1 2014 vs Q4 2013

Excluding performance fees, income increased 1%, with margins unchanged at 0.26% of assets under management. Including performance fees, income declined 36% from the level in the fourth quarter as a consequence of the way performance fee agreements with clients are structured. They are typically measured at year end, with booking and payments made in the fourth quarter. Performance fees thus declined from DKK 302 million in the fourth quarter to DKK 20 million.

Expenses fell 29%, driven by lower performance-based compensation. Excluding performance-based compensation, expenses fell 18%.

Excluding performance fees and associated performance-based compensation, profit before tax was up 21%.

Assets under management amounted to DKK 748 billion, up DKK 21 billion from the level at year-end 2013. The rise was owing to positive net sales of DKK 11 billion and gains on securities of DKK 10 billion. Net sales to institutional clients totalled DKK 9 billion, and sales to retail customers came to DKK 2 billion. The trend among Finnish institutional clients was positive, with net sales amounting to DKK 4 billion.

## Q1 2014 vs Q1 2013

Total income was up 3% from the first quarter of 2013 to the first quarter of 2014. Performance fees fell from DKK 50 million to DKK 20 million. Non-performance-based income was up 10%.

Expenses were down 16%. Expenses in the first quarter of 2013 included provisions for operational losses.

Profit before tax was up 26%.

## Danica Pension

The sale of Danica Pension products to personal customers through other business units rose 7% in the first quarter, demonstrating our focus on providing holistic solutions to our customers. We also increased our efforts to sell pension products to business customers that already bank with Danske Bank. We launched several initiatives aimed at making it easier to be a customer and we improved accessibility. The financial results for the first quarter of 2014 made it possible to book the risk allowance to income for three of the four interest rate groups.

### Key developments from Q4 2013 to Q1 2014

- Result from insurance business of DKK 0.4 billion, up 16%
- Net income of DKK 0.4 billion, down 34%
- Return on allocated capital of 13.4%, down 6.9 percentage points
- Premiums of DKK 7.8 billion, up 15%
- Average return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* unit-linked products of 1.8%, down 1.4 percentage points
- Net return on investments of *Danica Traditional* customer funds of 3.0%, up 2.1 percentage points
- Danske Bank sales of Danica Pension products of DKK 1.2 billion, up 7%

Returns on alternative investments led to a positive overall return on investments. As a result, the risk allowance could be booked to income in full for three of the four interest rate groups. DKK 52 million was transferred to the shadow account. At 31 March 2014, the shadow account stood at DKK 1.3 billion.

DANICA PENSION (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Danica Traditional	304	241	126	322	94	1,139
Unit-linked business	147	157	94	121	121	539
Health and accident business	-32	-38	-	-59	-	-167
Result from insurance business	419	360	116	384	109	1,511
Return on investments	110	170	65	96	115	349
Financing result	-49	-43	-	-44	-	-176
Special allotment	-24	-45	-	-63	-	-158
Change in shadow account	-52	172	-	-32	-	-438
Net income from insurance business	405	614	66	341	119	1,088
Premiums, insurance contracts	5,905	5,080	116	5,513	107	20,180
Premiums, investment contracts	1,940	1,736	112	2,140	91	6,628
Provisions, insurance contracts	263,331	257,792	102	262,054	100	257,792
Provisions, investment contracts	35,970	34,777	103	31,962	113	34,777
Customer funds, investment assets						
Danica Traditional	170,649	168,864	101	190,104	90	168,864
Danica Balance	61,286	58,446	105	45,690	134	58,446
Danica Link	63,091	61,165	103	58,395	108	61,165
Allocated capital (average)	12,087	12,071	100	11,483	105	11,685
Net income as % p.a. of allocated capital	13.4	20.3		11.9		9.3

## Developments in Q1 2014

We continued to execute the Danica Pension strategy and to deliver on our promise to enhance the customer experience, provide financial security for our customers, provide customers with a coherent health programme and optimise services for the Group's shared customers.

In the first quarter, we launched several initiatives aimed at making it easier to be a customer. We now offer business customers an online solution in which Danica Pension automatically sets up a pension scheme for new employees, who then access their individual schemes online to customise them according to their specific needs.

Customers appreciate the flexibility of being able to look at their pension schemes whenever it suits them. Some 45% of our customers thus set up their pension schemes outside normal working hours.

We also improved accessibility by offering personal advisory services from 10am to 1pm on Saturdays.

The rollout of Danica Pension Check, Danica Pension's new online tool for checking pension and insurance coverage, is progressing according to plan. At the end of the first quarter, 7,000 customers had completed the check.

## Q1 2014 vs Q4 2013

Net income from insurance business was DKK 0.4 billion, against DKK 0.6 billion in the fourth quarter of 2013. The fourth quarter figure benefited from the booking of a DKK 0.2 billion portion of the postponed risk allowance. In the first quarter of 2014, Danske Bank booked the risk allowance for three of the four interest rate groups, and DKK 52 million was transferred to the shadow account, which at the end of March 2014 stood at DKK 1.3 billion.

The development in income from unit-linked business included an adjustment for previous periods.

The return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* unit-linked products was DKK 1.5 billion, representing an average rate of return of 1.8%, against 3.2% in the fourth quarter of 2013.

The return on investments of *Danica Traditionel* customer funds was 3.0%, against 0.9% in the fourth quarter of 2013. Including changes in technical provisions, the return on customer funds was 1.5%, against 1.3% in the fourth quarter of 2013.

## Q1 2014 vs Q1 2013

In the first quarter of 2014, net income from insurance business amounted to DKK 0.4 billion, against DKK 0.3 billion in the first quarter of 2013.

The return on investments of *Danica Traditionel* customer funds was 3.0%, against 0.5% in the first quarter of 2013. Including changes in technical provisions, the return on customer funds was 1.5%.

The return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* products totalled DKK 1.5 billion, representing an average rate of return of 1.8%, against 4.5% in the first quarter of 2013.

Driven by a higher business volume, the result for the unit-linked business increased from DKK 121 million to DKK 147 million.

In Denmark, total premiums rose 11% to DKK 5.6 billion. Total premiums for all markets rose 3% to DKK 7.8 billion.

Premiums for the *Danica Balance*, *Danica Link* and *Danica Select* products, including transfers from *Danica Traditionel*, amounted to DKK 3.7 billion, an increase of DKK 0.8 billion. As expected, total premiums for *Danica Traditionel* saw a downward trend, falling DKK 0.2 billion.

At the Swedish unit, total premiums fell 12% to DKK 1.8 billion. Single premiums were extraordinarily high in the first quarter of 2013.

At the Norwegian unit, total premiums fell 24% to DKK 0.4 billion, also because single premiums were extraordinarily high in the first quarter of 2013.

## Non-core

### Key developments from Q4 2013 to Q1 2014

- Profit before tax of a negative DKK 0.6 billion
- Impairments of DKK 0.3 billion, up 65%
- Loan portfolio before impairments of DKK 51.2 billion, down 5%

We continue to focus on the controlled winding-up of the loan portfolio that is no longer considered part of Danske Bank's core activities. On 1 January 2014, all Irish customers in Business Banking and Personal Banking were transferred to the Non-core Ireland portfolio, which in addition to these customers consists mainly of loans to commercial and residential investment property customers in Ireland. The remainder is exposure to SPVs and conduits administered by our London office.

NON-CORE (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Total income	48	153	31	107	45	385
Expenses	377	389	97	154	245	853
Profit before loan impairment charges	-329	-236	-	-47	-	-468
Loan impairment charges	303	184	165	571	53	1,309
Profit before tax	-632	-420	-	-618	-	-1,777
Loans and advances before impairments	51,213	53,729	95	60,971	84	53,729
Allowance account, loans	11,971	12,105	99	11,942	100	12,105
Deposits	11,000	16,742	66	17,664	62	16,742
Allocated capital (average)	9,153	11,284	81	9,323	98	10,330
Net interest income as % p.a. of loans and deposits	0.25	0.38		0.53		0.46
Profit before loan impairment charges as % p.a. of allocated capital	-14.4	-8.4		-2.0		-4.5
Profit before tax as % p.a. of allocated capital (ROE)	-27.6	-14.9		-26.5		-17.2
Cost/income ratio (%)	-	254.2		143.9		221.6
Full-time-equivalent staff	217	257	84	326	67	257

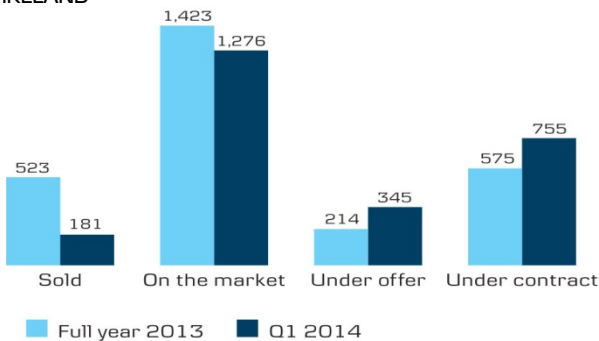
LOAN IMPAIRMENT CHARGES (DKK millions)						
Non-core Ireland	117	95	123	661	18	1,388
Non-core Conduits etc.	186	89	209	-90	-	-79
Total	303	184	165	571	53	1,309

## Developments in Q1 2014

The portfolio progressed as expected in terms of both volume reduction and credit quality.

Property sales continued, and an increasing number of properties came under offer and under contract in the first quarter. In terms of the number of properties on the market, residential property was the largest segment, followed by land banks. Sales in the first quarter of 2014 equalled about 35% of the 2013 total.

NUMBER OF PROPERTIES SOLD AND PIPELINE IN NON-CORE IRELAND



## Q1 2014 vs Q4 2013

The loss before tax increased from DKK 0.4 billion to DKK 0.6 billion. The rise was caused mainly by impairment charges against loans in the Non-core conduits portfolio and provisions for an unfulfilled distribution agreement for life insurance products in the Baltics made in conjunction with the acquisition of Sampo Bank. Together, these factors accounted for more than half of the loss in the first quarter.

