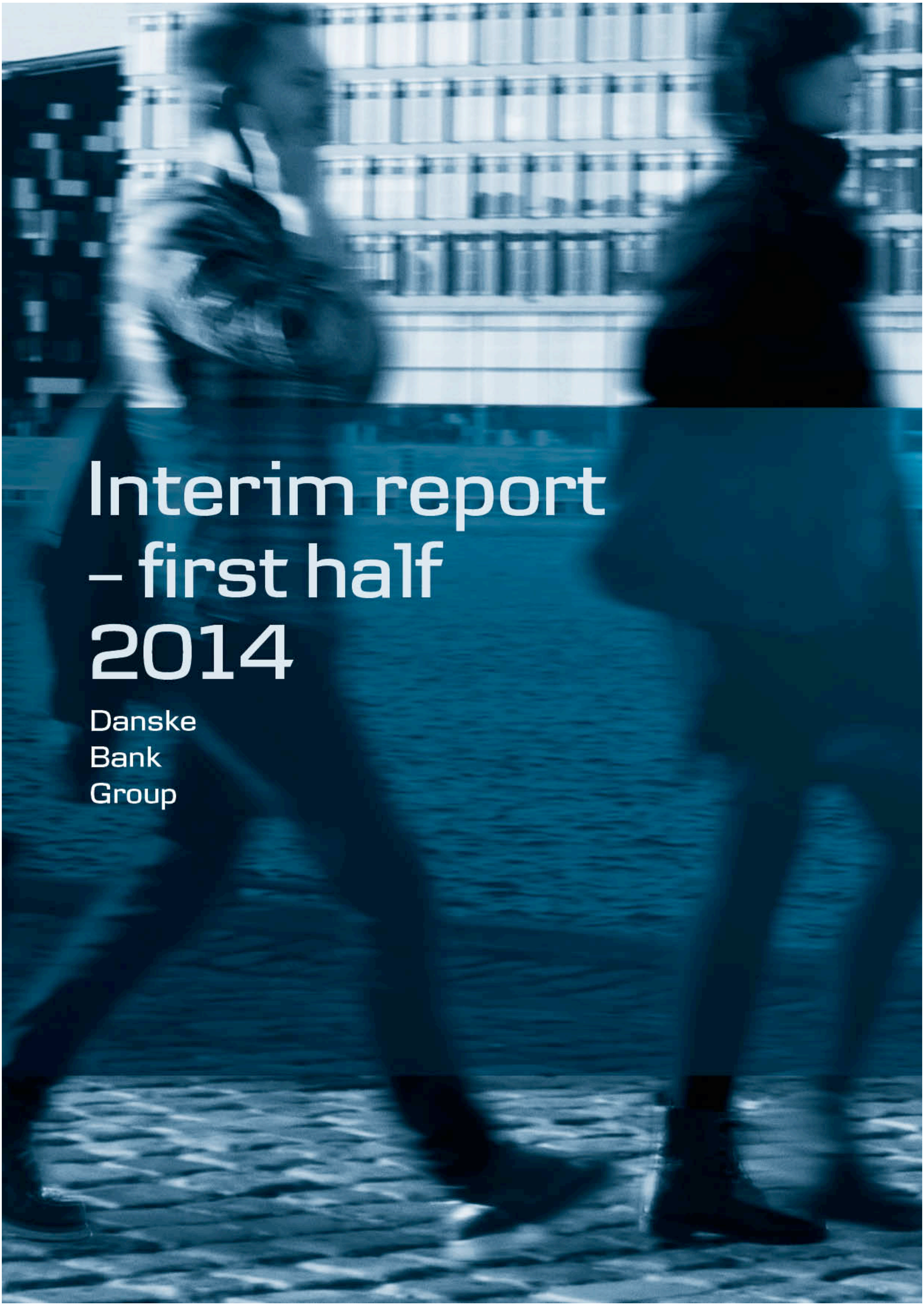

Interim report – first half 2014

Danske
Bank
Group

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INCOME STATEMENT (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Net interest income	11,251	10,876	103	5,900	5,351	110	5,464	108	22,077
Net fee income	4,885	4,444	110	2,480	2,405	103	2,191	113	9,468
Net trading income	4,061	3,919	104	2,195	1,865	118	2,148	102	5,799
Other income	674	675	100	365	309	118	373	98	1,308
Net income from insurance business	842	-5	-	437	405	108	-346	-	1,088
Total income	21,712	19,907	109	11,377	10,335	110	9,830	116	39,740
Expenses	11,021	11,747	94	5,589	5,432	103	5,943	94	23,794
Profit before loan impairment charges	10,691	8,161	131	5,788	4,903	118	3,887	149	15,947
Loan impairment charges	1,267	2,251	56	626	641	98	813	77	4,111
Profit before tax, core	9,424	5,908	160	5,162	4,262	121	3,074	168	11,836
Profit before tax, Non-core*	-794	-1,015	-	-162	-632	-	-397	-	-1,777
Profit before tax	8,630	4,893	176	5,000	3,630	138	2,677	187	10,059
Tax	1,771	1,237	143	953	818	117	493	193	2,944
Net profit for the period	6,859	3,656	188	4,047	2,812	144	2,184	185	7,115
Attributable to non-controlling interests	2	-	-	2	-	-	-	-	-
BALANCE SHEET (END OF PERIOD) (DKK millions)									
Due from credit institutions and central banks	44,466	85,354	52	44,466	78,109	57	85,354	52	53,714
Repo loans	292,673	338,461	86	292,673	301,725	97	338,461	86	316,079
Loans and advances	1,566,498	1,573,332	100	1,566,498	1,558,948	100	1,573,332	100	1,536,773
Trading portfolio assets	696,500	721,484	97	696,500	706,906	99	721,484	97	695,722
Investment securities	207,171	121,526	170	207,171	202,060	103	121,526	170	161,917
Assets under insurance contracts	259,052	239,839	108	259,052	251,323	103	239,839	108	246,484
Total assets in Non-core*	34,767	46,990	74	34,767	39,485	88	46,990	74	41,837
Other assets	172,358	190,118	91	172,358	175,662	98	190,118	91	174,531
Total assets	3,273,485	3,317,104	99	3,273,485	3,314,218	99	3,317,104	99	3,227,057
Due to credit institutions and central banks	129,517	167,761	77	129,517	137,125	94	167,761	77	132,253
Repo deposits	411,690	346,678	119	411,690	445,300	92	346,678	119	331,091
Deposits	763,571	783,466	97	763,571	781,700	98	783,466	97	776,412
Bonds issued by Realkredit Danmark	648,068	616,457	105	648,068	623,956	104	616,457	105	614,196
Other issued bonds	297,571	342,280	87	297,571	308,336	97	342,280	87	310,178
Trading portfolio liabilities	407,457	455,351	89	407,457	386,249	105	455,351	89	435,183
Liabilities under insurance contracts	275,077	261,088	105	275,077	266,629	103	261,088	105	262,468
Total liabilities in Non-core*	8,505	18,898	45	8,505	11,997	71	18,898	45	17,476
Other liabilities	135,024	124,597	108	135,024	135,832	99	124,597	108	135,924
Subordinated debt	41,094	58,905	70	41,094	65,277	63	58,905	70	66,219
Additional tier 1 capital holders	5,666	-	-	5,666	5,575	102	-	-	-
Shareholders' equity	150,246	141,624	106	150,246	146,242	103	141,624	106	145,657
Total liabilities and equity	3,273,485	3,317,104	99	3,273,485	3,314,218	99	3,317,104	99	3,227,057
RATIOS AND KEY FIGURES									
Earnings per share (DKK)**	6.8	3.7		4.0	2.8		2.2		7.1
Diluted earnings per share (DKK)**	6.8	3.7		4.0	2.8		2.2		7.1
Return on avg. shareholders' equity (% p.a.)**	9.2	5.2		10.8	7.7		6.2		5.0
Return on avg. tangible equity (% p.a.)**	10.7	6.1		12.5	8.9		7.3		5.9
Net interest income as % p.a. of loans and deposits	0.97	0.92		1.01	0.91		0.93		0.95
Cost/income ratio (%)	50.8	59.0		49.1	52.6		60.4		59.9
Total capital ratio (%)	18.6	21.8		18.6	18.1		21.8		21.4
Common equity tier 1 capital ratio (%)	14.4	15.6		14.4	14.0		15.6		14.7
Share price (end of period) (DKK)	153.9	98.0		153.9	151.0		98.0		124.4
Book value per share (DKK)	150.4	141.6		150.4	146.3		141.6		145.6
Full-time-equivalent staff (end of period)***	18,914	19,809		18,914	18,907		19,809		19,122

* Changes have been made to the highlights for 2013, as presented in note 1.
** Ratios are calculated as though the additional tier 1 capital were a liability.
*** The full-time-equivalent staff number does not include staff under notice and released from duty.
As shown in note 2 on business segments, the financial highlights deviate from the corresponding figures in the consolidated financial statements.

Executive summary

"We saw good progress in the first half of 2014," says Thomas F. Borgen, CEO. "We increased net profit 88% from the level in the first half of 2013, and we are moving steadily in the right direction. Expenses are declining as expected, the positive trend in impairments is continuing, and we saw growing customer activity in the second quarter of 2014.

"The products and solutions we have launched have been well received by our customers, and they will continue to further strengthen our market position. Our progress thus far in 2014 shows that we are on track to create a more customer-focused, cost-effective and competitive bank."

Financial summary

- In the first half of 2014, Danske Bank posted a net profit of DKK 6.9 billion, including an additional positive effect of DKK 1.0 billion relating to a value adjustment of our shareholding in Nets Holding A/S, which was divested on 9 July 2014. The net profit represents an increase of 88% from the level in the first half of 2013. The increase was driven by improvements in most income lines, lower expenses and lower impairments.

- The return on shareholders' equity after tax was 9.2% p.a., against 5.2% p.a. for the first half of 2013. We are on track to reach our 2015 target.

- Net interest income rose 3% from the level in the first half of 2013, although the prevailing low-interest-rate environment continued to put pressure on net interest income. Net interest income benefited from the repayment of the hybrid capital raised from the Danish state and the optimisation of our liquid bond portfolio structure.

- Net fee income showed a 10% increase from the year-earlier period owing mainly to higher customer activity.

- Net trading income increased 4%, primarily because of higher income at Group Treasury, which included the additional positive effect of DKK 1.0 billion relating to Nets. Income from Market Making activities was lower as the trend of generally low investor activity within fixed-income, currencies and commodities continued. Client-driven income at Corporates & Institutions continued to rise owing to higher activity within transaction banking and capital markets.

- Net income from insurance business amounted to DKK 0.8 billion, up from close to nil in the first half of 2013. Income from unit-linked business showed an increase of DKK 72 million, as assets under management continued to rise. The financial results for the first half of 2014 made it possible to book the risk allowance to income for three of the four interest rate groups.

- Our focus on costs continued to produce savings. Expenses fell to DKK 11.0 billion from DKK 11.7 billion in the first half of 2013, and the cost/income ratio improved by 8.2 percentage points to 50.8%.

- Impairments in our core activities remained low at DKK 1.3 billion as macroeconomic conditions and credit quality improved. This corresponds to a loan loss ratio of 0.14%.

- The result from Non-core activities, which consist mainly of our portfolio of Non-core Ireland exposures, was adversely affected by activities outside Ireland and showed a loss before tax of DKK 0.8 billion. The result was in line with our expectations, and the winding-up of our Non-core activities is proceeding according to plan.

- In June 2014, we withdrew our appeal against the orders from the Danish FSA of mid-2013 concerning our use of the internal ratings-based approach (the IRB approach) for capital adequacy purposes. We addressed the capital impact in 2013, and we will have fully implemented the changes needed to comply with the orders by the end of 2014.

- The common equity tier 1 capital ratio and the total capital ratio were 14.4% and 18.6%, against 14.7% and 21.4% at 31 December 2013. The repayment in April 2014 of the hybrid capital raised from the Danish state caused the ratios to fall, although the effect has been partially offset by a number of capital issues in 2013 and 2014. Our capital base thus remained solid. With a liquidity coverage ratio (LCR) of 133% at 30 June 2014, our liquidity position also remained strong.

Outlook for 2014

- We expect net profit for 2014 to be in the range of DKK 10-13 billion. Our previous guidance was net profit at the higher end of a range of DKK 9-12 billion. See page 9 for our full outlook.

Strategy execution

We continued our efforts to become our customers' most trusted financial partner. We remained focused on increasing customer satisfaction and improving the return on equity. Throughout the Group, we continued to focus on customer attention, simplicity and efficiency.

To help improve customer satisfaction, we introduced a number of initiatives to strengthen our market positions through improved advisory services and easy banking. We also focused on improving system reliability and user-friendliness.

At the beginning of May 2014, we launched a benefit programme for personal banking customers in Finland. The programme offers benefits for customers on the basis of their business volume with Danske Bank. The programme has been well received.

To strengthen our proactive advisory services for personal customers, at the end of May we introduced Danske Guide in Denmark. This digital guide contains proposals and recommendations that are easily accessible to customers on the mobile, tablet or eBanking platform.

During the past year, we have strengthened our position within payment solutions that enable retailers to receive mobile payments from their customers. This is a new business area that holds significant potential as it offers easy and efficient payments for both consumers and retailers. We will continue to invest in this area for the benefit of our customers. In June 2014, we announced a collaboration with the largest Danish supermarket chain and launched a solution that integrates MobilePay as the payment vehicle in a smartphone app. At the beginning of July, we launched MobilePay Online, which enables customers to pay for online purchases with MobilePay.

In May 2014, we introduced a new offering for small Danish businesses. These customers now have easy access to dedicated advisers specialising in small businesses. We offer these customers leading digital solutions and complete banking solutions to meet their specific needs.