Lending amounted to DKK 51.2 billion and consisted mainly of commercial and investment property exposure, conduit exposure and exposure to personal customers. Total lending fell DKK 2.5 billion from the level at the end of 2013 as a result of asset sales, settlements and write-offs. Impairments amounted to DKK 0.3 billion.

## Credit exposure and accumulated impairments

Credit exposure totalled DKK 39.7 billion, against DKK 42.8 billion at the end of 2013. Accumulated impairments amounted to DKK 12.0 billion.

CREDIT EXPOSURE (DKK millions)	31 March 2014	31 December 2013
Non-core Ireland	27,835	29,740
Non-core conduits etc.	11,859	13,102
Total	39,694	42,841

## Non-core Ireland

Credit exposure at Non-core Ireland amounted to DKK 27.8 billion, against DKK 29.7 billion at the end of 2013. Commercial property and personal customer exposures amounted to DKK 3.5 billion and DKK 19.9 billion, respectively.

Impairments remained low at DKK 0.1 billion, unchanged from the fourth quarter of 2013. The charges related mainly to facilities that were already subject to impairment.

Mortgages account for 96% of the exposure to personal customers. The Irish property market is recovering, particularly in Dublin, where the majority of the portfolio is located. A slight increase in property prices had a positive effect on the quality of this portfolio, and arrears remained low.

(DKK millions)	Credit exposure		Impairments
	31 March 2014	(ann.) (%) 31 Dec. 2013	(ann.) % 31 March 2014
Commercial property	3,527	4,835	30.59
Consumer discretionary	858	994	1.20
Personal customers	19,890	21,583	-1.55
Other	3,560	2,328	-25.75
Total	27,835	29,740	1.56

## Non-core conduits etc.

Credit exposure to conduits etc. amounted to DKK 11.9 billion, against DKK 13.1 billion at the end of 2013. The portfolio consists mainly of liquidity facilities for SPVs and conduits. The credit quality of the portfolio remained stable.

## Q1 2014 vs Q1 2013

Impairments were down to DKK 0.3 billion in the first quarter of 2014, against DKK 0.6 billion in the first quarter of 2013. The development was driven mainly by lower charges against facilities for commercial property customers.

Total lending fell DKK 9.8 billion from the level in the first quarter of 2013 as a result of asset sales, settlements and write-offs.

## Other Activities

### Key developments from Q4 2013 to Q1 2014

- Profit before tax of DKK 86 million, against a negative DKK 757 million in Q4 2013
- Total income of DKK 164 million, against a negative DKK 417 million in Q4 2013
- Expenses of DKK 78 million, down 77%

OTHER ACTIVITIES (DKK millions)	Q1 2014	Q4 2013	Index Q1/Q4	Q1 2013	Index 14/13	Full year 2013
Net interest income	53	-10	-	-22	-	-92
Net fee income	-12	-16	-	-1	-	-66
Net trading income	86	-383	-	-206	-	-513
Other income	37	-8	-	31	119	130
Total income	164	-417	-	-198	-	-541
Expenses	78	340	23	214	36	953
Profit before loan impairment charges	86	-757	-	-412	-	-1,494
Loan impairment charges	-	-	-	-	-	-
Profit before tax	86	-757	-	-412	-	-1,494

PROFIT BEFORE TAX (DKK millions)						
Group Treasury	260	-387	-	-209	-	-533
Own shares	-117	-22	-	-33	-	-110
Group support functions	-57	-348	-	-170	-	-851
Total	86	-757	-	-412	-	-1,494

### Q1 2014 vs Q4 2013

Other Activities posted a profit before tax of DKK 86 million, against a loss before tax of DKK 757 million in the fourth quarter of 2013.

The build-up of the hold-to-maturity bond portfolio continued throughout the first quarter, causing an increase in net interest income.

In the first quarter of 2014, internal funds transfer pricing was adjusted to reflect the current conditions in the liquidity market. Consequently, net trading income increased in Group Treasury as the unallocated funding cost was reduced.

Net trading income benefited from value adjustments in the private equity portfolio, for which value adjustments are normally made in the first half of the year following the approval of annual reports.

Expenses fell from the level in the fourth quarter of 2013. The expense level in the fourth quarter of

2013 was higher mainly because of restructuring costs.

### Q1 2014 vs Q1 2013

Profit before tax was DKK 86 million in the first quarter of 2014, against a loss before tax of DKK 412 million in the first quarter of 2013.

Net trading income amounted to DKK 86 million, against a negative DKK 206 million in the first quarter of 2013, as the year-earlier period was negatively affected by value adjustments in the private equity portfolio.

Expenses amounted to DKK 78 million, against DKK 214 million in the first quarter of 2013. The first quarter of 2013 was negatively affected by expenses for the Danish Deposit Guarantee Fund, whereas there was a small amount of income in the first quarter of 2014.



## Income statement – Danske Bank Group

Note	(DKK millions)	Q1 2014	Q1 2013	Full year 2013
	Interest income	16,800	18,019	71,632
	Interest expense	8,805	9,722	38,200
	Net interest income	7,995	8,297	33,432
	Fee income	3,486	3,117	13,231
	Fee expenses	1,074	1,054	4,441
	Net trading income	2,358	3,934	8,146
3	Other income	535	715	4,296
	Net premiums	5,804	5,442	20,148
	Net insurance benefits	8,177	9,776	32,537
	Operating expenses	6,352	6,450	26,796
	Profit before loan impairment charges	4,574	4,225	15,479
4	Loan impairment charges	944	2,009	5,420
	Profit before tax	3,630	2,216	10,059
	Tax	818	744	2,944
	Net profit for the period	2,812	1,472	7,115
	Portion attributable to shareholders of Danske Bank A/S (the Parent Company)	2,794	1,472	7,115
	additional tier 1 capital holders	18	-	-
	Net profit for the period	2,812	1,472	7,115
	Earnings per share (DKK)	2.8	1.5	7.1
	Diluted earnings per share (DKK)	2.8	1.5	7.1
	Proposed dividend per share (DKK)	-	-	2.0

## Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1 2014	Q1 2013	Full year 2013
Net profit for the period	2,812	1,472	7,115
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans	-98	24	25
Tax	13	44	66
Items that will not be reclassified to profit or loss	-85	68	91
Items that are or may be reclassified subsequently to profit or loss			
Translation of units outside Denmark	146	-400	-544
Hedging of units outside Denmark	-123	399	462
Unrealised value adjustments of available-for-sale financial assets	179	330	980
Realised value adjustments of available-for-sale financial assets	-4	-6	-19
Tax	-22	-151	-329
Items that are or may be reclassified subsequently to profit or loss	176	172	550
Total other comprehensive income	91	240	641
Total comprehensive income for the period	2,903	1,712	7,756
Portion attributable to			
shareholders of Danske Bank A/S (the Parent Company)	2,885	1,712	7,756
additional tier 1 capital holders	18	-	-
Total comprehensive income for the period	2,903	1,712	7,756

## Balance sheet – Danske Bank Group

Note	(DKK millions)	31 March 2014	31 December 2013	31 March 2013
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	47,581	43,721	96,143
	Due from credit institutions and central banks	146,395	131,381	186,097
	Trading portfolio assets	706,907	695,723	831,669
	Investment securities	202,060	161,917	113,643
	Loans and advances at amortised cost	1,094,602	1,088,728	1,169,599
	Loans at fair value	737,027	728,081	731,337
	Assets under pooled schemes and unit-linked investment contracts	74,101	74,761	73,290
	Assets under insurance contracts	251,323	246,484	241,838
	Intangible assets	20,601	20,641	20,943
	Tax assets	1,442	1,356	1,478
5	Other assets	32,178	34,263	34,961
	<b>Total assets</b>	<b>3,314,218</b>	<b>3,227,057</b>	<b>3,500,998</b>
<b>LIABILITIES</b>				
	Due to credit institutions and central banks	333,387	312,597	485,512
	Trading portfolio liabilities	386,249	435,183	544,406
	Deposits	1,041,738	943,901	899,050
	Bonds issued by Realkredit Danmark	623,956	614,196	623,133
	Deposits under pooled schemes and unit-linked investment contracts	82,863	81,882	82,260
	Liabilities under insurance contracts	266,629	262,468	265,300
6	Other issued bonds	308,336	310,178	347,289
	Tax liabilities	9,179	9,039	8,215
	Other liabilities	44,787	45,736	42,704
6	Subordinated debt	65,277	66,219	63,561
	<b>Total liabilities</b>	<b>3,162,401</b>	<b>3,081,400</b>	<b>3,361,430</b>
<b>EQUITY</b>				
	Share capital	10,086	10,086	10,086
	Foreign currency translation reserve	-254	-277	-196
	Reserve for available-for-sale financial assets	-387	-562	-1,199
	Retained earnings	136,797	134,393	130,877
	Proposed dividends	-	2,017	-
	Shareholders of Danske Bank A/S (the Parent Company)	146,242	145,657	139,568
	Additional tier 1 capital holders	5,575	-	-
	<b>Total equity</b>	<b>151,817</b>	<b>145,657</b>	<b>139,568</b>
	<b>Total liabilities and equity</b>	<b>3,314,218</b>	<b>3,227,057</b>	<b>3,500,998</b>

# Statement of capital – Danske Bank Group

[DKK millions]

## CHANGES IN EQUITY

	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*	
Total equity at 1 January 2014	10,086	-277	-562	134,393	2,017	145,657	-	145,657
Net profit for the period	-	-	-	2,794	-	2,794	18	2,812
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	-98	-	-98	-	-98
Translation of units outside Denmark	-	146	-	-	-	146	-	146
Hedging of units outside Denmark	-	-123	-	-	-	-123	-	-123
Unrealised value adjustments	-	-	179	-	-	179	-	179
Realised value adjustments	-	-	-4	-	-	-4	-	-4
Tax	-	-	-	-9	-	-9	-	-9
Total other comprehensive income	-	23	175	-107	-	91	-	91
Total comprehensive income for the period	-	23	175	2,687	-	2,885	18	2,903
Transactions with owners								
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-56	-	-56	5,597	5,541
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	16	-2,017	-2,001	-	-2,001
Acquisition of own shares and additional tier 1 capital	-	-	-	-8,278	-	-8,278	-40	-8,318
Sale of own shares and additional tier 1 capital	-	-	-	8,040	-	8,040	-	8,040
Share-based payments	-	-	-	-	-	-	-	-
Tax	-	-	-	-5	-	-5	-	-5
Total equity at 31 March 2014	10,086	-254	-387	136,797	-	146,242	5,575	151,817
Total equity at 1 January 2013	10,086	-195	-1,523	129,632	-	138,000	4	138,004
Net profit for the period	-	-	-	1,472	-	1,472	-	1,472
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	24	-	24	-	24
Translation of units outside Denmark	-	-400	-	-	-	-400	-	-400
Hedging of units outside Denmark	-	399	-	-	-	399	-	399
Unrealised value adjustments	-	-	330	-	-	330	-	330
Realised value adjustments	-	-	-6	-	-	-6	-	-6
Tax	-	-	-	-107	-	-107	-	-107
Total other comprehensive income	-	-1	324	-83	-	240	-	240
Total comprehensive income for the period	-	-1	324	1,389	-	1,712	-	1,712
Transactions with owners								
Dividends paid	-	-	-	-	-	-	-4	-4
Acquisition of own shares	-	-	-	-4,553	-	-4,553	-	-4,553
Sale of own shares	-	-	-	4,415	-	4,415	-	4,415
Share-based payments	-	-	-	-	-	-	-	-
Tax	-	-	-	-6	-	-6	-	-6
Total equity at 31 March 2013	10,086	-196	-1,199	130,877	-	139,568	-	139,568

\*For 2013 the "Additional tier 1 capital" column also includes non-controlling interests.

## Statement of capital – Danske Bank Group

(DKK millions)	31 March 2014	31 December 2013
Share capital (DKK)	10,086,200,000	10,086,200,000
Number of shares	1,008,620,000	1,008,620,000
Number of shares outstanding	999,726,586	1,000,417,378
Average number of shares outstanding for the period	1,000,144,234	1,000,668,921
Average number of shares outstanding, including dilutive shares, for the period	1,001,044,036	1,000,950,674
<b>Total capital and total capital ratio</b>		
Total equity	151,817	145,657
Revaluation of domicile property at fair value	1,169	1,177
Tax effect	-244	-241
Reserves in undertakings consolidated on a pro rata basis	3,002	3,002
Total equity calculated in accordance with the rules of the Danish FSA	155,744	149,595
Additional tier 1 capital instruments included in total equity	-5,595	-
Accrued interest on additional tier 1 capital instruments	-18	-
Tax on accrued interest on additional tier 1 capital instruments	4	-
Common equity tier 1 capital instruments	150,136	149,595
Adjustment to eligible capital instruments	-247	-
Prudential filters	-13	-
Expected/proposed dividends	-780	-2,017
Intangible assets of banking operations	-20,508	-20,763
Deferred tax on intangible assets	483	509
Deferred tax assets that rely on future profitability, excluding temporary differences	-633	-972
Defined benefit pension fund assets	-255	-
Revaluation of domicile property	-	-596
Statutory deduction for insurance subsidiaries	-1,781	-
Other statutory deductions	-1,032	-247
Common equity tier 1 capital	125,370	125,509
Additional tier 1 capital instruments	18,714	39,953
Statutory deduction for insurance subsidiaries	-3,562	-3,930
Other statutory deductions	-14	-18
Tier 1 capital	140,508	161,514
Tier 2 capital instruments	25,773	23,823
Revaluation of domicile property	-	596
Statutory deduction for insurance subsidiaries	-3,562	-3,930
Other statutory deductions	-14	-18
Total capital	162,706	181,985
Total risk-weighted assets	896,755	852,250
Common equity tier 1 capital ratio (%)	14.0	14.7
Tier 1 capital ratio (%)	15.7	19.0
Total capital ratio (%)	18.1	21.4

At 31 March 2014, total capital and risk-weighted assets were 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 will be 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 Banking Authority (EBA) is expected to submit its final standard for adoption by the European Commission during the second half of 2014. The final stipulations of the standard may lead to a further reduction in common equity tier 1 capital.

At 31 December 2013, total capital and risk-weighted assets were calculated in accordance with the Danish Financial Business Act.

Risk-weighted assets calculated under the Basel I rules amounted to DKK 1,388,219 million at 31 March 2014 (31 December 2013: DKK 1,368,520 million). The capital need under the transitional rules was DKK 88,846 million, equal to 6.4% of risk-weighted assets under the Basel I rules (31 December 2013: DKK 87,585 million).

The Internal Capital Adequacy Assessment report provides more details about Danske Bank's solvency need. The report is available at [danskebank.com/reports](http://danskebank.com/reports).

## Cash flow statement – Danske Bank Group

[DKK millions]	Q1 2014	Q1 2013	Full year 2013
<b>Cash flow from operations</b>			
Profit before tax	3,630	2,216	10,059
Tax paid	-650	-669	-1,705
Adjustment for non-cash operating items	690	-498	6,615
<b>Total</b>	<b>3,670</b>	<b>1,049</b>	<b>14,969</b>
<b>Changes in operating capital</b>			
Amounts due to/from credit institutions and central banks	21,011	25,937	-147,278
Trading portfolio	-60,118	-6,196	20,526
Other financial instruments at fair value	-40,155	-6,396	-58,394
Loans and advances at amortised cost	-6,818	-9,791	67,668
Loans at fair value	-8,946	1,425	4,681
Deposits	97,837	-30,042	14,810
Bonds issued by Realkredit Danmark	9,760	8,808	-129
Assets/liabilities under insurance contracts	-678	-2,132	-9,610
Other assets/liabilities	1,290	5,938	-29,437
<b>Cash flow from operations</b>	<b>16,853</b>	<b>-11,400</b>	<b>-122,194</b>
<b>Cash flow from investing activities</b>			
Acquisition/sale of businesses	-	-	4
Acquisition/sale of own shares and additional tier 1 capital	-278	-138	-179
Acquisition of intangible assets	-115	-59	-349
Acquisition/sale of tangible assets	28	14	-268
<b>Cash flow from investing activities</b>	<b>-365</b>	<b>-183</b>	<b>-792</b>
<b>Cash flow from financing activities</b>			
Changes in subordinated debt and hybrid capital	-933	-3,728	233
Dividends	-2,001	-	-
Issued additional tier 1 capital	5,541	-	-
Change in non-controlling interests	-	-4	-4
<b>Cash flow from financing activities</b>	<b>2,607</b>	<b>-3,732</b>	<b>229</b>
<b>Cash and cash equivalents at 1 January</b>	<b>173,500</b>	<b>296,257</b>	<b>296,257</b>
<b>Change in cash and cash equivalents</b>	<b>19,095</b>	<b>-15,315</b>	<b>-122,757</b>
<b>Cash and cash equivalents, end of period</b>	<b>192,595</b>	<b>280,942</b>	<b>173,500</b>
<b>Cash and cash equivalents, end of period</b>			
Cash in hand and demand deposits with central banks	47,581	96,143	43,721
Amounts due from credit institutions and central banks within three months	145,014	184,799	129,779
<b>Total</b>	<b>192,595</b>	<b>280,942</b>	<b>173,500</b>



# Notes – Danske Bank Group

## Note

### 1 Significant accounting policies and estimates

#### 1. General

The Group's interim report for the first three months of 2014 has not been reviewed or audited.

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

The Group has adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangement, and amendments to IAS 28, Investments in Associates and Joint Ventures.

In the financial highlights and segment reporting, business activities have been transferred between business units.

With the exception of these changes, the Group has not changed its significant accounting policies from those applied in the consolidated financial statements for 2013, which provides a full description of the significant accounting policies.

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

#### 2. Changes to accounting policies

##### *Changes to consolidation*

On 1 January 2014, the Group adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangement, and amendments to IAS 28, Investments in Associates and Joint Ventures.

IFRS 10 replaces IAS 27 and establishes a uniform definition of control. Control is based on the concepts of power, variability of returns and their linkage. Danske Bank consolidates an entity if it has control over that entity. Control exists if Danske Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by exercising its power over the entity. IFRS 11 replaces IAS 31. For joint arrangements, more focus is placed on investor rights and obligations than on the structure of the arrangement, and the concept of a joint operation is introduced. Joint operations are consolidated on a pro rata basis. All other joint arrangements are recognised according to the equity method described in IAS 28. The adoption of IFRS 10 and 11 and the amended IAS 28 had an insignificant effect on the consolidated financial statements.

##### *Changes to financial highlights and segment reporting*

As part of the Group's strategy, Non-core activities are placed in a separate business unit. Personal Banking and Business Banking customers in Ireland were transferred to the Non-core unit with effect from 1 January 2014.

The change has affected the financial highlights and business segment reporting, whereas the income statement, balance sheet, total equity, earnings per share and statement of capital remain unaffected. The effect on the financial highlights and business segments for 2013 is presented in the tables below. Comparative figures for 2013 have been restated. Minor changes have been made to the adjusted financial highlights for 2013 presented in note 38 to the consolidated financial statements for 2013.

# Notes – Danske Bank Group

Note	(DKK millions)					
1						
(cont'd)	Income statement	Change				
		Highlights Q1 2013	Personal Banking Ireland	Business Banking Ireland	Other Activities Ireland	Adjusted Q1 2013
	Net interest income	5,452	-33	-6	-1	5,412
	Net fee income	2,265	-11	-3	1	2,252
	Net trading income	1,775	-3	-2	-	1,771
	Other income	296	-1	1	6	302
	Net income from insurance business	341	-	-	-	341
	Total income	10,129	-48	-10	7	10,077
	Expenses	5,905	-73	-24	-4	5,804
	Profit before loan impairment charges	4,224	25	14	11	4,274
	Loan impairment charges	1,459	-39	19	-	1,438
	Profit before tax, core activities	2,765	64	-5	11	2,834
	Profit before tax, Non-core	-549	-64	5	-11	-618
	Profit before tax	2,216	-	-	-	2,216
	Tax	744	-	-	-	744
	Net profit for the period	1,472	-	-	-	1,472
	Loans and advances	1,636,813	-15,846	-1,291	-120	1,619,556
	Other assets	1,832,341	2,146	-1,708	-654	1,832,125
	Total assets in Non-core	31,844	13,700	2,999	774	49,317
	Deposits	797,320	-11,306	-1,688	-407	783,919
	Other liabilities	2,559,423	-937	-975	1,204	2,558,715
	Allocated capital*	139,568	-1,456	-336	36	139,568
	Total liabilities in Non-core	4,687	12,243	2,663	-797	18,796

\*Total allocated capital is not affected by the transfer of Personal Banking and Business Banking customers in Ireland to the Non-core unit.