Our initiatives to increase client-driven income at Corporates & Institutions produced satisfactory results. Client-driven income rose 15% from the level in the first half of 2013, and the increase reflects our progress towards creating a more stable client-driven income base in light of the continually difficult conditions for Market Making. We also introduced a post-trade service for corporate and institutional customers and a strengthened cash management offering for an increasing number of customers. In addition, we launched Danske OneTrader, an electronic foreign exchange trading platform. Within debt capital markets, bond issuance activity continued to rise.

Our efforts to optimise customer offerings throughout the Group continued. The rollout of managed account products for private banking customers in all the Nordic countries accelerated, and sales of pension products to customers with banking solutions in the Group continued to grow.

In order to meet our ambitions, we reduced expenses, optimised our capital structure and grew income. We launched a number of new cost-efficiency initiatives in addition to our ongoing strict cost controls. Most recently, we reduced the headcount at Corporates & Institutions in areas that are experiencing lower activity. We optimised our capital structure by replacing capital elements, such as the hybrid capital raised from the Danish state, with new capital, and we optimised the structure of the liquidity bond portfolio. Our profitability also benefited from the continued decline in impairments.

The divestment of the Non-core loan portfolio proceeded as planned. We benefited from a recovering Irish property market, and in May 2014 we agreed to a sale of a large portfolio of properties.

Business review

Our strategy for the Nordics

As we have previously communicated, we are currently conducting a business review. The purpose of the review is to analyse our operations and determine the organisational setup and offerings that will best enable us to realise our full potential. The work is progressing as planned, and we will report on the outcome of the review when relevant and on an ongoing basis.

Danske Bank has operated as a universal bank in the Nordic region for several years because of the many advantages it has offered, and this has been the starting point for our review. Our presence in all the Nordic countries through our Personal Banking, Business Banking, and Corporates & Institutions operations gives our customers access to cross-border solutions and products, and we gain competitive advantages through synergies and economies of scale. We also benefit from diversification.

Personal Banking in Sweden and Norway

Part of the review has focused on Personal Banking's footprint in Sweden and Norway. In order to realise our full potential in both countries and improve profitability, we want to grow our market position. As a smaller player with a strong and agile local organisation, we are well positioned to take a future role of challenger in these markets. By making investments in people, marketing and digital solutions and by harmonising product development across countries, among other things, we are convinced that we can expand our current customer base of 400,000. This will give us a stronger and more visible market position that will enhance our possibilities for demonstrating our value proposition to personal banking customers in both countries. Strengthening our market position will also contribute positively to synergies with our other customer segments in Norway and Sweden.

We are confident that the two operations will continue to create value for both our customers and our franchise. We believe that investments can further develop the franchise and that they will support our overall strategy of becoming the most trusted business partner for our customers in our markets.

Fact Book Q2 2014 provides financial highlights at country level for both the Personal Banking and Business Banking units. Fact Book Q2 2014 is available at danskebank.com/ir.

Ambitions and targets

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

These targets are intended to provide transparency into Danske Bank's financial development and our progress on strategy execution.

Financial targets	Target	Year to be achieved	Status at 30 June 2014	Comments
Shareholders' return on equity	9% Above 12%	2015 Long term	9.2%	Initiatives progressing as planned
Ratings	Ratings improved by at least one notch	2015	S&P/Moody's/Fitch A/Baa1/A Negative/Positive/Stable	In progress, upgrade from S&P in April 2014
Common equity tier 1 capital ratio	Minimum 13%		14.4%	Met since end-2012
Total capital ratio	Minimum 17%		18.6%	Met since end-2012
Nominal costs	Below DKK 23 billion	2015	H1: DKK 11.0 billion	Initiatives progressing as planned
C/I ratio	Below 50%		50.8%	
Dividend payments	About 40% of net profit	2015	For 2013: dividends of 28% of net profit	On track

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

In April 2014, Danske Bank's long-term credit rating was upgraded by Standard & Poor's (S&P) to A from A-, and the short-term rating was upgraded to A-1 from A-2. S&P also changed the outlook for the long-term rating from stable to negative. For further information on ratings, please see the financial review on page 13.

We have met our capital ratio targets since the end of 2012. At 30 June 2014, the common equity tier 1 capital ratio was 14.4% and the total capital ratio was 18.6%. We implemented CRR/CRD IV on 1 January 2014.

We continue to reduce nominal costs, and our initiatives to bring them down to our target of expenses below DKK 23 billion in 2015 are progressing as planned. We also continue to pursue initiatives to lift income in order to reach our target of a cost/income 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 continued to see improving customer satisfaction. In the first half of 2014, clients ranked us number one in Trade Finance in all four Nordic countries and number one in Cash Management Nordic. We also achieved the top position in Interest Rate Swaps and runner-up positions in Foreign Exchange Nordic and Debt Capital Markets Nordic. We maintained our position as best Danish Fixed Income house, and in the Swedish fixed income market, we ranked number one for the 12th year in a row. In total, Corporates & Institutions ranked in the top three in 31 of 41 surveys in the Nordic countries, with the number one position in 17 surveys.

Business Banking's customer satisfaction increased slightly in most markets. Our positions in Norway and Sweden declined, however, because of very close competition on customer satisfaction and relative improvements in competitors' performances. At Personal Banking, we saw a positive trend in customer satisfaction in two markets, with one-position gains in Sweden and Northern Ireland.

We need to improve further in most markets to reach a top-two ranking, and we continue to strengthen our customer relations and introduce new solutions. For both Personal Banking and Business Banking, competition is keen in all markets, and minor changes can cause shifts in the rankings.

Market conditions

The stock markets performed well in the past six months despite the relatively weak start to the year for the global economy. Risk assets benefited from central banks' very accommodative monetary policy. Because of very low inflation (0.5%) and persistently high unemployment in Europe, the ECB introduced further stimulus in the form of a negative deposit rate and new targeted long-term liquidity facilities with a four-year maturity. This development also supported the peripheral bond markets and caused declines in yields in core European countries. The US bond markets and the major currencies showed no clear trend.

Economic growth in Denmark appears to be picking up after a weak first quarter. Sweden and Norway still look strong, whereas the outlook for Finland remains weak.

Credit growth in Denmark is low and is unlikely to rebound until later in the recovery cycle owing to high levels of household savings. Credit growth in Sweden is quite strong, above nominal GDP growth. Even so, it is still below the growth rate for housing prices. In Norway, credit growth is also strong, above 5% y/y, and will likely stay strong, although the pace should slow. The credit growth rate in Finland has been declining but has now stabilised around 2% y/y. It is expected to remain moderate but slightly positive in the years ahead.

Outlook for 2014

Our guidance for 2014 is based on expectations of a continuation of 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 lending volumes are thus likely to remain flat.

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

Impairments in our core activities are expected to be below the 2013 level as macroeconomic conditions continue to improve, although growth will remain fragile.

We maintain our guidance for Non-core Ireland impairments of up to DKK 1.5 billion in 2014.

We expect net profit for 2014 to be in the range of DKK 10-13 billion. Our previous guidance was net profit at the higher end of a range of DKK 9-12 billion. The stronger outlook is owing mainly to positive developments in expenses and impairments as well as the positive effect relating to Nets.

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 half of 2014, Danske Bank Group posted a profit before tax from core activities of DKK 9.4 billion. The net profit was DKK 6.9 billion, up 88% from the level in the first half of 2013.

Income

Total income amounted to DKK 21.7 billion, up 9% from the first half of 2013.

Net interest income totalled DKK 11.3 billion, an increase of 3% owing mainly to the repayment of the hybrid capital raised from the Danish state and the optimisation of our liquid bond portfolio structure. Net interest income was adversely affected by the prevailing low-interest-rate environment and an adjustment of the funds transfer pricing model. The adjustment caused an increase in net trading income and thus had no effect on total income.

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

Net fee income amounted to DKK 4.9 billion and was up 10% from the first half of 2013. Net fee income benefited from increased customer activity.

Net trading income totalled DKK 4.1 billion, which represented an increase of 4% from the year-earlier level that was generated primarily by improved income at Group Treasury, including the additional positive effect of DKK 1.0 billion relating to Nets. Income from Market Making activities was lower owing to low volatility and the lack of clear trends in the market.

The insurance business posted income of DKK 842 million, against a loss of DKK 5 million in the first half of 2013. The loss in the first half of 2013 occurred because the risk allowance could be booked for only one of the four interest rate groups.

Expenses

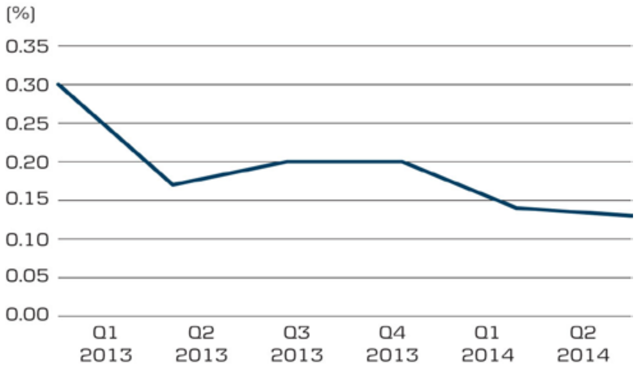
Expenses amounted to DKK 11.0 billion, down 6% from the first half of 2013. The fall was caused mainly by a reduction of salary, consultancy and marketing expenses. Expenses also benefited from a refund of VAT paid in previous years.

Expenses for VAT, bank tax and financial services employer tax were unchanged at DKK 1.0 billion.

Impairments

Impairments in core activities declined to DKK 1.3 billion, or 0.14% of lending and guarantees, against 0.23% of lending and guarantees in the first half of 2013. Impairments declined at all business units.

LOAN LOSS RATIO, CORE ACTIVITIES



LOAN IMPAIRMENT CHARGES

	First half 2014		First half 2013	
(DKK millions)	Charges	% of lending and guarantees	Charges	% of lending and guarantees
Personal Banking	553	0.14	992	0.23
Business Banking	504	0.17	948	0.29
C&I	210	0.08	311	0.12
Total	1,267	0.14	2,251	0.23

Tax

Tax on the profit for the first half of 2014 amounted to DKK 1.8 billion, or 20.5% of the profit before tax. The tax charge was low relative to the profit because of a tax-free value adjustment relating to Nets.

Q2 2014 vs Q1 2014

Profit before tax amounted to DKK 5.0 billion, against DKK 3.6 billion in the first quarter of 2014.

Net interest income rose 10% because of the repayment of the hybrid capital in the second quarter and higher deposit margins.

Net trading income amounted to DKK 2.2 billion, against DKK 1.9 billion in the first quarter. The increase was caused mainly by the additional positive effect relating to Nets, while a decline in income from Market Making activities had an adverse effect. In the first quarter, net trading income benefited from the margins earned on customer refinancing of RD loans.

The insurance business generated net income of DKK 0.4 billion, in line with the performance in the first quarter.

Expenses rose 3% from the first-quarter level. The increase was owing mainly to restructuring costs. In addition, expenses in the first quarter benefited from a refund of VAT paid in previous years.

Impairments in core activities amounted to DKK 0.6 billion, largely the same as in the first quarter.

Balance sheet

LENDING (END OF PERIOD) (DKK billions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Full year 2013
Personal Banking	802.0	826.7	97	802.0	804.8	100	808.1
Business Banking	630.1	628.6	100	630.1	622.3	101	612.6
C&I	167.6	155.2	108	167.6	169.0	99	154.4
Other Activities incl. eliminations	0.2	-3.2	-	0.2	-3.8	-	-4.8
Allowance account, lending	33.4	33.9	99	33.4	33.4	100	33.4
Total lending	1,566.5	1,573.3	100	1,566.5	1,558.9	100	1,536.8
DEPOSITS (END OF PERIOD)							
Personal Banking	335.7	343.4	98	335.7	330.0	102	333.9
Business Banking	256.0	267.5	96	256.0	259.0	99	263.4
C&I	171.0	173.1	99	171.0	189.4	90	179.3
Other Activities incl. eliminations	0.9	-0.6	-	0.9	3.3	-	-0.1
Total deposits	763.6	783.5	97	763.6	781.7	98	776.4
BONDS ISSUED BY REALKREDIT DANMARK (END OF PERIOD)							
Bonds issued	648.1	616.5	105	648.1	624.0	104	614.2
Own holdings of bonds	95.0	112.8	84	95.0	115.8	82	116.8
Total Realkredit Danmark bonds	743.1	729.2	102	743.1	739.7	100	731.0
Other covered bonds	207.1	204.3	101	207.1	192.8	107	193.9
Deposits and issued mortgage bonds etc.	1.713.8	1,717.1	100	1.713.8	1,714.3	100	1,701.3
Lending as % of deposits and issued mortgage bonds etc.	91.3	91.6		91.3	90.9		90.3

Lending

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

In Denmark, new gross lending, excluding repo loans, amounted to DKK 38.2 billion. Lending to personal customers accounted for DKK 15.8 billion of this amount.

Our market share of total lending in Denmark increased to 27.3% from 26.9% at the end of 2013, while our market share in Finland fell slightly. We maintained our market shares of lending in Sweden and Norway.

MARKET SHARE OF LENDING (%)	31 May 2014	31 December 2013
Denmark (excluding mortgage loans)	27.3	26.9
Finland	10.1	10.3
Sweden	4.8	4.8
Norway	4.5	4.4

Source: Market shares are based on data from the central banks. The market shares are inclusive of repo loans with the exception of the market shares for Sweden.

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

Deposits

At the end of June 2014, total deposits were 2% below the level at the end of 2013, with marginal decreases recorded in all markets. The Group maintained its strong funding position.

MARKET SHARE OF DEPOSITS (%)	31 May 2014	31 December 2013
Denmark	27.2	27.6
Finland	11.6	12.2
Sweden	4.2	4.7
Norway	5.5	5.8

Source: Market shares are based on data from the central banks. The market shares are inclusive of repo deposits with the exception of the market shares for Sweden.

Credit exposure

Credit exposure totalled DKK 3,463 billion, against DKK 3,395 billion at the end of 2013. Exposure from trading and investment activities accounted for DKK 904 billion of total credit exposure, against DKK 858 billion at the end of 2013. Exposure from lending activities amounted to DKK 2,184 billion, against DKK 2,173 billion at the end of 2013.