## Notes – Danske Bank Group

Note [DKK millions]

1

(cont'd)

The table below shows how the transfer of Personal Banking and Business Banking customers in Ireland to the Non-core unit has affected note 2 on business segments for the first quarter of 2013. Only changed columns are included in the table with values before and after the transfer.

Q1 2013	Personal Before	Personal After	Business Before	Business After	Other Before	Other After	Non-core Before	Non-core After	Reclass. Before	Reclass. After
Net interest income	2,772	2,736	2,206	2,200	229	228	49	88	-2,845	-2,885
Net fee income	998	986	490	487	1	2	5	19	202	189
Net trading income	200	197	199	197	-352	-352	1	5	-2,159	-2,163
Other income	143	141	427	428	-13	-6	-	-5	-419	-413
Net premiums	-	-	-	-	-	-	-	-	-5,442	-5,442
Net insurance benefits	-	-	-	-	-	-	-	-	-9,776	-9,776
Net income from insurance business	-	-	-	-	-	-	-	-	341	341
Total income	4,113	4,060	3,322	3,312	-135	-129	55	107	-546	-598
Expenses	2,956	2,883	1,664	1,640	252	248	54	154	-545	-646
Profit before loan impairment charges	1,157	1,177	1,658	1,672	-387	-377	1	-47	-1	49
Loan impairment charges	589	550	579	598	-	-1	550	571	-550	-571
Profit before tax, core	568	627	1,079	1,074	-387	-376	-549	-618	549	618
Profit before tax, Non-core	-	-	-	-	-	-	-	-	-549	-618
Profit before tax	568	627	1,079	1,074	-387	-376	-549	-618	-	-
Loans and advances, excluding reverse transactions	852,230	836,384	623,577	622,286	14,566	14,446	31,773	49,029	-31,773	-49,029
Other assets	199,624	201,770	248,942	247,234	1,866,869	1,866,215	6,273	6,728	-71	-288
Total assets in Non-core	-	-	-	-	-	-	-	-	31,844	49,317
Deposits, excluding repo deposits	357,822	346,516	257,881	256,193	12,937	12,530	4,263	17,664	-4,263	-17,664
Other liabilities	665,519	664,582	569,445	568,470	1,856,367	1,855,964	26,229	28,782	-424	-1,132
Allocated capital	28,513	27,057	45,193	44,857	12,132	12,168	7,554	9,311	-	-
Total liabilities in Non-core	-	-	-	-	-	-	-	-	4,687	18,796
Profit before tax as % of allocated capital [avg.]	8	9	10	10	-13	-12	-29	-27	-	-
Cost/income ratio [%]	72	71	45	50	184	-192	98	144	-	-
Full-time-equivalent staff [end of period]	7,713	7,570	3,769	3,747	5,453	5,380	88	326	-	-

### 3. 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. The estimates and assumptions that are deemed critical to the consolidated financial statements 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

Significant estimates are not used for measuring the fair value of financial instruments where the value is based on prices quoted in an active market or on generally accepted models employing observable market data.

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 estimates. The estimated fair value of illiquid bonds depends on the credit spread estimate. If the credit spread widened 50bp at 31 March 2014, the fair value of the bonds would decrease DKK 24 million [31 December 2013: DKK 19 million].

For derivatives for which the value is not based on prices quoted in an active market, the Group makes fair value adjustments at portfolio level to cover counterparty risk, model risk and bid-offer spreads. At 31 March 2014, fair value adjustments amounted to DKK 0.3 billion [31 December 2013: DKK 0.3 billion].

Note 9 provides more details.

## Notes – Danske Bank Group

Note	
1 (cont'd)	<p data-bbox="225 398 560 421"><b>Measurement of loans and advances</b></p> <p data-bbox="225 423 782 763">The Group makes impairment charges to account for any impairment of loans and advances 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 general economic growth and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.</p> <p data-bbox="225 795 782 1084">If all customers were downgraded one rating category, collective impairment charges would increase by about DKK 3.6 billion (31 December 2013: DKK 3.7 billion). 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 2.4 billion (31 December 2013: DKK 2.4 billion). The notes on risk management provide more details on impairment charges for loans and advances. At 31 March 2014, loans and advances accounted for about 55% of total assets (31 December 2013: 56%).</p> <p data-bbox="225 1122 456 1144"><b>Measurement of goodwill</b></p> <p data-bbox="225 1146 782 1435">Goodwill on acquisition is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate future cash flows from acquired units. A number of factors affect the value of such cash flows, including discount rates, changes in the real economy, customer behaviour and competition. Note 19 to the consolidated financial statements for 2013 provides more information about impairment tests and sensitivity to changes in impairment test assumptions. At 31 March 2014, goodwill amounted to DKK 18.5 billion (31 December 2013: DKK 18.5 billion).</p> <p data-bbox="225 1469 722 1491"><b>Measurement of liabilities under insurance contracts</b></p> <p data-bbox="225 1494 782 1836">Calculations of liabilities under insurance contracts are based on a number of actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates. Assumptions are based on data from the Group's own portfolio of insurance contracts. The liabilities also depend on the discount yield curve, which is fixed on the basis of a zero-coupon yield curve estimated on the basis of euro swap market rates to which are added the yield spread between Danish and German government bonds and a mortgage yield curve spread. Note 18 to the consolidated financial statements for 2013 provides more information. The risk management notes to the consolidated financial statements for 2013 contain a sensitivity analysis.</p> <p data-bbox="225 1868 472 1890"><b>Recognition of deferred tax</b></p> <p data-bbox="225 1892 782 2072">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 31 March 2014, deferred tax assets from recognised tax loss carry-forwards stood at DKK 0.6 billion (31 December 2013: DKK 0.6 billion). The tax base of unrecognised tax loss carry-</p> <p data-bbox="890 398 1445 551">forwards, relating primarily to the banking operations in Ireland, amounted to DKK 3.3 billion (31 December 2013: DKK 3.5 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 6.2 billion at 31 March 2014 (31 December 2013: DKK 5.9 billion).</p> <p data-bbox="890 582 1445 712">The consolidated financial statements for 2013 and Risk Management 2013 provide a detailed description of the significant risks and the external factors that may affect the Group. Risk Management 2013 is not covered by the statutory audit.</p>

# Notes – Danske Bank Group

Note [DKK millions]

## 2 Business segments Q1 2014

	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non- core	Elimina- tions	Total	Reclassi- fication	Highlights
Net interest income	2,615	2,085	1,639	-	1,231	360	31	34	7,995	-2,644	5,351
Net fee income	1,062	507	578	494	-234	-9	14	-	2,412	-7	2,405
Net trading income	205	195	116	-1	1,968	25	2	-152	2,358	-493	1,865
Other income	138	451	1	-	38	-55	1	-39	535	-226	309
Net premiums	-	-	-	-	5,804	-	-	-	5,804	-5,804	-
Net insurance benefits	-	-	-	-	8,177	-	-	-	8,177	-8,177	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	405	405
Total income	4,020	3,238	2,334	493	629	322	48	-157	10,927	-592	10,335
Expenses	2,652	1,667	1,126	228	225	116	377	-39	6,352	-920	5,432
Profit before loan im- pairment charges	1,368	1,571	1,208	265	405	204	-329	-118	4,575	328	4,903
Loan impairment charges	337	299	5	-	-	-	303	-	944	-303	641
Profit before tax, core	1,031	1,272	1,203	265	405	204	-632	-118	3,630	632	4,262
Profit before tax, Non-core										-632	-632
Profit before tax	1,031	1,272	1,203	265	405	204	-632	-118	3,630	-	3,630
Loans and advances, excluding reverse transactions	797,269	599,433	166,629	333	-	25,083	39,242	-29,799	1,598,190	-39,242	1,558,948
Other assets	195,641	253,120	4,289,283	14,292	334,163	1,684,447	621	-5,055,540	1,716,028	-243	1,715,785
Total assets in Non-core										39,485	39,485
Total assets	992,910	852,553	4,455,912	14,625	334,163	1,709,530	39,863	-5,085,339	3,314,218	-	3,314,218
Deposits, excluding repo deposits	329,959	259,040	189,398	116	-	10,819	11,000	-7,632	792,700	-11,000	781,700
Other liabilities	630,520	550,579	4,227,791	11,929	322,076	1,690,377	19,710	-5,077,707	2,375,276	-997	2,374,279
Allocated capital	32,431	42,934	38,723	2,580	12,087	8,335	9,153	-	146,242	-	146,242
Total liabilities in Non-core	-	-	-	-	-	-	-	-	-	11,997	11,997
Total liabilities and equity	992,910	852,553	4,455,912	14,625	334,163	1,709,530	39,863	-5,085,339	3,314,218	-	3,314,218
Impairment charges goodwill	-	-	-	-	-	-	-	-	-	-	-
Profit before tax as % of allocated capital (avg.)	13	12	12	41	13	8	-28	-	10		
Cost/income ratio (%)	66	51	48	46	36	36	785	-	58		
Full-time-equivalent staff (end of period)	6,780	3,688	1,562	507	785	5,368	217	-	18,907		

In its financial highlights, Danske Bank recognises earnings contributed by Danske Bank Markets (part of C&I) and Group Treasury (part of Other Activities) as net trading income with the exception of interest income on the hold-to-maturity portfolio. Earnings contributed by Danica Pension are recognised as net income from insurance business, and earnings from Non-core activities as profit before tax, Non-core. Operating lease costs, excluding property leasing, are presented on a net basis under Other income. The Reclassification column shows the adjustments made to the detailed figures in the calculation of the highlights. The interest expense on additional tier I capital is charged to the business units on the basis of the capital allocated to each unit and is offset by a similar interest income in Other Activities.

Internal income and expenses are allocated to the individual segments on an arm's-length basis. Funding costs for lending and deposit activities are allocated on the basis of a maturity analysis of loans and deposits, interbank rates and funding spreads, and depend on financial market trends.

# Notes – Danske Bank Group

Note (DKK millions)

## 2 Business segments Q1 2013

(cont'd)	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non- core	Elimina- tions	Total	Reclassi- fication	Highlights
Net interest income	2,736	2,200	1,630	-9	1,386	228	88	38	8,297	-2,885	5,412
Net fee income	986	487	318	487	-236	2	19	-	2,063	189	2,252
Net trading income	197	197	429	2	3,527	-352	5	-71	3,934	-2,163	1,771
Other income	141	428	5	-	185	-6	-5	-32	715	-413	302
Net premiums	-	-	-	-	5,442	-	-	-	5,442	-5,442	-
Net insurance benefits	-	-	-	-	9,776	-	-	-	9,776	-9,776	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	341	341
Total income	4,060	3,312	2,382	480	528	-129	107	-65	10,675	-598	10,077
Expenses	2,883	1,640	1,100	270	187	248	154	-32	6,450	-646	5,804
Profit before loan impairment charges	1,177	1,672	1,282	210	341	-377	-47	-33	4,225	49	4,274
Loan impairment charges	550	598	291	-	-	-1	571	-	2,009	-571	1,438
Profit before tax, core	627	1,074	991	210	341	-376	-618	-33	2,216	618	2,834
Profit before tax, Non-core										-618	-618
Profit before tax	627	1,074	991	210	341	-376	-618	-33	2,216	-	2,216
Loans and advances, excluding reverse transactions	836,384	622,286	164,593	238	-	14,446	49,029	-18,391	1,668,585	-49,029	1,619,556
Other assets	201,770	247,234	4,711,876	20,795	331,624	1,866,215	6,728	-5,553,829	1,832,413	-288	1,832,125
Total assets in Non-core	-	-	-	-	-	-	-	-	-	49,317	49,317
Total assets	1,038,154	869,520	4,876,469	21,033	331,624	1,880,661	55,757	-5,572,220	3,500,998	-	3,500,998
Deposits, excluding repo deposits	346,516	256,193	181,348	228	-	12,530	17,664	-12,896	801,583	-17,664	783,919
Other liabilities	664,582	568,470	4,662,927	18,306	320,141	1,855,964	28,782	-5,559,324	2,559,847	-1,132	2,558,715
Allocated capital	27,057	44,857	32,194	2,499	11,483	12,168	9,311	-	139,568	-	139,568
Total liabilities in Non-core	-	-	-	-	-	-	-	-	-	18,796	18,796
Total liabilities and equity	1,038,154	869,520	4,876,469	21,033	331,624	1,880,661	55,757	-5,572,220	3,500,998	-	3,500,998
Impairment charges goodwill	-	-	-	-	-	-	-	-	-	-	-
Profit before tax as % of allocated capital (avg.)	9	10	12	34	12	-12	-27	-	6		
Cost/income ratio (%)	71	50	46	56	35	-192	144	-	60		
Full-time-equivalent staff (end of period)	7,570	3,747	1,535	479	791	5,380	326	-	19,828		

Personal Banking and Business Banking customers in Ireland were transferred to Non-core with effect from 1 January 2014. Business segments Q1 2013 have been restated. Note 1 provides more details.



## Notes – Danske Bank Group

Note	(DKK millions)
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- 3 **Other Income**  
Other income amounted to DKK 535 million (31 March 2013: DKK 715 million), including income from associates of DKK -122 million (31 March 2013: DKK -61 million) and profit on the sale of associates and group undertakings of DKK 0 million (31 March 2013: 0 million).

4	Loan impairment charges	31 March 2014	31 March 2013
	New and increased impairment charges	4,119	6,786
	Reversals of impairment charges	3,123	4,647
	Write-offs charged directly to income statement	343	249
	Received on claims previously written off	180	258
	Interest income, effective interest method	-214	-120
	Total	944	2,009

- 5 **Other assets**  
Other assets amounted to DKK 32,178 million (31 December 2013: DKK 34,263 million), including holdings in associates of DKK 1,239 million (31 December 2013: DKK 1,376 million), investment property of DKK 3,213 million (31 December 2013: DKK 3,200 million) and tangible assets of DKK 6,129 million (31 December 2013: DKK 6,106 million).

6	Other issued bonds	31 March 2014	31 Dec. 2013
	Commercial paper	29,293	25,250
	Other	279,042	284,927
	Total	308,336	310,178

Other issued bonds are recognised at amortised cost.

Nominal value	1 January 2014	Issued	Redeemed	Foreign currency translation	31 March 2014
Commercial paper	25,253	28,699	24,674	24	29,302
Other	317,231	15,577	25,410	705	308,103
Other issued bonds	342,484	44,276	50,084	729	337,405

Nominal value	1 January 2013	Issued	Redeemed	Foreign currency translation	31 Dec. 2013
Commercial paper	38,662	102,213	115,385	-237	25,253
Other	351,433	35,189	63,589	-5,802	317,231
Other issued bonds	390,095	137,402	178,974	-6,039	342,484

### Subordinated debt

During the first quarter of 2014, the Group redeemed DKK 933 million (2013: DKK 3,728 million) in subordinated debt.

Also in the first quarter of 2014, Danske Bank A/S issued DKK 5,597 million in additional tier 1 capital. Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bond holders. Accordingly, the issue is classified as an equity instrument and equity has increased by the net proceeds received. Any interest payments are accounted for as dividends, which are recognised directly in equity at the time when the payment obligation arises. Consequently, interest payments do not have any effect on the net profit for the period. Amounts paid and received for the acquisition or sale of additional tier 1 capital instruments are recognised directly in equity. On redemption of a tier 1 capital instrument, equity will be reduced by the redemption amount.

## Notes – Danske Bank Group

Note (DKK millions)

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### Contingent liabilities

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.

	31 March 2014	31 Dec. 2013
<b>Guarantees</b>		
Financial guarantees	9,895	11,608
Mortgage finance guarantees	618	873
Other guarantees	65,343	63,894
<b>Total</b>	<b>75,856</b>	<b>76,375</b>
<b>Other contingent liabilities</b>		
Loan commitments shorter than 1 year	45,395	38,981
Loan commitments longer than 1 year	124,737	118,342
Other unutilised loan commitments	502	533
<b>Total</b>	<b>170,634</b>	<b>157,856</b>

In addition to credit exposure from lending activities, the Group had made loan offers and granted uncommitted lines of credit of DKK 303 billion (31 December 2013: DKK 323 billion). These items are included in the calculation of risk-weighted assets in accordance with the Capital Requirements Directive.

Owing to its business volume, the Group 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, the Group 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.

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 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.

Through participation in the Danish Guarantee Fund for Depositors and Investors, Danish banks undertake to cover the losses incurred by the Fund from the resolution of distressed banks. The Group's share is just over one third of any loss incurred by the Fund. The intention is that losses should be covered by the participating banks' annual contributions.

The Group is the lessee in a number of 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 the 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 the Group for financial services employer tax and VAT, for which it is jointly and severally liable.

## Notes – Danske Bank Group

Note (DKK millions)

### 8 Assets provided or received as collateral

At 31 March 2014, the Group had deposited securities worth DKK 1.8 billion as collateral with Danish and international clearing centres and other institutions (31 December 2013: DKK 0.1 billion).

At 31 March 2014, the Group had provided cash and securities worth DKK 57.3 billion as collateral for derivatives transactions (31 December 2013: DKK 47.7 billion).

At 31 March 2014, the Group had registered assets under insurance contracts worth DKK 299.3 billion (31 December 2013: DKK 292.6 billion) as collateral for policyholders' savings of DKK 278.0 billion (31 December 2013: DKK 271.8 billion).

At 31 March 2014, the Group had registered loans at fair value and securities worth a total of DKK 738.7 billion (31 December 2013: DKK 728.1 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 624.0 billion (31 December 2013: DKK 614.2 billion). Similarly, the Group had registered loans and other assets worth DKK 241.6 billion (31 December 2013: DKK 239.4 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:

	31 March 2014			31 December 2013		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	15,656	15,656	-	14,253	14,253
Trading portfolio securities	425,829	44,650	470,479	310,443	40,357	350,800
Loans at fair value	-	737,027	737,027	-	728,081	728,081
Loans and advances at amortised cost	-	257,437	257,437	-	249,750	249,750
Assets under insurance contracts	-	262,593	262,593	-	256,129	256,129
Other assets	-	120	120	-	188	188
<b>Total</b>	<b>425,829</b>	<b>1,317,483</b>	<b>1,743,312</b>	<b>310,443</b>	<b>1,288,758</b>	<b>1,599,201</b>
Own issued bonds	14,507	89,219	103,726	14,483	89,926	104,409
<b>Total, including own issued bonds</b>	<b>440,336</b>	<b>1,406,702</b>	<b>1,847,038</b>	<b>324,926</b>	<b>1,378,684</b>	<b>1,703,610</b>

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 425.8 billion (31 December 2013: DKK 310.4 billion).

At 31 March 2014, the Group had received securities worth DKK 299.6 billion (31 December 2013: DKK 310.7 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 31 March 2014, the Group had sold securities or provided securities as collateral worth DKK 158.6 billion (31 December 2013: DKK 206.2 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 notes on risk management in the consolidated financial statements for 2013 provide more details on assets received as collateral.