Home loans to personal customers accounted for 34% of the exposure from lending activities, and repo transactions accounted for some 13%. The credit quality of these portfolios is good. Most of the remaining credit exposure related to investment-grade-equivalent customers.

Risk Management 2013, which is available at danskebank.com/ir, provides more details on Danske Bank's credit risks.

Credit quality

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

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

LOAN IMPAIRMENT COVERAGE

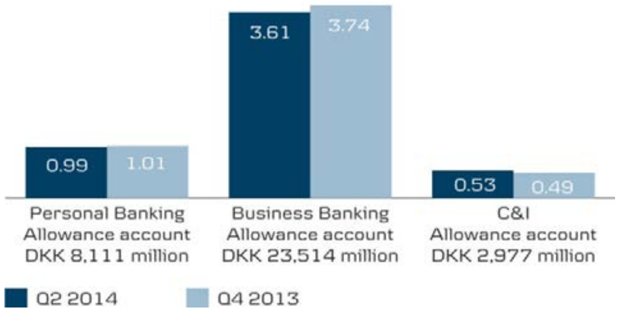
			Loan impairment coverage (%)	
(DKK billions)	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
Total impaired loans	30.1	28.9	86.0	85.9
- Rating category 10	20.2	19.1	70.0	69.2
- Rating category 11	10.0	9.8	98.6	99.9

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 31.1 billion, or 1.6% of lending and guarantees. Accumulated collective impairments amounted to DKK 3.5 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.

Recognised losses in the first half of 2014 amounted to DKK 2.2 billion. Of these losses, DKK 0.3 billion was attributable to facilities not already subject to impairment.

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



Asset Quality Review

Beginning in November 2014, the ECB will have regulatory responsibility for around 130 European banks. In order to prepare for this new task, the ECB has launched the Asset Quality Review (AQR), which is a balance sheet review that focuses on credit quality and adequate provisioning. The review covers both personal 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) is subject to an AQR led by the ECB, and Danske Bank Group is subject to an AQR led by the Danish FSA, which has decided to follow the ECB initiative.

Trading and investment activities

At 30 June 2014, credit exposure from trading and investment activities amounted to DKK 904 billion, against DKK 858 billion at 31 December 2013. The increase took place 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 of derivatives. The net exposure was DKK 82 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 623 billion, against DKK 598 billion at the end of 2013. Of the total bond portfolio, 84% was recognised at fair value and 16% at amortised cost.

BOND PORTFOLIO (%)	30 June 2014	31 December 2013
Government bonds and bonds guaranteed by central or local governments	39	35
Bonds issued by quasi-government institutions	2	1
Danish mortgage bonds	41	44
Swedish covered bonds	10	14
Other covered bonds	3	2
Corporate bonds	5	4
Total holdings	100	100
Hold-to-maturity bonds included in total holdings	16	10
Available-for-sale bonds included in total holdings	10	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 30 June 2014, total capital amounted to DKK 164.6 billion, and the total capital ratio was 18.6%. The common equity tier 1 capital ratio stood at 14.4%.

In June 2014, we withdrew our appeal against the orders from the Danish FSA of mid-2013 concerning our use of the internal ratings-based approach (the IRB approach) for capital adequacy purposes. We introduced temporary capital add-ons in 2013 to comply with the orders. The effect of introducing new IRB models and removing the temporary capital add-ons will be an increase in the common equity tier 1 capital ratio of around 0.4 of a percentage point after full implementation later in 2014.

In the first half of 2014, Danske Bank repaid the hybrid capital of DKK 24 billion raised from the Danish state. Danske Bank also 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. Furthermore, Danske Bank issued EUR 500 million (DKK 3.7 billion) of tier 2 capital and redeemed USD 750 million (DKK 4.1 billion) of additional tier 1 capital. The capital issues form part of Danske Bank's ongoing adjustment of its capital structure.

At 30 June 2014, risk-weighted assets amounted to DKK 887 billion, against DKK 852 billion at 31 December 2013. The main reason for the increase was the implementation of CRR/CRD IV on 1 January 2014.

At 30 June 2014, Danske Bank's solvency need amounted to DKK 94.2 billion, or 10.6% of risk-weighted assets. The capital base thus included a capital buffer of DKK 70.4 billion. Under Danish law, Danske Bank must publish its solvency need on a quarterly basis. More detailed information is available at 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 1.2 percentage point in comparison with the ratio at 30 June 2014.

Danske Bank has been designated a financial conglomerate by the Danish FSA and has received approval to continue to use the deduction method for holdings in 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).

The CRR/CRD IV rules stipulate that a leverage ratio is to be assessed under Pillar II. This is pending a future EU decision on whether it should be a Pillar I requirement from 2018 onwards. On the basis of the CRR definition, Danske Bank's leverage ratio, taking transitional arrangements into account, was 4.0% at 30 June 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 3.5%.

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

Ratings

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 its outlook for the long-term rating from stable to negative.

In the first half of 2014, Moody's and Fitch Ratings affirmed their long- and short-term ratings of Danske Bank. Moody's affirmed its positive outlook for the long-term rating and Fitch Ratings its stable outlook.

DANSKE BANK'S RATINGS AT 30 JUNE 2014	Moody's	S&P	Fitch
Long-term	Baa1	A	A
Short-term	P-2	A-1	F1
Outlook	Positive	Negative	Stable

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

In June 2014, the Danish FSA designated Danske Bank a systemically important financial institution (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, including buffer requirements but excluding Pillar II requirements, to 13.5% in 2019. The total common equity tier 1 requirement, including buffer requirements for Danske Bank, will be 10%. An additional countercyclical capital buffer requirement of up to 2.5% may be imposed during periods of high loan growth.

Under the SIFI agreement, SIFIs must comply with the liquidity coverage ratio (LCR) requirement from 2015 onwards. We are still awaiting the European Commission's decision on the definition of liquid assets in the calculation of the LCR. A decision is expected in the second half of 2014.

With an LCR of 133% at the end of June 2014, Danske Bank complied 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. If Danish mortgage 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.

Stress tests show that we have a sufficient liquidity buffer well beyond a 12-month horizon.

Funding and liquidity

With a liquidity buffer of DKK 396 billion at 30 June 2014, Danske Bank's liquidity position remained strong. The buffer consists of cash and holdings at central banks of DKK 19 billion; securities issued or guaranteed by sovereigns, central banks or multilateral development banks of DKK 66 billion; covered bonds (including mortgage bonds) of DKK 279 billion; and other holdings of DKK 33 billion.

In the first half of 2014, Danske Bank issued senior debt for DKK 11.4 billion, covered bonds for DKK 7.4 billion, tier 1 capital for 5.6 billion, and tier 2 capital for DKK 3.7 billion, a total of DKK 28.1 billion. We also redeemed long-term debt of DKK 53.1 billion.

At the end of June 2014, the total amount of outstanding long-term funding, excluding additional tier 1 capital and senior debt issued by Realkredit Danmark, was DKK 301 billion, against DKK 332 billion at the end of 2013.

DANSKE BANK, EXCLUDING REALKREDIT DANMARK

(DKK billions)	30 June 2014	31 December 2013
Covered bonds	171	164
Senior unsecured debt	89	102
Subordinated debt	41	66
Total	301	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 8.3 billion from the end of 2013 to DKK 20.0 billion. The F1 FlexLån® volume amounted to DKK 102.3 billion and accounted for 14.2% of total mortgage lending at 30 June 2014, compared with DKK 122.1 billion, or 17%, at the end of 2013.

The Supervisory Diamond

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

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 30 June 2014, Danske Bank was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

Solvency II (insurance)

The new international insurance rules, Solvency II, will take effect on 1 January 2016. The rules are intended to protect customer funds, and they will generally increase capital requirements.

Danica Pension is well prepared and is closely monitoring the work on the EU rules. While the current Solvency I capital requirements are volume-based, the Solvency II requirements will be risk-based. As a forerunner of the Solvency II rules, the Danish FSA introduced individual solvency need requirements in 2007. Under these requirements, which are also risk-based, Danish insurance companies must meet the higher of Solvency I and individual solvency need requirements. The individual solvency need requirements have been changed gradually in the period up to 2014 to bring Danish requirements closer to the Solvency II requirements.

Personal Banking

We continued to strengthen relations with both Personal Banking and Private Banking customers. We introduced a benefit programme in Finland and thus laid a solid foundation for strengthening relations with our customers in all our markets. We also continued to deliver on our two customer promises: making it easier for customers to do their banking business and strengthening our proactive financial care. Customers are responding well to our initiatives, and we continue to see improvements in customer satisfaction.

Key developments from first half 2013 to first half 2014

- Profit before tax of DKK 2.3 billion, up 88%
- Return on allocated capital of 14.5%, up 5.4 percentage points
- Total income of DKK 8.2 billion, up 1%
- Net interest income of DKK 5.3 billion, down 3%
- Expenses of DKK 5.3 billion, down 10%
- Impairments of DKK 0.6 billion, down 44%
- Cost/income ratio improved to 64.5%, down 7.9 percentage points

Profit before tax rose 88% from DKK 1.2 billion in the first half of 2013 to DKK 2.3 billion because of lower expenses and lower impairments. Total income remained flat, reflecting low economic growth and intensified competition in all our markets.

PERSONAL BANKING (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Net interest income	5,343	5,491	97	2,728	2,615	104	2,755	99	11,009
Net fee income	2,186	2,017	108	1,124	1,062	106	1,031	109	4,204
Net trading income	318	289	110	113	205	55	92	123	644
Other income	330	330	100	192	138	139	189	102	667
Total income	8,177	8,127	101	4,157	4,020	103	4,067	102	16,524
Expenses	5,278	5,887	90	2,626	2,652	99	3,004	87	11,738
Profit before loan impairment charges	2,899	2,240	129	1,531	1,368	112	1,063	144	4,786
Loan impairment charges	553	992	56	216	337	64	442	49	1,887
Profit before tax	2,346	1,248	188	1,315	1,031	128	621	212	2,899
Loans and advances before impairments	801,985	826,661	97	801,985	804,827	100	826,661	97	808,087
Allowance account, loans	7,486	7,510	100	7,486	7,558	99	7,510	100	7,691
Deposits	335,724	343,411	98	335,724	329,959	102	343,411	98	333,852
Bonds issued by Realkredit Danmark	422,522	418,630	101	422,522	424,302	100	418,630	101	419,907
Allocated capital (average)	32,457	27,519	118	32,483	32,431	100	28,016	116	29,613
Net interest income as % p.a. of loans and deposits	0.95	0.94		0.97	0.93		0.94		0.97
Profit before loan impairment charges as % p.a. of allocated capital	17.9	16.3		18.9	16.9		15.2		16.2
Profit before tax as % p.a. of allocated capital (ROE)	14.5	9.1		16.2	12.7		8.9		9.8
Cost/income ratio (%)	64.5	72.4		63.2	66.0		73.9		71.0
Full-time-equivalent staff	6,813	7,447	91	6,813	6,780	100	7,447	91	6,856

Fact Book Q2 2014 provides financial highlights at country level for Personal Banking. Fact Book Q2 2014 is available at danskebank.com/ir.

Developments in 2014

We continued to make banking easy for our customers – both when they make day-to-day transactions and when they make major financial decisions.

With the introduction of our Customer Programme in Denmark last year, we laid a solid foundation for strong relations with our customers. Thus far, more than 1.2 million customers have signed up for the programme, and they are also gathering an increasing share of their business with us. In May, we launched a benefit programme in Finland that offers benefits for customers on the basis of their business volume with Danske Bank. The programme has been well received.

Easy day-to-day banking

With MobilePay, money transfers have never been easier. More than 1.4 million customers use our app in Denmark. The app is also available to our Finnish customers, and in Northern Ireland, we have integrated Paym – an industry solution for mobile payments – in our own mobile solution to make daily money transfers easy for our UK customers.

In June and early July, we launched new MobilePay features in Denmark. Customers can now use the app in several online shops and at more than 1,000 shops around the country that have signed up for MobilePay Business, including Starbucks outlets at Dansk Supermarked, a Danish supermarket chain.

We were also the first bank in Denmark to launch a contactless MasterCard, making it easier and faster for customers to use MasterCard in shops. We also offer contactless cards in Finland and Northern Ireland, and later this year, we will launch the card in Sweden and Norway.

We develop new products and services in close collaboration with our customers. One example is the improved Spending Overview in our eBanking system. The enhanced functionality gives customers an even better overview of their spending, and the feature is now available in Denmark, Finland and Norway.

Developing the dialogue with customers

We continue to reduce the administrative workload of our employees in all our markets in order to free up more time for proactive dialogue with customers.

In Denmark, we launched a new website for young customers and students to give them a better understanding of their finances on the basis of their current situation. The initiative is an enhancement of our Young Direct service, which offers young customers assistance from teams that specialise in their particular needs.

We continue to explore ways of increasing proactivity in online touch points. In May, we launched Danske Guide in Denmark. This new way of communicating proactively with customers offers individualised recommendations and advice on how to optimise their finances and take better advantage of our full-service offering. The recommendations and advice are sent directly to personal customers on the mobile, tablet and eBanking solutions. So far, 2.2 million recommendations have been tailored and sent to customers, and the response has been very positive.

Private Banking

We continued to strengthen relations with our Private Banking customers, giving them a 360-degree perspective on their assets and an assessment of their financial opportunities. Our Private Banking offering is tailored to the individual customer's current life situation. For example, Private Banking Young offers young adults specialised advisory services as well as events and seminars with networking opportunities. An increasing number of these customers welcome the offering.

We have heightened the focus on our international offering. International mobility is increasing among Private Banking customers, and we aim to capture the growth potential of this trend through seamless services across our international organisation.

In 2014, we were once again named the Best Private Banking Bank in Denmark by Euromoney magazine.

First half 2014 vs first half 2013

Profit before tax increased 88% to DKK 2.3 billion, and the return on allocated capital improved 5.4 percentage points to 14.5%, mainly because of lower expenses and lower impairments.