## Notes – Danske Bank Group

Note (DKK millions)

### 9 Fair value information for financial instruments

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

	31 March 2014		31 December 2013	
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	47,581	-	43,721
Due from credit institutions and central banks	-	146,395	-	131,381
Trading portfolio assets	706,907	-	695,723	-
Investment securities	106,033	96,027	104,475	57,442
Loans and advances at amortised cost	-	1,094,602	-	1,088,728
Loans at fair value	737,027	-	728,081	-
Assets under pooled schemes and unit-linked investment contracts	74,101	-	74,761	-
Assets under insurance contracts	218,193	-	213,102	-
<b>Total</b>	<b>1,842,261</b>	<b>1,384,605</b>	<b>1,816,142</b>	<b>1,321,272</b>
Financial liabilities				
Due to credit institutions and central banks	-	333,387	-	312,597
Trading portfolio liabilities	386,249	-	435,183	-
Deposits	-	1,041,738	-	943,901
Bonds issued by Realkredit Danmark	623,956	-	614,196	-
Deposits under pooled schemes and unit-linked investment contracts	82,863	-	81,882	-
Other issued bonds	-	308,336	-	310,178
Subordinated debt	-	65,277	-	66,219
Other liabilities (loan commitments and guarantees)	-	644	-	650
<b>Total</b>	<b>1,093,068</b>	<b>1,749,382</b>	<b>1,131,261</b>	<b>1,633,545</b>

#### Financial instruments at amortised cost

Fair value calculations for financial instruments recognised at amortised cost are significantly affected by estimates as almost all calculations are made on the basis of non-observable input. The Group uses fair value hedge accounting for most of its interest rate risk. Fair value adjustments to the credit risk on loans and advances measured at amortised cost are recognised under loan impairment charges.

General trends in the financial markets have caused bond credit spreads to narrow. The fair value of bonds issued by the Group and measured at amortised cost equalled the amortised cost at both 31 March 2014 and 31 December 2013.

#### Financial instruments at fair value

Note 35 to the consolidated financial statements for 2013 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 are recognised in the Non-observable input category. This category covers instruments such as unlisted shares and derivatives, and valuation relies on extrapolation of yield curves, correlations or other model input of material importance to valuation.

Developments in the financial markets have resulted in the reclassification of a number of derivatives from the Non-observable input category to the Observable input category. This reclassification is based on an improvement in the quality of market data input used in the valuation of primarily interest swaps in a number of currencies to the effect that the data now meet the criteria for being observable input. There was no significant reclassification of bonds between the Quoted prices and Observable input categories in the first quarter of 2014.

The Group has not reclassified bonds to available-for-sale financial assets since 2008.

# Notes – Danske Bank Group

Note	(DKK millions)				
9	31 March 2014	Quoted prices	Observable input	Non-observable input	Total
(cont'd)					
	Financial assets				
	Derivatives				
	Interest rate contracts	3,739	193,010	1,449	198,198
	Currency contracts etc.	172	46,736	525	47,433
	Trading portfolio bonds				
	Government and other bonds	194,517	-	-	194,517
	Danish mortgage bonds	127,467	7,254	-	134,721
	Other covered bonds	72,644	1,511	-	74,155
	Other bonds	45,836	4,540	-	50,376
	Trading portfolio shares	6,923	-	584	7,507
	Investment securities, bonds	70,705	31,719	-	102,424
	Investment securities, shares	77	-	3,532	3,609
	Loans at fair value	-	737,027	-	737,027
	Assets under pooled schemes and unit-linked investment contracts	74,101	-	-	74,101
	Assets under insurance contracts, bonds				
	Danish mortgage bonds	36,450	4,054	-	40,504
	Other bonds	103,611	496	876	104,983
	Assets under insurance contracts, shares	59,402	465	9,644	69,511
	Assets under insurance contracts, derivatives	1,506	1,689	-	3,195
	<b>Total</b>	<b>797,150</b>	<b>1,028,501</b>	<b>16,610</b>	<b>1,842,261</b>
	Financial liabilities				
	Derivatives				
	Interest rate contracts	4,636	165,756	1,798	172,190
	Currency contracts etc.	583	51,767	608	52,958
	Obligations to repurchase securities	160,903	159	39	161,101
	Bonds issued by Realkredit Danmark	623,956	-	-	623,956
	Deposits under pooled schemes and unit-linked investment contracts	-	82,863	-	82,863
	<b>Total</b>	<b>790,078</b>	<b>300,545</b>	<b>2,445</b>	<b>1,093,068</b>
	31 December 2013	Quoted prices	Observable input	Non-observable input	Total
	Financial assets				
	Derivatives				
	Interest rate contracts	5,172	174,050	8,397	187,619
	Currency contracts etc.	215	60,542	1,159	61,916
	Trading portfolio bonds				
	Government and other bonds	174,004	637	-	174,641
	Danish mortgage bonds	110,347	11,468	-	121,815
	Other covered bonds	91,729	1,444	-	93,173
	Other bonds	43,346	6,436	-	49,782
	Trading portfolio shares	6,020	-	757	6,777
	Investment securities, bonds	84,701	16,576	-	101,277
	Investment securities, shares	35	-	3,163	3,198
	Loans at fair value	-	728,081	-	728,081
	Assets under pooled schemes and unit-linked investment contracts	74,761	-	-	74,761
	Assets under insurance contracts, bonds				
	Danish mortgage bonds	37,650	2,351	-	40,001
	Other bonds	101,025	108	674	101,807
	Assets under insurance contracts, shares	60,306	521	8,591	69,418
	Assets under insurance contracts, derivatives	642	1,234	-	1,876
	<b>Total</b>	<b>789,953</b>	<b>1,003,448</b>	<b>22,741</b>	<b>1,816,142</b>
	Financial liabilities				
	Derivatives				
	Interest rate contracts	5,745	151,186	6,775	163,706
	Currency contracts etc.	698	63,373	1,163	65,234
	Obligations to repurchase securities	205,967	265	11	206,243
	Bonds issued by Realkredit Danmark	614,196	-	-	614,196
	Deposits under pooled schemes and unit-linked investment contracts	-	81,882	-	81,882
	<b>Total</b>	<b>826,606</b>	<b>296,706</b>	<b>7,949</b>	<b>1,131,261</b>

## Notes – Danske Bank Group

Note	(DKK millions)
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9 At 31 March 2014, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 13,721 (cont'd) million (31 December 2013: DKK 12,500 million), illiquid bonds of DKK 876 million (31 December 2013: DKK 674 million) and derivatives with a net market value of DKK -431 million (31 December 2013: DKK 1,618 million).

A 10% increase or decrease in the fair value of unlisted shares would amount to DKK 1,372 million (31 December 2013: DKK 1,250 million), with DKK 964 million (31 December 2013: DKK 859 million) relating to shares allocated to policyholders, who assume most of the risk on the shares.

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread had widened 50bp, fair value would have decreased DKK 24 million (31 December 2013: DKK 19 million). If the credit spread had narrowed 50bp, fair value would have increased DKK 24 million (31 December 2013: DKK 19 million). A substantial number of derivatives valued on the basis of non-observable inputs are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable inputs. Changing one or more of the non-observable inputs to reflect reasonably possible alternative assumptions would not have changed the fair value of the derivatives significantly.

In the first quarter of 2014, the Group recognised unrealised value adjustments of unlisted shares valued on the basis of non-observable input of DKK 554 million (31 December 2013: DKK 552 million). For 2014 and 2013, unrealised value adjustments relate to various unlisted shares.

Shares, bonds and derivatives valued on the basis of non-observable input	31 March 2014			31 December 2013		
	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	12,500	674	1,618	10,184	586	-167
Value adjustment through profit or loss	554	12	-95	552	-82	151
Acquisitions	1,324	190	-22	3,080	275	-388
Sale and redemption	-657	-	189	-1,316	-	349
Transferred from quoted prices and observable input	-	-	110	-	-	-
Transferred to quoted prices and observable input	-	-	-2,231	-	-105	1,673
Fair value at 31 March	13,721	876	-431	12,500	674	1,618

The value adjustment through profit or loss is recognised under Net trading income.



## Notes – Danske Bank Group

### Risk Management

The consolidated financial statements for 2013 provide a detailed description of the Group's risk management practices. Management's report describes the most recent changes to the risk management practices.

Breakdown of credit exposure (DKK billions)		Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, other trading and investing activities	Insurance risk	Contracts, full risk assumed by customers	Non- core
31 March 2014	Total						
Balance sheet items							
Demand deposits with central banks	38.7	38.7	-	-	-	-	-
Due from credit institutions and central banks	78.1	78.1	-	-	-	-	-
Repo loans with credit institutions and central banks	68.3	68.3	-	-	-	-	-
Trading portfolio assets	706.9	-	245.6	461.3	-	-	-
Investment securities	202.1	-	-	202.1	-	-	-
Loans and advances at amortised cost	861.2	822.8	-	-	-	-	38.4
Repo loans	233.4	233.4	-	-	-	-	-
Loans at fair value	737.0	737.0	-	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	74.1	-	-	-	-	74.1	-
Assets under insurance contracts	251.3	-	-	-	251.3	-	-
Off-balance-sheet items							
Guarantees	75.9	74.9	-	-	-	-	1.0
Loan commitments shorter than 1 year	45.4	45.1	-	-	-	-	0.3
Loan commitments longer than 1 year	124.7	124.7	-	-	-	-	-
Other unutilised commitments	0.5	-	-	0.5	-	-	-
<b>Total</b>	<b>3,497.6</b>	<b>2,223.0</b>	<b>245.6</b>	<b>663.9</b>	<b>251.3</b>	<b>74.1</b>	<b>39.7</b>
31 December 2013							
Balance sheet items							
Demand deposits with central banks	33.7	33.7	-	-	-	-	-
Due from credit institutions and central banks	53.7	54.1	-	-	-	-	-0.4
Repo loans with credit institutions and central banks	77.7	77.7	-	-	-	-	-
Trading portfolio assets	695.7	-	249.5	446.2	-	-	-
Investment securities	161.9	-	-	161.9	-	-	-
Loans and advances at amortised cost	850.3	808.7	-	-	-	-	41.6
Repo loans	238.4	238.4	-	-	-	-	-
Loans at fair value	728.1	728.1	-	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	74.8	-	-	-	-	74.8	-
Assets under insurance contracts	246.5	-	-	-	246.5	-	-
Off-balance-sheet items							
Guarantees	76.4	75.4	-	-	-	-	1.0
Loan commitments shorter than 1 year	39.0	38.3	-	-	-	-	0.7
Loan commitments longer than 1 year	118.3	118.3	-	-	-	-	-
Other unutilised commitments	0.5	-	-	0.5	-	-	-
<b>Total</b>	<b>3,395.0</b>	<b>2,172.7</b>	<b>249.5</b>	<b>608.6</b>	<b>246.5</b>	<b>74.8</b>	<b>42.9</b>

In addition to credit exposure from lending activities, the Group had made loan offers and granted uncommitted lines of credit of DKK 303 billion (31 December 2013: DKK 323 billion). These items are included in the calculation of risk-weighted assets in accordance with the Capital Requirements Directive.