Total income increased 1% to DKK 8.2 billion. The increase was owing mainly to improvements in fee income in investment and service areas combined with improved trading income mainly from margins earned on customer refinancing of RD loans. Changes in funds transfer pricing had an adverse effect.

We reduced expenses 10% through tight cost control and efficiency gains.

Impairments fell 44% to DKK 0.6 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 appears to be stabilising after a period of continuous decrease in 2013, closing the gap between amortisation and new lending. Exposure in the first half of 2014 amounted to DKK 802 billion, with a slightly negative effect from exchange rates.

	Credit exposure (DKK millions) 30 June 2014	31 Dec. 2013	Impairments (ann.) (%) 30 June 2014
Denmark	541,820	540,644	0.14
Finland	93,836	95,895	0.13
Sweden	70,141	74,137	0.13
Norway	72,931	71,890	0.06
Northern Ireland	17,814	16,638	0.30
Other	5,294	5,589	0.18
Total	801,836	804,792	0.14

Improved credit quality

Macroeconomic conditions in Denmark are slowly improving, and this translates into declining impairments and a general improvement in credit quality. The delinquency rate at Realkredit Danmark was stable, on a par with the level in 2013. The loan loss ratio at Realkredit Danmark was 0.23%.

The credit quality of Personal Banking customers also improved in most other markets. In addition, the Swedish Bankers Association has taken initiatives to encourage customers to increase amortisation. According to agreement, an individual amortisation plan is to be prepared whenever new lending is established. These initiatives will reduce the risk on the portfolio of interest-only loans.

Impairments continued their downward trend, ending at DKK 553 million in the first half of 2014, significantly below the level in same period of 2013.

LOAN-TO-VALUE RATIO, HOME LOANS

	30 June 2014		31 December 2013	
	LTV (%)	Credit exposure (DKK bn)	LTV (%)	Credit exposure (DKK bn)
Denmark	73.0	504	72.5	501
Finland	61.9	85	61.5	87
Sweden	67.2	64	67.4	67
Norway	63.0	67	62.2	67
Northern Ireland	77.9	17	78.4	15
Average	70.4	737	69.9	737

Q2 2014 vs Q1 2014

Profit before tax increased 28% to DKK 1.3 billion, mainly because of lower expenses, lower impairments and higher income.

Total income increased 3%, mainly because of higher fee income and higher net interest income.

Net trading income fell 45% because net trading income in the first quarter of 2014 benefitted from refinancing margins on RD loans.

Expenses fell 1% as a result of tight cost control and efficiency measures. Impairments were down 36% because of a further improvement in credit quality across all market areas.

Business Banking

We saw increased activity with existing customers, and combined with attraction of new business, this led to increased volumes across our markets in the second quarter of 2014. The increase in activity was achieved through an improved offering with targeted advice and solutions for our customers and a further improvement of our digital channels to make banking easier.

Key developments from first half 2013 to first half 2014

- Profit before tax of DKK 2.8 billion, up 21%
- Return on allocated capital of 13.1%, up 2.8 percentage points
- Total income of DKK 6.0 billion, on a par with the year-earlier level
- Net interest income of DKK 4.4 billion, matching the year-earlier level
- Expenses of DKK 2.6 billion, down 1%
- Impairments of DKK 0.5 billion, down 47%
- Cost/income ratio improved to 44.4%, down 0.7 of a percentage point

Profit before tax rose 21% from the level in the first half of 2013, mainly because of lower impairments. Total income was unchanged as declining net trading income was offset by higher net fee income. Expenses were slightly lower. Lending volumes rose from the first to the second quarter, reflecting growing business momentum across our markets.

BUSINESS BANKING (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Net interest income	4,368	4,382	100	2,283	2,085	109	2,182	105	8,892
Net fee income	1,017	955	106	510	507	101	468	109	1,926
Net trading income	315	357	88	120	195	62	160	75	758
Other income*	266	265	100	134	132	102	140	96	495
Total income	5,966	5,959	100	3,047	2,919	104	2,950	103	12,071
Expenses	2,649	2,687	99	1,301	1,348	97	1,350	96	5,482
Profit before loan impairment charges	3,317	3,272	101	1,746	1571	111	1,600	109	6,589
Loan impairment charges	504	948	53	205	299	69	350	59	1,751
Profit before tax	2,813	2,324	121	1,541	1,272	121	1,250	123	4,838
Loans and advances before impairments	630,075	628,550	100	630,075	622,318	101	628,550	100	612,573
Allowance account, loans	22,634	22,966	99	22,634	22,885	99	22,966	99	22,726
Deposits	255,999	267,501	96	255,999	259,040	99	267,501	96	263,424
Bonds issued by Realkredit Danmark	296,442	297,142	100	296,442	290,230	102	297,142	100	290,237
Allocated capital (average)	43,042	45,249	95	43,151	42,934	101	45,638	95	44,483
Net interest income as % p.a. of loans and deposits	1.01	1.00		1.06	0.97		1.00		1.04
Profit before loan impairment charges as % p.a. of allocated capital	15.4	14.5		16.2	14.6		14.0		14.8
Profit before tax as % p.a. of allocated capital (ROE)	13.1	10.3		14.3	11.9		11.0		10.9
Cost/income ratio (%)	44.4	45.1		42.7	46.2		45.8		45.4
Full-time-equivalent staff	3,670	3,739	98	3,670	3,688	100	3,739	98	3,759

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

Fact Book Q2 2014 provides financial highlights at country level for Business Banking. Fact Book Q2 2014 is available at danskebank.com/ir.

Developments in 2014

We continued to improve our customer offering with the aim of providing targeted advice and making banking easier for our customers. We also continued to focus on providing new, innovative digital solutions.

Increased business momentum

In the second quarter of 2014, we saw accelerating business momentum from increased activity among both new and existing customers. Volumes rose in Denmark and also in Norway and Sweden in local currency. This shows that our customer initiatives – strong advisory solutions, innovative digital channels and targeted solutions for specific segments – are being well received.

New customer offering

After a detailed investigation of the needs of small Danish businesses, we introduced a new offering in May to help these customers optimise their business.

These customers now have access to a dedicated advisory setup with advisers who specialise in small businesses, and to leading digital solutions and attractive customer packages. In addition, startups have access to a dedicated team that offers specialist advice on how to launch a business. The advisers provide proactive advice, and customers are offered a complete banking solution tailored to their needs.

The new offering has been well received by our customers.

Banking made easy

We continue to develop our digital solutions to meet new customer demands.

In Business Online, we added new customisation options, and in Mobile Business and Tablet Business, we introduced a message feature to meet a demand for accessibility and communication through the customer's preferred channel.

Large business customers requiring advanced market solutions can benefit from Danske OneTrader, a new electronic foreign exchange trading platform.

MobilePay Business

In Denmark, MobilePay Business has become the leading mobile payment solution for businesses and is attracting considerable interest. Since the launch in February, more than 6,100 businesses have expressed an interest in the solution, and some 2,700 businesses have already started using it or are about to start.

We began a collaboration with Scanomat, a Danish company, to launch an innovative solution: MobilePay as a payment engine in unstaffed shops. This solution enables businesses to integrate MobilePay in their apps. It offers great customer advantages, and we have high expectations for this solution.

We have also joined forces with Dansk Supermarked to enable its Starbucks outlets to receive payments through MobilePay Business.

At the beginning of July, we launched MobilePay Online, which enables online retailers to receive payments through MobilePay.

First half 2014 vs first half 2013

In the first half of 2014, profit before tax increased 21% to DKK 2.8 billion, and return on allocated capital rose from 10.3% to 13.1%.

Total income remained on a par with the level in the first half of 2013 despite positive value adjustments of bond holdings in the earlier period and the effect of changes in funds transfer pricing. Excluding these factors, total income showed a positive trend.

Net interest income was also on a par with the level in the first half of 2013 as income initiatives offset the effect of generally lower average lending volumes. With a rise of 6%, net fee income showed a satisfactory trend.

Expenses fell slightly as a result of tight cost control, with a reduction in the number of employees and lower expenses for consultancy services and IT.

Credit exposure

At the end of June 2014, credit exposure to business customers amounted to DKK 646 billion, against DKK 639 billion at the end of December 2013.

	Credit exposure (DKK millions)		Impairments (ann.) (%)
	30 June 2014	31 Dec. 2013	30 June 2014
Denmark	370,476	378,808	0.27
Finland	56,891	49,904	0.11
Sweden	109,328	107,249	-0.02
Norway	58,711	53,815	0.39
Northern Ireland	27,044	26,899	-0.48
Baltics	23,939	22,656	-0.35
Other	5	10	0.00
Total	646,395	639,343	0.17

Credit quality improving

Slightly improving market conditions, combined with initiatives to improve asset quality, resulted in a decline in impairments of almost 50% from the level in the first half of 2013.

Q2 2014 vs Q1 2014

The return on allocated capital improved from 11.9% in the first quarter of 2014 to 14.3% in the second quarter. Impairments were down 31%.

Total income was up 4%, and net interest income rose 9% because of income initiatives and a rise in lending volumes.

Net fee income was up 1% as a result of increasing financing activity. Net trading income fell because refinancing income was high in the first quarter.

Tight cost control resulted in a 3% fall in expenses.

Corporates & Institutions

A combination of new regulations, increased capital requirements for market operations and changes in customer behaviour is changing the business environment. We are currently adjusting our business model to ensure that we can give full attention to customers while also maintaining a sustainable and satisfactory return. In the first half of 2014, we continued our strategy of growing client-driven income, and we saw growth within General Banking, Debt Capital Markets and other areas. We also took steps to align our cost base with customer demand.

Key developments from first half 2013 to first half 2014

- Profit before tax of DKK 2.0 billion, up 3%
- Return on allocated capital of 10.5%, down 1.6 percentage points
- Total income of DKK 4.5 billion, in line with first half 2013
- Net interest income of DKK 1.3 billion, up 21%
- Client-driven income of DKK 4.0 billion, up 15%
- Market Making income of DKK 0.5 billion, down 49%
- Expenses of DKK 2.3 billion, up 3%
- Impairments of DKK 210 million, down 32%
- Cost/income ratio of 50.8%, up 1.2 percentage points

Profit before tax in the first half of 2014 increased 3% from the level in the first half of 2013, mainly because of lower impairments. Income remained at the year-earlier level. Client-driven income, however, continued the upward trend, rising DKK 0.5 billion, and thus compensated for lower Market Making income in the first half of 2014. Expenses were up 3%, mainly because of one-off costs related to staff reductions.

CORPORATES & INSTITUTIONS (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Net interest income	1,288	1,061	121	689	599	115	557	124	2,306
Net fee income	710	564	126	356	354	100	272	131	1,218
Net trading income*	2,535	2,881	88	1,155	1,380	84	1,300	89	4,894
Other income	3	7	36	2	1	150	2	75	17
Total income	4,535	4,513	100	2,201	2,334	94	2,131	103	8,435
Expenses	2,303	2,240	103	1,177	1,126	105	1,140	103	4,588
Profit before loan impairment charges	2,232	2,273	98	1,024	1,208	85	991	103	3,847
Loan impairment charges	210	311	68	205	5	-	20	-	473
Profit before tax	2,022	1,962	103	819	1,203	68	971	84	3,374
Loans and advances before impairments	167,608	155,203	108	167,608	169,028	99	155,203	108	154,406
Allowance account, loans	2,598	2,823	92	2,598	2,399	108	2,823	92	2,410
Deposits	171,033	173,139	99	171,033	189,398	90	173,139	99	179,273
Bonds issued by Realkredit Danmark	24,136	13,464	179	24,136	25,168	96	13,464	179	20,856
Allocated capital (average)	38,557	32,322	119	38,393	38,723	99	32,374	119	31,471
Net interest income as % p.a. of loans and deposits	0.77	0.65		0.82	0.67		0.71		0.71
Profit before loan impairment charges as % p.a. of allocated capital	11.6	14.1		10.7	12.5		12.2		12.2
Profit before tax as % p.a. of allocated capital (ROE)	10.5	12.1		8.5	12.4		12.0		10.7
Cost/income ratio (%)	50.8	49.6		53.5	48.2		53.5		54.4
Full-time-equivalent staff	1,532	1,558	98	1,532	1,562	98	1,558	98	1,565

TOTAL INCOME (DKK millions)									
General Banking	2,057	1,714	120	1,077	980	110	871	124	3,635
Capital Markets	428	335	128	221	207	107	161	137	624
Sales and Research	1,517	1,417	107	809	708	114	702	115	2,719
Market Making	533	1,047	51	93	440	21	397	23	1,457
Total income	4,535	4,513	100	2,201	2,334	94	2,131	103	8,435

* All income from Capital Markets, Sales and Research and Market Making, except for Corporate Finance, is presented under Net trading income.

Developments in 2014

At Corporates & Institutions, we continued to deliver distinctive value propositions for our customers.

Improving our position

Transaction Banking is a cross-divisional business unit with a strong product offering. We are therefore well-positioned to support both the parent company of a group and its subsidiaries in a seamless manner.

In the second quarter, we won a tender to become the cash management partner of REMA 1000, a leading Norwegian retailer, in Norway and Denmark.

We also delivered a comprehensive cash management solution covering non-EUR cash pools across a range of countries and companies to DFDS, a Danish shipping and logistics company. The solution improves DFDS's liquidity overview and enables the company to optimise its hedging and investment strategy.

Transaction Banking continued to roll out its innovative post-trade service. The service offers corporate and institutional customers administrative support to help them meet new regulatory, technology and reporting requirements in a cost-efficient and transparent manner.

Debt Capital Markets continued to show positive developments, winning a number of significant mandates. For example, Danske Bank acted as joint book-running manager in an issuance for Illinois Tool Works. This was the first time we took a leading role for a US multinational in a bond offering.

We continued to enhance the customer offering and strengthen our position within Corporate Finance in the Nordics.