## Notes – Danske Bank Group

### Credit exposure from lending activities

The table below shows the credit exposure of the Group's core banking business by industry and customer segment. The breakdown follows the Global Industry Classification Standard (GICS), supplemented by the Public institutions, Personal customers and Non-profits and other associations categories.

The Group defines "Impaired loans" as loans to customers with objective evidence of impairment and for which an impairment charge has been made. Customers with objective evidence of impairment are classified in rating categories 10 (not in default) or 11 (in default). Even if objective evidence of impairment is identified for just one facility, the customer's downgrade applies to the customer's entire exposure. The downgrade takes place even if the customer has provided full collateral.

### Credit exposure broken down by industry (GICS)

(DKK billions)	Impaired loans									
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013
Public institutions	132.7	118.6	12.7	18.2	-	-	-	-	-	-
Banks	85.4	97.4	38.4	38.3	-	-	0.2	0.1	0.1	0.1
Credit institutions	39.9	27.1	26.7	14.7	-	-	-	-	-	-
Insurance	54.5	53.0	46.2	44.9	-	-	-	-	-	-
Investments funds	121.4	102.6	103.0	93.6	0.9	0.9	0.1	0.1	0.5	0.5
Other financials	84.4	101.7	58.7	80.4	-	-	-	-	0.1	0.1
Agriculture	62.8	62.9	50.6	50.8	0.7	0.6	0.1	0.1	3.1	3.1
Commercial property	247.9	237.4	209.1	195.3	7.5	6.7	2.6	2.6	8.8	8.6
Construction, engineering and building products	33.4	32.3	8.6	8.2	0.3	0.2	0.5	0.6	3.0	3.0
Consumer discretionary	75.9	71.8	35.8	33.7	1.4	1.2	0.9	0.7	3.0	3.0
Consumer staples	52.2	45.5	18.6	17.5	0.2	0.2	0.1	-	0.4	0.4
Energy and utilities	44.1	37.2	11.3	7.3	0.1	0.1	-	-	0.1	0.1
Health care	26.9	29.1	10.4	13.1	-	-	-	-	0.1	0.1
Industrial services, supplies and machinery	74.9	71.2	16.1	16.3	1.0	0.8	0.2	0.2	1.9	2.0
IT and telecommunication services	18.4	19.0	2.2	2.1	-	-	-	-	0.2	0.3
Materials	41.2	39.7	8.6	8.6	0.4	0.3	0.1	0.1	1.1	1.2
Non-profits and other associations	117.8	116.6	111.0	108.9	2.5	1.8	1.1	1.3	1.4	1.4
Other commercial	33.3	29.8	9.1	6.0	-	-	-	-	0.4	0.4
Shipping	33.0	36.2	17.3	19.0	3.0	2.3	0.1	-	1.9	1.9
Transportation	15.4	15.4	8.3	8.0	0.2	0.2	-	-	0.3	0.3
Personal customers	827.4	828.4	714.6	715.7	3.8	3.5	3.6	3.8	8.3	8.2
Total	2,223.0	2,172.7	1,517.3	1,500.5	21.9	19.1	9.4	9.8	34.8	34.7

## Notes – Danske Bank Group

### Credit exposure broken down by business unit

(DKK billions)	Impaired loans									
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013
Denmark	539.6	540.6	447.4	450.5	2.6	2.3	0.8	0.7	6.6	7.0
Finland	94.5	95.9	88.1	89.4	0.3	0.3	1.2	1.3	0.6	0.5
Sweden	72.7	74.1	66.5	68.0	0.1	-	0.4	0.3	0.2	0.2
Norway	73.1	71.9	68.3	66.8	0.2	0.1	0.2	0.2	0.2	0.1
Northern Ireland	16.8	16.6	14.1	13.8	0.3	0.3	-	-	0.5	0.5
Other	5.7	5.6	2.7	2.6	0.1	-	0.1	0.2	0.1	-
Personal Banking	802.4	804.8	687.2	691.2	3.5	3.1	2.6	2.7	8.2	8.3
Denmark	371.6	378.8	312.7	303.2	10.9	9.2	2.9	3.0	13.4	13.3
Finland	55.0	49.9	30.0	24.5	0.4	0.3	0.4	0.5	1.1	1.1
Sweden	108.3	107.2	80.9	75.9	0.5	0.4	0.3	0.4	0.9	0.9
Norway	57.8	53.8	36.3	34.9	1.1	1.1	0.7	0.7	1.1	1.1
Northern Ireland	29.2	26.9	16.2	15.1	0.9	0.9	1.5	1.6	6.2	6.2
Baltics	22.1	22.7	16.5	17.3	0.6	0.6	0.6	0.7	1.1	1.1
Other	-	-	-	-	-	-	-	-	-	-
Business Banking	643.9	639.3	492.7	470.9	14.3	12.5	6.5	6.8	23.8	23.7
C&I*	741.6	687.2	334.8	335.5	3.4	2.8	0.2	0.1	2.8	2.8
Other	35.0	41.4	2.6	3.0	0.7	0.7	0.2	0.2	-	-
Total	2,223.0	2,172.7	1,517.3	1,500.5	21.9	19.1	9.4	9.8	34.8	34.7

\*The Corporates & Institutions (C&I) segment comprises corporate customers and financial institutions. As these customers typically have business activities in multiple countries, no single country can be specified.

## Notes – Danske Bank Group

### Classification of customers

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

The Group has developed a number of rating models to assess customer credit risk 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 creditworthiness in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands. During a recessionary period, a customer's PIT PD will normally increase, and the customer will migrate to a lower rating category. The effect of using PIT PD is thus larger than if the classification were based on through-the-cycle (TTC) PD, which the Group uses to calculate risk-weighted assets for credit risk.

### Credit exposure broken down by rating category

(DKK billions)	PD level		Personal Banking		Business Banking		C&I		Other		Total	
	Upper	Lower	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013
1	0.00	0.01	2.1	2.2	17.3	19.2	89.0	62.4	12.2	15.7	120.5	99.4
2	0.01	0.03	72.0	70.2	10.8	10.0	62.2	60.8	7.2	5.7	152.2	146.7
3	0.03	0.06	137.3	137.4	77.6	74.0	154.1	175.3	7.4	6.5	376.3	393.3
4	0.06	0.14	199.3	199.3	84.7	79.4	132.6	124.8	1.9	1.9	418.5	405.5
5	0.14	0.31	168.7	170.2	127.0	140.9	181.5	139.5	3.5	6.2	480.7	456.9
6	0.31	0.63	97.2	96.3	112.8	105.9	88.4	90.7	1.2	2.8	299.7	295.7
7	0.63	1.90	75.4	77.2	113.0	112.0	18.1	19.3	0.5	1.4	206.9	209.9
8	1.90	7.98	26.4	27.9	49.9	46.9	7.8	5.2	0.3	0.4	84.5	80.3
9	7.98	25.70	11.1	11.2	12.0	13.7	3.0	5.5	-	0.1	26.2	30.4
10	25.70	99.99	7.8	7.6	27.7	25.7	4.7	3.6	0.7	0.7	40.9	37.5
Impaired portion	25.70	99.99	3.5	3.1	14.3	12.5	3.4	2.8	0.7	0.7	21.9	19.1
11 (default)	100.00	100.00	5.1	5.3	11.1	11.6	0.2	0.1	0.2	0.2	16.6	17.2
Impaired portion	100.00	100.00	2.6	2.7	6.5	6.8	0.2	0.1	0.2	0.2	9.4	9.8
<b>Total</b>			<b>802.4</b>	<b>804.8</b>	<b>643.9</b>	<b>639.3</b>	<b>741.6</b>	<b>687.2</b>	<b>35.0</b>	<b>41.4</b>	<b>2,223.0</b>	<b>2,172.7</b>

## Notes – Danske Bank Group

### Impairment charges

Rating categories 10 and 11 include customers with exposures for which objective evidence of impairment exists. Exposure to customers in the other rating categories is subject to collective impairment testing. Note 39 to the consolidated financial statements for 2013 provides more details.

The allowance account includes all impairment charges on loans and advances at amortised cost, loans at fair value, amounts due from credit institutions and central banks, and irrevocable loan commitments and guarantees.

### Allowance account broken down by segment and type of impairment

(DKK millions)	Personal Banking	Business Banking	C&I	Other	Allowance account total	Impairment	
						Individual	Collective
1 January 2013	8,974	23,202	2,877	3	35,055	31,846	3,209
New and increased impairment charges	3,638	5,488	944	83	10,154	8,979	1,175
Reversals of impairment charges from previous periods	1,751	3,607	448	85	5,891	4,994	897
Write-offs debited to allowance account	1,718	1,958	370	-	4,047	4,047	-
Foreign currency translation	-36	-322	-69	11	-416	-382	-34
Other items	-787	851	-160	-12	-108	62	-169
31 December 2013	8,319	23,655	2,774	-	34,748	31,464	3,284
New and increased impairment charges	887	1,698	167	-	2,752	2,304	448
Reversals of impairment charges from previous periods	578	1,344	151	-	2,073	1,924	150
Write-offs debited to allowance account	303	474	-	-	777	777	-
Foreign currency translation	8	85	1	-	94	87	7
Other items	-164	166	15	-	17	17	-
31 March 2014	8,169	23,785	2,807	-	34,761	31,172	3,589

Collective impairments include charges that reflect the migration of customers from one rating category to another. If all customers had been downgraded one rating category with no corresponding interest rate change, collective impairment charges would have increased by about DKK 3.6 billion (31 December 2013: about DKK 4.3 billion).

If the value of collateral provided by customers in rating categories 10 and 11 had decreased 10%, individual impairment charges would have increased by about DKK 2.4 billion (31 December 2013: about DKK 2.4 billion).