Trading made easy

With the launch of Danske OneTrader, an electronic foreign exchange trading platform, we met customer demand for easy banking solutions within trading. OneTrader is fully customisable, and its features cover everything from in-depth pre-trade market analysis to post-trade functionality.

Adjusting our cost base

In the second quarter, Corporates & Institutions adjusted its platform to expected future needs, aligning the cost base with the activity level. The adjustment is in accordance with the Group's general ambition to adapt the cost base to market conditions. The adjustment, which will take full effect from 2015, will have no adverse effects on customer services.

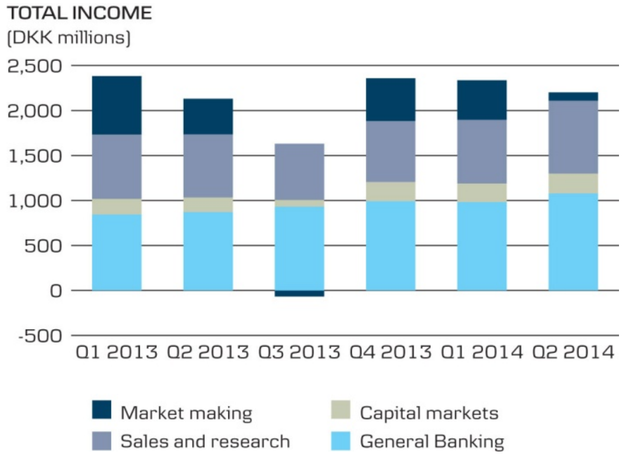
We will continue to invest in areas where demand is increasing and where we can strengthen our value proposition.

First half 2014 vs first half 2013

At DKK 4.5 billion, total income was unchanged from the level in the first half of 2013.

Trading income declined 12% as low volatility and the lack of clear trends in the market continued to put pressure on Market Making activities.

In accordance with our strategy, we continued to grow client-driven income. Client-driven income from Capital Markets, Sales and Research, and General Banking increased by DKK 0.5 billion, with improvements in several of their business areas.



General Banking increased both net interest income and net fee income. Net fee income was driven mainly by increased activity within cash management, lending and leveraged finance. Net interest income improved on the back of larger lending volumes combined with lower funding and liquidity costs.

Capital Markets continued the upward trend from 2013 as bond issuance activity reached its highest level ever. Corporate Finance won a number of mandates, and income is steadily improving.

Sales and Research income rose, mainly because of higher activity within equities and repos.

Market Making income remained low, falling DKK 0.5 billion from the level in the first half of 2013. With no clear trends in the market, we chose to reduce market risk exposure to a relatively low level during the period.

Expenses increased 3%, mainly because of one-off costs related to staff reductions.

Impairments were down DKK 100 million and amounted to DKK 210 million.

Credit exposure

The loan portfolio quality at Corporates & Institutions is strong. At 30 June 2014, total credit exposure from lending activities amounted to DKK 697 billion. The total portfolio rose 1% from the level at year-end 2013, mainly because of increased exposure to existing clients in the corporate segment. The sovereign portfolio decreased, mainly because of natural fluctuations in deposits with central banks.

Impairments have fluctuated over the past six quarters and are expected to continue to do so quarter-on-quarter. Impairments in the first half of 2014 related mainly to a small number of exposures. Accumulated impairments (the allowance account), which totalled DKK 3.0 billion, related mainly to a small number of corporate clients.

	Credit exposure (DKK millions)		Impairments (ann.) (%)
	30 June 2014	31 Dec. 2013	30 June 2014
Sovereign	62,278	76,038	-0.02
Financial Institutions	333,567	335,097	-0.01
Corporate	300,661	275,966	0.21
Other	209	99	-0.41
Total	696,715	687,201	0.08

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.

Q2 2014 vs Q1 2014

Profit before tax fell 32%, mainly because of a small increase in impairments from a very low level in the first quarter.

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

Capital Markets saw bond issuance continue to rise, and Corporate Finance saw a slight rise in fees.

Sales and Research income improved as the customer flow within fixed-income, derivatives, foreign exchange, and money markets increased.

Market Making activities remained difficult, and income fell because of a continuation of low volatility and a lack of clear trends in the market and the resulting decline in exposure.

Expenses increased, mainly because of staff reduction costs.

Impairments amounted to DKK 205 million, against DKK 5 million in the first quarter.

Danske Capital

We continued to execute the Danske Capital strategy in the first half of 2014. 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 770 billion at the end of June 2014.

Key developments from first half 2013 to first half 2014

- Profit before tax of DKK 0.5 billion, up 22%
- Total income of DKK 1.0 billion, up 10%.
- Expenses of DKK 0.5 billion, down 1%
- Net sales of DKK 19 billion, with 65% to clients outside Denmark

The profit growth was driven by higher assets under management and higher margins. The margin improvement derived from a better product mix with a higher proportion of equities.

DANSKE CAPITAL (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Net interest income	1	-17	-	1	-	-	-8	-	-38
Net fee income	1,023	941	109	529	494	107	454	117	2,186
Other income	-1	5	-	-	-1	-	3	-	16
Total income	1,023	929	110	530	493	108	449	118	2,164
Expenses	488	491	99	260	228	114	221	118	1,033
Profit before loan impairment charges	535	438	122	270	265	102	228	118	1,131
Loan impairment charges	-	-	-	-	-	-	-	-	-
Profit before tax	535	438	122	270	265	102	228	118	1,131
Loans and advances before impairments	332	237	140	332	333	100	237	140	296
Deposits	254	200	127	254	116	219	200	127	219
Allocated capital (average)	2,576	2,510	103	2,572	2,580	100	2,538	101	2,557
Cost/income ratio (%)	47.7	52.9		49.1	46.2		49.2		47.7
Assets under management (DKK billions)	770	704	109	770	748	103	704	109	727

BREAKDOWN OF NET FEE INCOME (DKK millions)									
Performance fees	28	63	44	8	20	40	13	62	365
Other fee income	995	878	113	521	474	110	441	118	1,821
Total net fee income	1,023	941	109	529	494	107	454	117	2,186

Developments in 2014

We continued to develop and offer our investment solutions for both institutional and retail clients.

A range of solutions based on the managed account concept is now available to retail clients. The concept is available in all our Nordic markets and has been well received. The concept is convenient, assets are invested according to the client's risk profile, and clients benefit from a comprehensive reporting package. In the first half of 2014, net sales of managed account products amounted to DKK 10 billion, and assets under management rose 11%, amounting to DKK 115 billion at the end of June.

We increased our offering of alternative investments. Incorporating alternative investments in a portfolio adds value for clients not only because of risk/return considerations but also because it offers better portfolio diversification than conventional assets alone. Assets under management amounted to DKK 50 billion.

To increase efficiency, our fund companies in Denmark and Luxembourg now serve as the fund administration centres for Danske Capital. All new Danske Invest products are thus domiciled in Denmark and sold to clients in all the Nordic countries. In the first half of 2014, net sales of Danish-domiciled funds amounted to DKK 15 billion, including DKK 9 billion in sales to clients outside Denmark. The net sales of the Luxembourg fund company amounted to DKK 0.4 billion.

Investment performance

For the first six months of 2014, 57% of Danske Invest funds generated above-benchmark returns. Of the bond-based funds, 69% delivered above-benchmark returns, but for equity-based funds, the figure was 48%. Of the balanced funds, 71% performed above their benchmarks. Some 37% of Danske Invest funds ranked in the top third of European funds in their categories, indicating a better than average level of investment performance.

First half 2014 vs first half 2013

Total income rose 10% as a result of an increase in assets under management. Excluding performance fees, income increased 15%. Performance fees were down from DKK 63 million in the first half of 2013 to DKK 28 million. The booking of most of our performance fees takes place end-December.

Expenses were down 1% from the level in the first half of 2013. Excluding performance-based compensation, expenses fell 6%.

Profit before tax was up 22%.

Total assets under management amounted to DKK 770 billion, up DKK 66 billion from the level in the first half of 2013. The rise was owing to positive net sales of DKK 19 billion and gains on securities of DKK 47 billion. Net sales to institutional clients totalled DKK 7 billion, and sales to retail customers came to DKK 12 billion.

Q2 2014 vs Q1 2014

Profit before tax was up 2%.

Total income rose 8% from the first quarter of 2014 to the second quarter. Performance fees fell from DKK 20 million to DKK 8 million. Non-performance-based income was up 10%.

Expenses rose 14%. The increase was due to higher marketing expenses in the second quarter.

Danica Pension

Sales of Danica Pension products to personal customers through other business units rose 43% in the first half of 2014, demonstrating our focus on providing customers with holistic solutions. 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 half of 2014 made it possible to book the risk allowance to income for three of the four interest rate groups.

Key developments from first half 2013 to first half 2014

- Result from insurance business of DKK 0.8 billion, up 8%
- Net income of DKK 0.8 billion
- Return on allocated capital of 14.1%, up 14.2 percentage points
- Premiums of DKK 14.4 billion, up 2%
- Average return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* unit-linked products of 5.2%, up 2.0 percentage points
- Net return on investments of *Danica Traditionel* customer funds of 3.5%, up 3.5 percentage points
- Danske Bank sales of Danica Pension products of DKK 2.2 billion, up 43%

Because of the positive investment result for customers with *Danica Traditionel*, the risk allowance could be booked to income in full for three of the four interest rate groups. Some DKK 82 million was transferred to the shadow account. At 30 June 2014, the shadow account balance stood at DKK 1.3 billion.

DANICA PENSION (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Danica Traditionel	637	609	105	333	304	110	287	116	1,139
Unit-linked business	302	230	131	155	147	105	109	142	539
Health and accident business	-128	-86	-	-96	-32	-	-27	-	-167
Result from insurance business	811	753	108	392	419	94	369	106	1,511
Return on investments	237	69	-	127	110	115	-27	-	349
Financing result	-74	-87	-	-25	-49	-	-43	-	-176
Special allotment	-51	-95	-	-27	-24	-	-32	-	-158
Change in shadow account	-82	-645	-	-30	-52	-	-613	-	-438
Net income from insurance business	842	-5	-	437	405	108	-346	-	1,088
Premiums, insurance contracts	10,967	10,324	106	5,062	5,905	86	4,811	105	20,180
Premiums, investment contracts	3,397	3,701	92	1,457	1,940	75	1,561	93	6,628
Provisions, insurance contracts	269,834	257,435	105	269,834	263,331	102	257,435	105	257,792
Provisions, investment contracts	37,490	31,160	120	37,490	35,970	104	31,160	120	34,777
Customer funds, investment assets									
Danica Traditionel	173,413	174,203	100	173,413	170,649	102	174,203	100	168,864
Danica Balance	65,808	52,587	125	65,808	61,286	107	52,587	125	58,446
Danica Link	65,451	56,898	115	65,451	63,091	104	56,898	115	61,165
Allocated capital (average)	11,941	11,375	105	11,796	12,087	98	11,048	107	11,685
Net income as % p.a. of allocated capital	14.1	-0.1		14.8	13.4		-12.5		9.3

Developments in 2014

We continued to execute our strategy and deliver on our promise to enhance the customer experience, provide financial security for our customers, provide a coherent health programme, and optimise services for customers that bank with Danske Bank.

In the first half of 2014, we launched several initiatives aimed at making it easier to be a customer. We now offer business customers an online solution that makes it possible for new employees at a company to access their individual schemes online and 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 47% of our customers set up their pension schemes outside normal working hours.

We introduced Danica Pension Check for all customers with a company pension scheme. Customers can use this online tool to check whether their pension coverage is sufficient and whether they have the appropriate insurance cover. Our research shows that about 45% of our customers do not initially follow our recommendations. We contact customers with coverage far below our recommended level, and almost half of them subsequently decide to make changes to their pension schemes.

Direct investments in Scandinavian companies

As part of a new investment strategy, we will invest in well-managed Scandinavian companies over the coming years. We are making direct investments because we see a large potential in this area, and we expect these investments to produce an additional return for customers. Direct investments are favourable because of the illiquidity premium, the risk diversification they offer, and the low investment costs. In June 2014, we acquired shares for DKK 400 million in Unifeeder, a Danish logistics company.

First half 2014 vs first half 2013

Net income from insurance business was DKK 0.8 billion, against close to nil in the first half of 2013. In the first half of 2014, Danica Pension booked the risk allowance for three of the four interest rate groups, and DKK 82 million was transferred to the shadow account, which at the end of June 2014 had a balance of DKK 1.3 billion.

The return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* unit-linked products was DKK 4.4 billion, representing an average rate of return of 5.2%, against 3.2% in the first half of 2013.

The return on investments of *Danica Traditionel* customer funds was 6.7%, against -1.2% in the first half of 2013. Including changes in technical provisions, the return on customer funds was 3.5%, against 0.0% in the first half of 2013.

Q2 2014 vs Q1 2014

In the second quarter of 2014, net income from insurance business amounted to DKK 0.4 billion, the same level as in the first quarter.

The return on investments of *Danica Traditionel* customer funds was 3.6%, against 3.0% in the first quarter. Including changes in technical provisions, the return on customer funds was 2.0%.

The return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* products totalled DKK 2.9 billion, representing an average rate of return of 3.4%, against 1.8% in the first quarter.

Total premiums for all markets fell 17% to DKK 6.5 billion. The fall in premiums was largely as expected because premiums in most markets are usually higher in the first quarter of the year.

Premiums for the *Danica Balance*, *Danica Link* and *Danica Select* products, including transfers from *Danica Traditionel*, amounted to DKK 3.6 billion, a decrease of DKK 0.1 billion.

Non-core

Key developments from first half 2013 to first half 2014

- The loss before tax improved DKK 0.2 billion to DKK 0.8 billion
- Impairments of DKK 0.4 billion, down 58%
- Loan portfolio before impairments of DKK 46.8 billion, down 21%

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 Business Banking and Personal Banking customers 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 of the Non-core portfolio is mainly exposure to conduits administered by our London office.

The winding-up of retail operations in Ireland continues, and all day-to-day personal banking accounts have been closed. Danske Bank has appointed Pepper Asset Servicing to manage the performing personal mortgage portfolio.

NON-CORE (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Total income	110	183	60	62	48	129	76	82	385
Expenses	524	300	175	147	377	39	146	101	853
Profit before loan impairment charges	-414	-117	-	-85	-329	-	-70	-	-468
Loan impairment charges	380	898	42	77	303	25	327	24	1,309
Profit before tax	-794	-1,015	-	-162	-632	-	-397	-	-1,777
Loans and advances before impairments	46,847	59,292	79	46,847	51,213	91	59,292	79	53,729
Allowance account, loans	11,026	12,515	88	11,026	11,971	92	12,515	88	12,105
Deposits	7,497	18,453	41	7,497	11,000	68	18,453	41	16,742
Allocated capital (average)	8,880	9,806	91	8,609	9,153	94	10,295	84	10,330
Net interest income as % p.a. of loans and deposits	0.42	0.48		0.54	0.25		0.42		0.46
Profit before loan impairment charges as % p.a. of allocated capital	-9.3	-2.4		-3.9	-14.4		-2.7		-4.5
Profit before tax as % p.a. of allocated capital (ROE)	-17.9	-20.7		-7.5	-27.6		-15.4		-17.2
Cost/income ratio (%)	-	163.9		237.1	-		192.1		221.6
Full-time-equivalent staff	146	310	47	146	217	67	310	47	257

LOAN IMPAIRMENT CHARGES (DKK millions)									
Non-core Ireland	191	1,062	18	74	117	63	401	18	1,388
Non-core conduits etc.	189	-165	-	3	186	2	-75	-	-79
Total	380	898	42	77	303	25	327	24	1,309

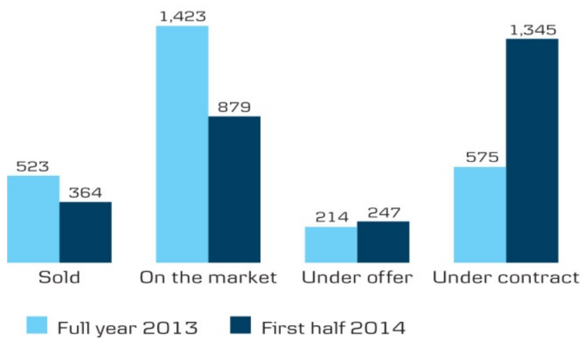
Developments in 2014

The portfolio developed 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 half of 2014. The portfolio attracted strong interest from investors, and Danske Bank agreed to the sale of a portfolio of almost 700 properties. This was a significant step in the deleveraging of the Irish commercial and residential investment property portfolio. The sale will take place in the third quarter of 2014.

Sales in the first half of 2014 equalled about 70% of total sales in 2013.

NUMBER OF PROPERTIES SOLD AND PIPELINE IN NON-CORE IRELAND



First half 2014 vs first half 2013

The loss before tax was reduced from DKK 1.0 billion to DKK 0.8 billion, mainly because of lower impairments. The result was negatively affected by impairments against loans in the Non-core conduits portfolio and provisions for an unfulfilled distribution agreement related to life insurance products in the Baltics entered into in conjunction with the acquisition of Sampo Bank. Together, these factors accounted for about half of the loss in the first half of 2014.

Lending amounted to DKK 46.8 billion and consisted mainly of exposure to commercial and investment property customers, conduits and personal customers. Total lending fell DKK 12.4 billion from the level at the end of June 2013 as a result of asset sales, settlements and write-offs. Impairments amounted to DKK 0.4 billion.

Credit exposure and accumulated impairments

Credit exposure totalled DKK 37.6 billion, against DKK 42.8 billion at the end of 2013. Accumulated impairments (allowance account) amounted to DKK 11.1 billion. Impairments were in line with expectations, and the winding-up of the portfolio remains on track.

CREDIT EXPOSURE (DKK millions)	30 June 2014	31 Dec. 2013
Non-core Ireland	25,940	29,740
Non-core conduits etc.	11,631	13,102
Total	37,571	42,841

Non-core Ireland

Credit exposure at Non-core Ireland amounted to DKK 25.9 billion, against DKK 29.7 billion at the end of 2013. Personal customer and commercial property exposures amounted to DKK 19.1 billion and DKK 2.8 billion, respectively.

Mortgages accounted for 97% of personal customer exposure. The positive development in the property market, particularly in Dublin, had a positive effect on LTV ratios.

Impairments fell from DKK 0.9 billion in the first half of 2013 to DKK 0.4 billion.

	Credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2014	31 Dec. 2013	30 June 2014
Commercial property	2,764	4,835	10.13
Consumer discretionary	695	994	3.24
Personal customers	19,063	21,583	0.50
Other	3,418	2,328	-9.24
Total	25,940	29,740	1.27

Non-core conduits etc.

Credit exposure to conduits etc. amounted to DKK 11.6 billion, against DKK 13.1 billion at the end of 2013. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio remained stable.

Q2 2014 vs Q1 2014

Impairments fell to DKK 77 million in the second quarter, against DKK 303 million in the first quarter. The development was driven mainly by lower charges against facilities in the Non-Core conduits etc. portfolio.

Total lending fell DKK 4.4 billion from the level in the first quarter as a result of asset sales, settlements and write-offs.

Other Activities

Key developments from first half 2013 to first half 2014

- Profit before tax of DKK 867 million, against a loss of DKK 58 million in the first half of 2013
- Total income of DKK 1,170 million, against DKK 379 million in the first half of 2013
- Expenses of DKK 303 million, down 31%

Other Activities encompasses Group Treasury, Group IT, Group Services and eliminations, including the elimination of returns on own shares. Group Treasury is responsible for the Group's liquidity management and funding.

OTHER ACTIVITIES (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Index Q2/Q1	Q2 2013	Index 14/13	Full year 2013
Net interest income	251	-46	-	198	53	-	-24	-	-92
Net fee income	-51	-36	-	-39	-12	-	-35	-	-66
Net trading income	895	387	231	808	86	-	593	136	-513
Other income	76	74	103	39	37	105	43	91	130
Total income	1,170	379	-	1,006	164	-	577	174	-541
Expenses	303	437	69	225	78	288	223	101	953
Profit before loan impairment charges	867	-58	-	781	86	-	354	221	-1,494
Loan impairment charges	-	-	-	-	-	-	-	-	-
Profit before tax	867	-58	-	781	86	-	354	221	-1,494

PROFIT BEFORE TAX (DKK millions)									
Group Treasury	1,183	315	-	923	260	-	524	176	-533
Own shares	-129	-11	-	-12	-117	-	22	-	-110
Group support functions	-187	-362	-	-130	-57	-	-192	-	-851
Total Other Activities	867	-58	-	781	86	-	354	221	-1,494

First half 2014 vs first half 2013

Other Activities posted a profit before tax of DKK 867 million, against a loss before tax of DKK 58 million in the first half of 2013.

As part of the optimisation of our liquidity bond portfolio structure, we continued to build up our hold-to-maturity bond portfolio, and this caused an increase in net interest income as well as in investment securities.

Net trading income benefited from the additional positive effect relating to Nets, but was adversely affected by higher expenses for a financing guarantee covering certain pension obligations.

Expenses fell from the level in the first half of 2013. A refund of VAT paid in previous years had a positive effect in the first half of 2014, while expenses for the Danish Guarantee Fund for Depositors and Investors had a negative effect in the first half of 2013.

Q2 2014 vs Q1 2014

Profit before tax was DKK 781 million in the second quarter of 2014, against DKK 86 million in the first quarter.

Net trading income amounted to DKK 808 million, against DKK 86 million in the first quarter. The rise was owing primarily to the additional positive effect relating to Nets in the second quarter.

Expenses amounted to DKK 225 million, against DKK 78 million in the first quarter. The increase was owing mainly to restructuring costs in the second quarter. Also, expenses in the first quarter were positively affected by a refund of VAT paid in previous years.

Income statement – Danske Bank Group

Note	(DKK millions)	First half 2014	First half 2013	Q2 2014	Q2 2013	Full year 2013
	Interest income	33,365	36,210	16,565	18,191	71,632
	Interest expense	16,974	19,498	8,169	9,776	38,200
	Net interest income	16,391	16,712	8,396	8,415	33,432
	Fee income	6,968	6,258	3,482	3,141	13,231
	Fee expenses	2,295	2,152	1,221	1,098	4,441
	Net trading income	7,585	3,093	5,227	-841	8,146
4	Other income	1,445	2,097	910	1,382	4,296
	Net premiums	10,911	10,279	5,107	4,837	20,148
	Net insurance benefits	18,101	15,134	9,924	5,358	32,537
	Operating expenses	12,627	13,111	6,275	6,661	26,796
	Profit before loan impairment charges	10,277	8,042	5,703	3,817	15,479
5	Loan impairment charges	1,647	3,149	703	1,140	5,420
	Profit before tax	8,630	4,893	5,000	2,677	10,059
	Tax	1,771	1,237	953	493	2,944
	Net profit for the period	6,859	3,656	4,047	2,184	7,115

Portion attributable to					
shareholders of Danske Bank A/S (the Parent Company)	6,759	3,656	3,965	2,184	7,115
additional tier 1 capital holders	98	-	80	-	-
non-controlling interests	2	-	2	-	-
Net profit for the period	6,859	3,656	4,047	2,184	7,115

Earnings per share (DKK)	6.8	3.7	4.0	2.2	7.1
Diluted earnings per share (DKK)	6.8	3.7	4.0	2.2	7.1
Proposed dividend per share (DKK)	-	-		-	2.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2014	First half 2013	Q2 2014	Q2 2013	Full year 2013
Net profit for the period	6,859	3,656	4,047	2,184	7,115
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	-32	-242	66	-266	25
Tax	30	82	17	38	66
Items that will not be reclassified to profit or loss	-2	-160	83	-228	91
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	395	-637	249	-237	-544
Hedging of units outside Denmark	-380	595	-257	196	462
Unrealised value adjustments of available-for-sale financial assets	165	627	-14	297	980
Realised value adjustments of available-for-sale financial assets	-10	-10	-6	-4	-19
Tax	33	-267	55	-116	-329
Items that are or may be reclassified subsequently to profit or loss	203	308	27	136	550
Total other comprehensive income	201	148	110	-92	641
Total comprehensive income for the period	7,060	3,804	4,157	2,092	7,756

Portion attributable to					
shareholders of Danske Bank A/S (the Parent Company)	6,960	3,804	4,075	2,092	7,756
additional tier 1 capital holders	98	-	80	-	-
non-controlling interests	2	-	2	-	-
Total comprehensive income for the period	7,060	3,804	4,157	2,092	7,756

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 June 2014	31 December 2013	30 June 2013
	ASSETS			
	Cash in hand and demand deposits with central banks	40,284	43,721	66,277
	Due from credit institutions and central banks	114,587	131,381	165,435
	Trading portfolio assets	696,501	695,723	721,432
	Investment securities	207,171	161,917	121,526
	Loans and advances at amortised cost	1,084,773	1,088,728	1,152,056
	Loans at fair value	740,197	728,081	726,433
	Assets under pooled schemes and unit-linked investment contracts	78,480	74,761	69,687
	Assets under insurance contracts	259,052	246,484	239,839
	Intangible assets	20,542	20,641	20,777
	Tax assets	1,253	1,356	1,574
6	Other assets	30,646	34,263	32,068
	Total assets	3,273,485	3,227,057	3,317,104
	LIABILITIES			
	Due to credit institutions and central banks	289,065	312,597	415,999
	Trading portfolio liabilities	407,457	435,183	455,351
	Deposits	1,023,307	943,901	900,358
	Bonds issued by Realkredit Danmark	648,068	614,196	616,457
	Deposits under pooled schemes and unit-linked investment contracts	85,899	81,882	79,128
	Liabilities under insurance contracts	275,077	262,468	261,088
7	Other issued bonds	297,571	310,177	342,280
	Tax liabilities	9,119	9,039	8,140
	Other liabilities	40,916	45,736	37,774
7	Subordinated debt	41,094	66,219	58,905
	Total liabilities	3,117,573	3,081,400	3,175,480
	EQUITY			
	Share capital	10,086	10,086	10,086
	Foreign currency translation reserve	-262	-277	-237
	Reserve for available-for-sale financial assets	-407	-562	-906
	Retained earnings	140,827	134,393	132,681
	Proposed dividends	-	2,017	-
	Shareholders of Danske Bank A/S (the Parent Company)	150,244	145,657	141,624
	Additional tier 1 capital holders	5,666	-	-
	Non-controlling interests	2	-	-
	Total equity	155,912	145,657	141,624
	Total liabilities and equity	3,273,485	3,227,057	3,317,104

Statement of capital – Danske Bank Group

(DKK millions)

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)								
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	Total
Total equity at 1 January 2014	10,086	-277	-562	134,393	2,017	145,657	-	-	145,657
Net profit for the period	-	-	-	6,759	-	6,759	98	2	6,859
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-32	-	-32	-	-	-32
Translation of units outside Denmark	-	395	-	-	-	395	-	-	395
Hedging of units outside Denmark	-	-380	-	-	-	-380	-	-	-380
Unrealised value adjustments	-	-	165	-	-	165	-	-	165
Realised value adjustments	-	-	-10	-	-	-10	-	-	-10
Tax	-	-	-	63	-	63	-	-	63
Total other comprehensive income	-	15	155	31	-	201	-	-	201
Total comprehensive income for the period	-	15	155	6,790	-	6,960	98	2	7,060
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-59	-	-59	5,597	-	5,538
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	17	-2,017	-2,000	-	-	-2,000
Acquisition of own shares and additional tier 1 capital	-	-	-	-15,571	-	-15,571	-40	-	-15,611
Sale of own shares and additional tier 1 capital	-	-	-	15,231	-	15,231	11	-	15,242
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	26	-	26	-	-	26
Total equity at 30 June 2014	10,086	-262	-407	140,827	-	150,244	5,666	2	155,912
Total equity at 1 January 2013	10,086	-195	-1,523	129,632	-	138,000	-	4	138,004
Net profit for the period	-	-	-	3,656	-	3,656	-	-	3,656
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-242	-	-242	-	-	-242
Translation of units outside Denmark	-	-637	-	-	-	-637	-	-	-637
Hedging of units outside Denmark	-	595	-	-	-	595	-	-	595
Unrealised value adjustments	-	-	627	-	-	627	-	-	627
Realised value adjustments	-	-	-10	-	-	-10	-	-	-10
Tax	-	-	-	-185	-	-185	-	-	-185
Total other comprehensive income	-	-42	617	-427	-	148	-	-	148
Total comprehensive income for the period	-	-42	617	3,229	-	3,804	-	-	3,804
Transactions with owners									
Dividends paid	-	-	-	-	-	-	-	-4	-4
Acquisition of own shares	-	-	-	-8,766	-	-8,766	-	-	-8,766
Sale of own shares	-	-	-	8,610	-	8,610	-	-	8,610
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-24	-	-24	-	-	-24
Total equity at 30 June 2013	10,086	-237	-906	132,681	-	141,624	-	-	141,624