### Allowance account broken down by items on and off the balance sheet

(DKK millions)	31 March 2014	31 Dec. 2013
Due from credit institutions and central banks	125	87
Loans and advances at amortised cost	29,462	29,549
Loans at fair value	3,985	3,901
Other liabilities	1,189	1,211
Total	34,761	34,748

## Notes – Danske Bank Group

### Credit exposure at Non-core

The Non-core business unit is responsible for the controlled winding-up and divestment of the portfolio that is no longer considered part of the Group's core activities. The portfolio consists of loans to customers in Ireland and liquidity back-up facilities for Special Purpose Vehicles (SPVs). On 1 January 2014, all Business Banking and Personal Banking customers in Ireland were transferred to the Non-core Ireland unit. Comparative figures have been restated. The tables below show the credit exposure of the Non-core unit.

### Credit portfolio broken down by industry (GICS)

(DKK millions)	Credit exposure		Collateral after haircut		Impaired loans				Allowance account	
					Rat. cat. 10		Rat. cat. 11 (default)			
	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013
Financials	12,057	13,318	9,270	9,277	1,012	482	22	22	393	160
Commercial property	3,527	4,835	3,050	3,857	142	206	2,381	2,936	5,780	5,886
Consumer discretionary	858	994	573	671	53	108	283	302	970	1,094
Personal customers	19,890	21,583	16,037	16,344	2,045	2,126	1,767	1,711	2,860	2,963
Other	3,362	2,111	2,102	2,261	96	168	1,152	918	2,016	2,048
Total	39,694	42,841	31,032	32,410	3,348	3,090	5,605	5,889	12,019	12,151

### Credit exposure and collateral broken down by rating category

(DKK millions)	PD level		Credit exposure		Collateral after haircut	
	Upper	Lower	31 March 2014	31 December 2013	31 March 2014	31 December 2013
1	0.00	0.01	2,370	2,619	2,015	2,265
2	0.01	0.03	2,674	3,161	2,266	2,368
3	0.03	0.06	1,966	2,160	1,569	1,567
4	0.06	0.14	3,611	3,744	2,682	2,936
5	0.14	0.31	4,801	5,800	3,916	4,374
6	0.31	0.63	2,812	3,403	2,414	2,684
7	0.63	1.90	3,756	3,241	2,850	2,793
8	1.90	7.98	5,914	5,143	3,899	3,373
9	7.98	25.70	1,827	3,044	1,061	1,364
10	25.70	99.99	3,925	4,068	2,876	2,639
Impaired portion	25.70	99.99	3,348	3,090	2,447	2,104
11 (default)	100.00	100.00	6,036	6,459	5,486	6,047
Impaired portion	100.00	100.00	5,605	5,889	5,161	5,706
<b>Total</b>			<b>39,694</b>	<b>42,841</b>	<b>31,032</b>	<b>32,410</b>

The average unsecured portion of impaired exposures was 15% at the end of March 2014 (31 December 2013: 13%). Real property accounted for 94% of collateral provided (31 December 2013: 99%).

## Notes – Danske Bank Group

### Credit exposure from trading and investing activities

At 31 March 2014, the Group's credit exposure from trading and investing activities amounted to DKK 910 billion, relating primarily to bonds (DKK 652 billion) and derivatives with positive fair value (DKK 246 billion).

#### Bond portfolio

(DKK millions) 31 March 2014	Central and local govern- ment bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Held-for-trading	216,431	10,257	123,068	68,582	11,997	23,433	453,768
Designated at fair value	5,384	-	29,675	698	269	4,635	40,661
Available-for-sale	157	595	56,524	-	4,374	113	61,763
Hold-to-maturity	46,024	985	47,359	-	1,004	656	96,028
<b>Total</b>	<b>267,996</b>	<b>11,837</b>	<b>256,626</b>	<b>69,280</b>	<b>17,644</b>	<b>28,837</b>	<b>652,220</b>

31 December 2013							
Held-for-trading	179,190	8,145	133,523	84,116	9,918	24,519	439,411
Designated at fair value	4,834	-	32,415	721	340	1,194	39,504
Available-for-sale	671	573	56,658	-	3,758	114	61,774
Hold-to-maturity	18,081	-	39,178	-	45	138	57,442
<b>Total</b>	<b>202,776</b>	<b>8,718</b>	<b>261,774</b>	<b>84,837</b>	<b>14,061</b>	<b>25,965</b>	<b>598,131</b>

The Group has an additional bond portfolio worth DKK 145,487 million (31 December 2013: DKK 141,808 million) that is recognised under insurance contracts and not included in the table above. The section on insurance risk in the consolidated financial statements for 2013 provides more information. For bonds classified as hold-to-maturity, fair value equalled amortised cost at 31 March 2014 and 31 December 2013.



## Notes – Danske Bank Group

### Bond portfolio broken down by geographical area

(DKK millions) 31 March 2014	Central and local govern- ment bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	13,508	-	256,626	-	-	5,939	276,073
Sweden	39,231	-	-	69,279	-	6,543	115,053
UK	15,824	147	-	-	4,017	877	20,865
Norway	7,267	-	-	-	4,818	4,215	16,300
USA	851	1,541	-	-	40	788	3,220
Spain	4,726	-	-	-	3,631	1	8,358
France	36,409	-	-	-	2,004	2,808	41,221
Luxembourg	-	9,844	-	-	-	71	9,915
Canada	678	-	-	-	-	151	829
Finland	14,806	216	-	-	1,055	2,377	18,454
Ireland	5,798	-	-	-	223	229	6,250
Italy	10,220	-	-	-	-	-	10,220
Portugal	1,770	-	-	-	-	-	1,770
Austria	10,003	-	-	-	-	893	10,896
Netherlands	10,926	-	-	-	1,458	2,454	14,838
Germany	76,448	-	-	-	301	941	77,690
Belgium	17,208	-	-	-	94	-	17,302
Lithuania	1,398	-	-	-	-	-	1,398
Other	925	89	-	-	2	550	1,566
<b>Total</b>	<b>267,996</b>	<b>11,837</b>	<b>256,626</b>	<b>69,280</b>	<b>17,644</b>	<b>28,837</b>	<b>652,220</b>

31 December 2013							
Denmark	27,151	-	261,774	-	247	6,136	295,308
Sweden	30,326	-	-	84,837	-	6,816	121,979
UK	10,770	137	-	-	3,881	1,126	15,914
Norway	10,068	-	-	-	4,857	4,728	19,653
USA	582	1,238	-	-	40	733	2,593
Spain	6,598	-	-	-	3,498	-	10,096
France	514	-	-	-	69	-	583
Luxembourg	-	7,234	-	-	-	141	7,375
Canada	292	-	-	-	-	131	423
Finland	11,544	109	-	-	454	903	13,010
Ireland	2,612	-	-	-	158	199	2,969
Italy	10,727	-	-	-	-	-	10,727
Portugal	764	-	-	-	-	-	764
Austria	4,877	-	-	-	116	6	4,999
Netherlands	4,892	-	-	-	404	3,324	8,620
Germany	68,553	-	-	-	262	601	69,416
Belgium	10,249	-	-	-	73	-	10,322
Lithuania	1,396	-	-	-	-	-	1,396
Other	862	-	-	-	-	1,121	1,983
<b>Total</b>	<b>202,776</b>	<b>8,718</b>	<b>261,774</b>	<b>84,837</b>	<b>14,061</b>	<b>25,965</b>	<b>598,131</b>

Exposures below DKK 1 billion are aggregated in the Other category. Risk Management 2013 provides additional details about the risk on the Group's bond portfolio. The publication is not covered by the statutory audit.

## Notes – Danske Bank Group

(DKK millions)	31 March 2014	31 December 2013
<b>Derivatives with positive fair value</b>		
Derivatives with positive fair value before netting	454,661	434,978
Netting (under accounting rules)	209,030	185,443
Carrying amount	245,631	249,535
Netting (under capital adequacy rules)	170,575	176,253
Net current exposure	75,056	73,282
Collateral	33,649	34,860
Net amount	41,407	38,422
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	198,198	187,619
Currency contracts	46,317	61,123
Other contracts	1,116	793
<b>Total</b>	<b>245,631</b>	<b>249,535</b>

## Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim report – first quarter 2014 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 31 March 2014 and of the results of the Group's operations and the consolidated cash flows for the period starting 1 January 2014 and ending on 31 March 2014. 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, 1 May 2014

### Executive Board

Thomas F. Borgen  
CEO

Tonny Thierry Andersen

James Ditmore

Robert Endersby

Lars Mørch

Henrik Ramlau-Hansen

Glenn Söderholm

### Board of Directors

Ole Andersen  
Chairman

Trond Ø. Westlie  
Vice Chairman

Urban Bäckström

Lars Förberg

Jørn P. Jensen

Rolv Erik Ryssdal

Carol Sergeant

Jim Hagemann Snabe

Kirsten Ebbe Brich

Carsten Eilertsen

Charlotte Hoffmann

Steen Lund Olsen

## Supplementary information

### Conference call

Danske Bank will hold a conference call on 1 May 2014 upon the presentation of its interim report for the first quarter of 2014. The conference call is scheduled for 2.30pm CET. The conference call will be webcast live at [danskebank.com](http://danskebank.com).

### Financial calendar

24 July 2014 30 October 2014	Interim Report – First Half 2014 Interim Report – First Nine Months 2014
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### Contacts

Henrik Ramlau-Hansen Chief Financial Officer	+45 45 14 06 66
Julie Quist Head of Investor Relations	+45 45 14 07 92

### Links

Danske Bank Denmark Finland Sweden Norway Northern Ireland Ireland Realkredit Danmark Danske Capital Danica Pension	<a href="http://danskebank.com">danskebank.com</a> <a href="http://danskebank.dk">danskebank.dk</a> <a href="http://danskebank.fi">danskebank.fi</a> <a href="http://danskebank.se">danskebank.se</a> <a href="http://danskebank.no">danskebank.no</a> <a href="http://danskebank.co.uk">danskebank.co.uk</a> <a href="http://danskebank.ie">danskebank.ie</a> <a href="http://rd.dk">rd.dk</a> <a href="http://danskecapital.com">danskecapital.com</a> <a href="http://danicapension.dk">danicapension.dk</a>
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Danske Bank's financial statements are available online at [danskebank.com/Reports](http://danskebank.com/Reports).