Statement of capital – Danske Bank Group

(DKK millions)	30 June 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	999,220,082	1,000,417,378
Average number of shares outstanding for the period	999,709,551	1,000,668,921
Average number of shares outstanding, including dilutive shares, for the period	1,000,604,866	1,000,963,992

Total capital and total capital ratio		
Total equity	155,912	145,657
Revaluation of domicile property at fair value	1,055	1,177
Tax effect	-217	-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	159,752	149,595
Additional tier 1 capital instruments included in total equity	-5,564	-
Accrued interest on additional tier 1 capital instruments	-98	-
Tax on accrued interest on additional tier 1 capital instruments	24	-
Common equity tier 1 capital instruments	154,115	149,595
Adjustment to eligible capital instruments	-247	-
Prudential filters	-17	-
Expected/proposed dividends	-1,920	-2,017
Intangible assets of banking operations	-20,451	-20,763
Deferred tax on intangible assets	405	509
Deferred tax assets that rely on future profitability, excluding temporary differences	-633	-972
Defined benefit pension fund assets	-303	-
Revaluation of domicile property	-	-596
Statutory deduction for insurance subsidiaries	-1,833	-
Other statutory deductions	-1,047	-247
Common equity tier 1 capital	128,069	125,509
Additional tier 1 capital instruments	17,549	39,953
Statutory deduction for insurance subsidiaries	-3,665	-3,930
Other statutory deductions	-13	-18
Tier 1 capital	141,940	161,514
Tier 2 capital instruments	26,381	23,823
Revaluation of domicile property	-	596
Statutory deduction for insurance subsidiaries	-3,665	-3,930
Other statutory deductions	-13	-18
Total capital	164,643	181,985
Total risk-weighted assets	887,447	852,250
Common equity tier 1 capital ratio (%)	14.4	14.7
Tier 1 capital ratio (%)	16.0	19.0
Total capital ratio (%)	18.6	21.4

At 30 June 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 1,384,206 million at 30 June 2014 (31 December 2013: DKK 1,368,520 million). The capital need under the transitional rules was DKK 88,589 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.

Cash flow statement – Danske Bank Group

(DKK millions)	First half 2014	First half 2013	Full year 2013
Cash flow from operations			
Profit before tax	8,630	4,893	10,059
Tax paid	-1,255	-1,240	-1,705
Adjustment for non-cash operating items	1,579	1,575	6,615
Total	8,954	5,228	14,969
Changes in operating capital			
Amounts due to/from credit institutions and central banks	-23,595	-43,985	-147,278
Trading portfolio	-28,504	14,986	20,526
Other financial instruments at fair value	-46,170	-15,655	-58,394
Loans and advances at amortised cost	2,309	6,611	67,668
Loans at fair value	-12,116	6,330	4,681
Deposits	79,406	-28,734	14,810
Bonds issued by Realkredit Danmark	33,872	2,132	-129
Assets/liabilities under insurance contracts	42	-4,346	-9,610
Other assets/liabilities	-12,067	-476	-29,437
Cash flow from operations	2,131	-57,909	-122,194
Cash flow from investing activities			
Acquisition/sale of businesses	-	3	4
Acquisition/sale of own shares and additional tier 1 capital	-368	-156	-179
Acquisition of intangible assets	-292	-121	-349
Acquisition/sale of tangible assets	17	-5	-268
Cash flow from investing activities	-643	-279	-792
Cash flow from financing activities			
Changes in subordinated debt and hybrid capital	-25,326	-8,063	233
Dividends	-2,000	-	-
Issued additional tier 1 capital	5,541	-	-
Change in non-controlling interests	2	-4	-4
Cash flow from financing activities	-21,783	-8,067	229
Cash and cash equivalents at 1 January	173,500	296,257	296,257
Change in cash and cash equivalents	-20,295	-66,255	-122,757
Cash and cash equivalents, end of period	153,205	230,002	173,500
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	40,284	66,277	43,721
Amounts due from credit institutions and central banks within three months	112,921	163,725	129,779
Total	153,205	230,002	173,500

Notes – Danske Bank Group

Note

1 **Significant accounting policies and estimates**

1. General

The Group's interim report for the first six months of 2014 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 followed in the consolidated financial statements for 2013, which provide a full description of the significant accounting policies.

All financial statement figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial 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 in the consolidated financial statements 2013.

Notes – Danske Bank Group

Note (DKK millions)

1
(cont'd)

Income statement		Change			
	Highlights first half 2013	Personal Banking Ireland	Business Banking Ireland	Other Activities Ireland	Adjusted first half 2013
Net interest income	10,956	-70	-15	4	10,876
Net fee income	4,470	-22	-6	-	4,444
Net trading income	3,929	-7	-3	-	3,919
Other income	653	-1	-	22	675
Net income from insurance business	-5	-	-	-	-5
Total income	20,003	-100	-23	27	19,907
Expenses	11,918	-145	-44	17	11,747
Profit before loan impairment charges	8,085	45	20	11	8,161
Loan impairment charges	2,383	-105	-27	-	2,251
Profit before tax, core	5,702	150	47	11	5,908
Profit before tax, Non-core	-809	-150	-47	-11	-1,015
Profit before tax	4,893	-	-	-	4,893
Tax	1,237	-	-	-	1,237
Net profit for the period	3,656	-	-	-	3,656
Loans and advances	1,589,768	-14,978	-1,348	-110	1,573,332
Other assets	1,696,975	-20	-2	-172	1,696,782
Total assets in Non-core	30,361	14,998	1,350	282	46,990
Deposits	796,785	-11,032	-1,842	-446	783,466
Other liabilities	2,373,463	17	41	-405	2,373,116
Allocated capital	141,624	-	-	-	141,624
Total liabilities in Non-core	5,232	11,015	1,801	851	18,898

The table shows the effect on the highlights for the first half of 2013 of the transfer of Personal Banking and Business Banking customers in Ireland to the Non-core unit. Amounts are net of eliminations. Total allocated capital is not affected by the transfer.

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 Non-core has affected note 2 on business segments for the first half of 2013. Only changed columns are included in the table with values before and after the transfer.

First half 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	5,565	5,491	4,397	4,382	453	457	77	157	-5,756	-5,836
Net fee income	2,041	2,017	961	955	-34	-34	6	35	364	338
Net trading income	297	289	360	357	-417	-417	3	12	836	826
Other income	330	330	908	908	429	450	-	-21	-1,444	-1,422
Net premiums	-	-	-	-	-	-	-	-	-10,279	-10,279
Net insurance benefits	-	-	-	-	-	-	-	-	-15,134	-15,134
Net income from insurance business	-	-	-	-	-	-	-	-	-5	-5
Total income	8,233	8,127	6,626	6,602	431	457	86	183	-1,150	-1,246
Expenses	6,035	5,887	3,375	3,330	487	504	129	300	-1,193	-1,364
Profit before loan impairment charges	2,198	2,240	3,251	3,272	-56	-47	-43	-117	43	118
Loan impairment charges	1,098	992	974	948	-	-	766	898	-766	-898
Profit before tax, core	1,100	1,248	2,277	2,324	-56	-47	-809	-1,015	809	1,015
Profit before tax, Non-core	-	-	-	-	-	-	-	-	-809	-1,015
Profit before tax	1,100	1,248	2,277	2,324	-56	-47	-809	-1,015	-	-
Loans and advances, excluding reverse transactions	834,129	819,151	606,926	605,584	24,369	24,254	30,341	46,777	-30,341	-46,777
Other assets	241,113	242,825	217,218	215,281	1,671,603	1,722,920	6,835	7,755	-20	-213
Total assets in Non-core	-	-	-	-	-	-	-	-	30,361	46,990
Deposits, excluding repo deposits	354,443	343,411	269,343	267,501	10,961	10,514	5,134	18,453	-5,134	-18,453
Other liabilities	692,186	691,422	506,612	505,523	1,672,785	1,724,398	23,390	25,645	-98	-445
Allocated capital	28,613	27,143	48,189	47,842	12,226	12,261	8,652	10,435	-	-
Total liabilities in Non-core	-	-	-	-	-	-	-	-	5,232	18,898
Profit before tax as % of allocated capital (avg.)	7.7	9.1	9.5	10.3	-0.9	-0.7	-20.2	-20.7	-	-
Cost/income ratio (%)	73.3	72.4	50.9	50.4	113.0	110.3	150.0	163.9	-	-
Full-time-equivalent staff (end of period)	7,575	7,447	3,761	3,739	5,547	5,473	91	310	-	-

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 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. The estimates and assumptions that are deemed critical to the consolidated financial statements are presented in the following sections.

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 30 June 2014, the fair value of the bonds would decrease DKK 38 million (31 December 2013: DKK 19 million).

The Group makes fair value adjustments to cover counterparty risk (CVA and DVA) on derivatives, bid-offer spreads on the net open position of portfolios of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. At 30 June 2014, the adjustments totalled DKK 0.9 billion (31 December 2013: DKK 0.8 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. The valuation of derivatives includes amortisation of the value of initial margins over the remaining term to maturity (no day-one profit or loss). At 30 June 2014, the value of unamortised initial margins was DKK 1.3 billion (31 December 2013: DKK 1.3 billion).

Notes – Danske Bank Group

Note

1 (cont'd)

Measurement of loans and advances

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.

If all customers were downgraded one rating category, collective impairment charges would increase by about DKK 3.3 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 30 June 2014, loans and advances accounted for about 55% of total assets (31 December 2013: 56%).

Measurement of goodwill

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 in the consolidated financial statements for 2013 provides more information about impairment tests and sensitivity to changes in impairment test assumptions. At 30 June 2014, goodwill amounted to DKK 18.5 billion (31 December 2013: DKK 18.5 billion). No indications of possible impairment were identified.

Measurement of liabilities under insurance contracts

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 in the consolidated financial statements for 2013 provides more information. The risk management notes in the consolidated financial statements for 2013 contain a sensitivity analysis.

Recognition of deferred tax

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. At 30 June 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-forwards, relating primarily to the banking operations in Ireland, amounted to DKK 3.3 billion (31 December 2013: DKK 3.3 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 6.3 billion at 30 June 2014 (31 December 2013: DKK 5.9 billion).

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.

Notes – Danske Bank Group

Note (DKK millions)

2 Business segments first half 2014

	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Elimina-tions	Total	Reclassi-fication	Highlights
Net interest income	5,343	4,368	3,634	1	2,494	392	90	69	16,391	-5,141	11,251
Net fee income	2,186	1,017	958	1,023	-483	-35	16	-9	4,673	212	4,885
Net trading income	318	315	-60	-1	6,269	938	3	-197	7,585	-3,525	4,061
Other income	330	931	3	-	169	79	1	-68	1,445	-771	674
Net premiums	-	-	-	-	10,911	-	-	-	10,911	-10,911	-
Net insurance benefits	-	-	-	-	18,101	-	-	-	18,101	-18,101	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	842	842
Total income	8,177	6,631	4,535	1,023	1,259	1,374	110	-205	22,904	-1,192	21,712
Expenses	5,278	3,314	2,303	488	417	380	524	-77	12,627	-1,606	11,021
Profit before loan impairment charges	2,899	3,317	2,232	535	842	994	-414	-128	10,277	414	10,691
Loan impairment charges	553	504	210	-	-	-	380	-	1,647	-380	1,267
Profit before tax, core	2,346	2,813	2,022	535	842	994	-794	-128	8,630	794	9,424
Profit before tax, Non-core										-794	-794
Profit before tax	2,346	2,813	2,022	535	842	994	-794	-128	8,630	-	8,630
Loans and advances, excluding reverse transactions	794,499	607,441	165,010	332	-	30,115	35,821	-30,900	1,602,319	-35,821	1,566,498
Other assets	225,020	254,253	4,357,490	18,981	347,525	1,673,193	-2,832	-5,202,463	1,671,166	1,054	1,672,220
Total assets in Non-core										34,767	34,767
Total assets	1,019,519	861,694	4,522,500	19,313	347,525	1,703,308	32,989	-5,233,363	3,273,485	-	3,273,485
Deposits, excluding repo deposits	335,724	255,999	171,033	254	-	8,494	7,497	-7,934	771,068	-7,497	763,571
Other liabilities	651,404	563,176	4,312,748	16,484	335,412	1,681,401	16,977	-5,225,429	2,352,173	-1,008	2,351,165
Allocated capital	32,391	42,520	38,719	2,575	12,113	13,413	8,515	-	150,244	-	150,244
Total liabilities in Non-core										8,505	8,505
Total liabilities and equity	1,019,519	861,694	4,522,500	19,313	347,525	1,703,308	32,989	-5,233,363	3,273,485	-	3,273,485
Impairment charges goodwill	-	-	-	-	-	-	-	-	-		-
Profit before tax as % of allocated capital (avg.)	14.5	13.1	10.5	41.5	14.1	12.1	-17.9	-	11.5		
Cost/income ratio (%)	64.5	50.0	50.8	47.7	33.1	27.6	-	-	55.1		
Full-time-equivalent staff (end of period)	6,813	3,670	1,532	519	784	5,450	146	-	18,914		

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 capital allocated to each business unit and 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 first half 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	5,491	4,382	3,414	-17	2,752	457	157	76	16,712	-5,836	10,876
Net fee income	2,017	955	637	941	-445	-34	35	-	4,106	338	4,444
Net trading income	289	357	455	5	2,479	-417	12	-87	3,093	826	3,919
Other income	330	908	7	-	485	450	-21	-62	2,097	-1,422	675
Net premiums	-	-	-	-	10,279	-	-	-	10,279	-10,279	-
Net insurance benefits	-	-	-	-	15,134	-	-	-	15,134	-15,134	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	-5	-5
Total income	8,127	6,602	4,513	929	416	457	183	-73	21,153	-1,246	19,907
Expenses	5,887	3,330	2,240	491	421	504	300	-62	13,111	-1,364	11,747
Profit before loan impairment charges	2,240	3,272	2,273	438	-5	-47	-117	-11	8,042	119	8,161
Loan impairment charges	992	948	311	-	-	-	898	-	3,149	-898	2,251
Profit before tax, core	1,248	2,324	1,962	438	-5	-47	-1,015	-11	4,893	1,015	5,908
Profit before tax, Non-core										-1,015	-1,015
Profit before tax	1,248	2,324	1,962	438	-5	-47	-1,015	-11	4,893	-	4,893
Loans and advances, excluding reverse transactions	819,151	605,584	152,379	237	-	24,254	46,777	-28,273	1,620,109	-46,777	1,573,332
Other assets	242,825	215,281	3,846,485	22,187	322,490	1,722,920	7,755	-4,682,948	1,696,995	-213	1,696,782
Total assets in Non-core										46,990	46,990
Total assets	1,061,976	820,865	3,998,864	22,424	322,490	1,747,174	54,532	-4,711,221	3,317,104	-	3,317,104
Deposits, excluding repo deposits	343,411	267,501	173,139	200	-	10,514	18,453	-11,299	801,919	-18,453	783,466
Other liabilities	691,422	505,523	3,795,382	19,672	311,442	1,724,398	25,645	-4,699,921	2,373,561	-445	2,373,116
Allocated capital	27,143	47,842	30,344	2,552	11,048	12,261	10,435	-	141,624	-	141,624
Total liabilities in Non-core										18,898	18,898
Total liabilities and equity	1,061,976	820,865	3,998,864	22,424	322,490	1,747,173	54,532	-4,711,220	3,317,104	-	3,317,104
Impairment charges goodwill	-	-	-	-	-	-	-	-	-		
Profit before tax as % of allocated capital (avg.)	9.1	10.3	12.1	34.9	-0.1	-0.7	-20.7	-	6.9		
Cost/income ratio (%)	72.4	50.4	49.6	52.9	101.3	110.3	163.9	-	62.0		
Full-time-equivalent staff (end of period)	7,447	3,739	1,558	492	789	5,473	310		19,809		

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

Notes – Danske Bank Group

Note	(DKK millions)		
3	Activities by country		
		Income first half 2014	Full-time-equivalent staff 30 June 2014
	Denmark	27,319	10,875
	Finland	3,311	2,103
	Sweden	4,347	1,301
	Norway	4,074	1,252
	United Kingdom	1,323	1,514
	Ireland	365	179
	Estonia	197	493
	Latvia	37	84
	Lithuania	128	839
	Luxembourg	374	93
	Germany	136	35
	Russia	57	45
	Poland	50	46
	USA	50	22
	India	13	33
	Total	41,778	18,914

Danske Bank carries out its activities in the countries listed above under a variety of names, of which the main ones are: Danske Bank (banking, trading and wealth management activities carried out in all countries, except for activities in Northern Ireland (part of United Kingdom), which are carried out under the Northern Bank Limited name, and mortgage finance activities in Denmark, which are carried out under the Realkredit Danmark A/S name), Danske Leasing A/S (leasing), and Danica Pension (insurance). In addition to these names, the Group performs activities under a number of other names. These are disclosed in note 37 in the consolidated financial statements for 2013.

Activities in each of the countries

Activities in Denmark include: Banking, trading, wealth management, leasing, insurance and other activities.
Activities in Finland include: Banking, trading, wealth management and leasing.
Activities in Sweden include: Banking, trading, wealth management, leasing and insurance.
Activities in Norway include: Banking, trading, wealth management, leasing, insurance and other activities.
Activities in United Kingdom include: Banking, trading and leasing.
Activities in Ireland include: Banking.
Activities in Estonia include: Banking, wealth management and leasing.
Activities in Latvia include: Banking.
Activities in Lithuania include: Banking, wealth management, leasing, insurance and other activities.
Activities in Luxembourg include: Banking and wealth management.
Activities in Russia include: Banking.
Activities in Germany include: Banking.
Activities in Poland include: Banking.
Activities in the USA include: Trading.
Activities in India include: Other activities.

Notes to the table

Income is defined as: Interest income, fee and commission income and other operating income.
Other activities include: Group support functions, real-estate brokerage and activities taken over by the Group under non-performing loan agreements.

4 **Other income**

Other income amounted to DKK 1,445 million (30 June 2013: DKK 2,097 million), including income from associates of DKK -37 million (30 June 2013: DKK 338 million) and profit on the sale of associates and group undertakings of DKK 0 million (30 June 2013: DKK 3 million).

Notes – Danske Bank Group

Note	(DKK millions)		
5	**Loan impairment charges**	30 June 2014	30 June 2013
	New and increased impairment charges	6,590	8,332
	Reversals of impairment charges	4,875	5,012
	Write-offs charged directly to income statement	672	633
	Received on claims previously written off	416	530
	Interest income, effective interest method	-324	-274
	Total	1,647	3,149

6 **Other assets**

Other assets amounted to DKK 30,646 million (31 December 2013: DKK 34,263 million), including holdings in associates of DKK 1,215 million (31 December 2013: DKK 1,376 million), investment property of DKK 3,257 million (31 December 2013: DKK 3,200 million) and tangible assets of DKK 6,213 million (31 December 2013: DKK 6,106 million).

Note			
7	**Other issued bonds**	30 June 2014	31 Dec. 2013
	Commercial paper	18,717	25,250
	Other	278,854	284,927
	Total	297,571	310,177

Other issued bonds are recognised at amortised cost.

Nominal value	1 January 2014	Issued	Redeemed	Foreign currency translation	30 June 2014
Commercial paper	25,253	72,906	80,442	1,006	18,723
Other	317,231	49,014	51,726	2	314,521
Other issued bonds	342,484	121,920	132,168	1,008	333,244

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

In the first half of 2014, the Group redeemed DKK 28,985 million (2013: DKK 13,837 million) and issued DKK 3,729 million (2013: DKK 13,932 million) in subordinated debt.

Also in the first half 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 received and paid for the acquisition or sale of additional tier 1 capital instruments are recognised directly in equity. On redemption of the tier 1 capital instrument equity will be reduced by the redemption amount.

Notes – Danske Bank Group

Note	(DKK millions)

8 **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.

	30 June 2014	31 Dec. 2013
Guarantees		
Financial guarantees	9,631	11,608
Mortgage finance guarantees	1,029	873
Other guarantees	65,638	63,894
Total	76,298	76,375
Other contingent liabilities		
Loan commitments shorter than 1 year	46,982	38,981
Loan commitments longer than 1 year	128,066	118,342
Other unutilised loan commitments	514	533
Total	175,562	157,856

In addition to credit exposure from lending activities, the Group has made loan offers and granted uncommitted lines of credit of DKK 306 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)

9 **Assets provided or received as collateral**

At 30 June 2014, the Group had deposited securities worth DKK 1.4 billion as collateral with Danish and international clearing centres and other institutions (31 December 2013: DKK 0.1 billion).

At 30 June 2014, the Group had provided cash and securities worth DKK 54.2 billion as collateral for derivatives transactions (31 December 2013: DKK 47.7 billion).

At 30 June 2014, the Group had registered assets under insurance contracts worth DKK 307.3 billion (31 December 2013: DKK 292.6 billion) as collateral for policyholders' savings of DKK 285.2 billion (31 December 2013: DKK 271.8 billion).

At 30 June 2014, the Group had registered loans at fair value and securities worth a total of DKK 741.9 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 648.1 billion (31 December 2013: DKK 614.2 billion). Similarly, the Group had registered loans and other assets worth DKK 251.4 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:

	30 June 2014			31 December 2013		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	15,355	15,355	-	14,253	14,253
Trading portfolio securities	402,108	49,892	452,000	310,443	40,357	350,800
Loans at fair value	-	740,197	740,197	-	728,081	728,081
Loans and advances at amortised cost	-	258,555	258,555	-	249,750	249,750
Assets under insurance contracts	-	270,007	270,007	-	256,129	256,129
Other assets	-	140	140	-	188	188
Total	402,108	1,334,146	1,736,254	310,443	1,288,758	1,599,201
Own issued bonds	6,537	90,684	97,221	14,483	89,926	104,409
Total, including own issued bonds	408,645	1,424,830	1,833,475	324,926	1,378,684	1,703,610

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

At 30 June 2014, the Group had received securities worth DKK 292.4 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 30 June 2014, the Group had sold securities or provided securities as collateral worth DKK 157.7 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)

10 **Fair value information for financial instruments**

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

	30 June 2014		31 December 2013	
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	40,284	-	43,721
Due from credit institutions and central banks	-	114,587	-	131,381
Trading portfolio assets	696,501	-	695,723	-
Investment securities	105,877	101,294	104,475	57,442
Loans and advances at amortised cost	-	1,084,773	-	1,088,728
Loans at fair value	740,197	-	728,081	-
Assets under pooled schemes and unit-linked investment contracts	78,480	-	74,761	-
Assets under insurance contracts	225,635	-	213,102	-
Total	1,846,690	1,340,938	1,816,142	1,321,272
Financial liabilities				
Due to credit institutions and central banks	-	289,065	-	312,597
Trading portfolio liabilities	407,457	-	435,183	-
Deposits	-	1,023,307	-	943,901
Bonds issued by Realkredit Danmark	648,068	-	614,196	-
Deposits under pooled schemes and unit-linked investment contracts	85,899	-	81,882	-
Other issued bonds	-	297,571	-	310,178
Subordinated debt	-	41,093	-	66,219
Other liabilities (loan commitments and guarantees)	-	611	-	650
Total	1,141,424	1,651,647	1,131,261	1,633,545

Financial instruments at amortised cost

Note 35 in the consolidated financial statements for 2013 provides information about the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. The difference between the two types of measurement at 30 June 2014 was in line with the difference at 31 December 2013.

Financial instruments at fair value

Note 35 in 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.

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date. Developments in the financial markets have resulted in the reclassification of a number of derivates 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 primary interest rate swaps in a number of currencies to the effect that the data now meet the criteria for being observable input.

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

Notes – Danske Bank Group

Note	(DKK millions)				
10 (cont'd)	30 June 2014	Quoted prices	Observable input	Non-observable input	Total
	Financial assets				
	Derivatives				
	Interest rate contracts	2,520	216,172	3,355	222,047
	Currency contracts etc.	120	50,294	395	50,809
	Trading portfolio bonds				
	Government bonds and other bonds	175,946	-	-	175,946
	Danish mortgage bonds	109,766	9,631	-	119,397
	Other covered bonds	72,903	172	-	73,075
	Other bonds	49,151	3,271	-	52,422
	Trading portfolio shares	2,097	-	708	2,805
	Investment securities, bonds	69,096	32,123	-	101,219
	Investment securities, shares	78	-	4,580	4,658
	Loans at fair value	-	740,197	-	740,197
	Assets under pooled schemes and unit-linked investment contracts	78,480	-	-	78,480
	Assets under insurance contracts, bonds				
	Danish mortgage bonds	36,169	3,595	-	39,764
	Other bonds	103,948	411	1,400	105,759
	Assets under insurance contracts, shares	63,458	465	10,459	74,382
	Assets under insurance contracts, derivatives	14	5,716	-	5,730
	Total	763,746	1,062,047	20,897	1,846,690
	Financial liabilities				
	Derivatives				
	Interest rate contracts	3,528	187,558	3,965	195,051
	Currency contracts etc.	466	53,732	467	54,665
	Obligations to repurchase securities	157,557	181	3	157,741
	Bonds issued by Realkredit Danmark	648,068	-	-	648,068
	Deposits under pooled schemes and unit-linked investment contracts	-	85,899	-	85,899
	Total	809,619	327,370	4,435	1,141,424
	31 December 2013				
	Financial assets				
	Derivatives				
	Interest rate contracts	5,172	173,830	8,617	187,619
	Currency contracts etc.	215	60,992	709	61,916
	Trading portfolio bonds				
	Government bonds 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	43,009	6,773	-	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
	Total	789,616	1,004,015	22,511	1,816,142
	Financial liabilities				
	Derivatives				
	Interest rate contracts	5,745	151,175	6,786	163,706
	Currency contracts etc.	698	63,587	949	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
	Total	826,606	296,909	7,746	1,131,261

Notes – Danske Bank Group

Note	(DKK millions)

10 (cont'd) A detailed review of the assumptions applied when extracting data for classification of financial instruments between the three levels identified some minor reclassifications (0.03% on the asset side and 0.02% on the liability side) to the figures presented in consolidated financial statements for 2013, which have been incorporated in the comparative figures above.

At 30 June 2014, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 15,744 million (31 December 2013: DKK 12,500 million), illiquid bonds of DKK 1,400 million (31 December 2013: DKK 674 million) and derivatives with a net market value of DKK -682 million (31 December 2013: DKK 1,591 million).

A 10% increase or decrease in the fair value of unlisted shares would amount to DKK 1,574 million (31 December 2013: DKK 1,250 million), with DKK 1,046 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 38 million (31 December 2013: DKK 19 million). If the credit spread had narrowed 50bp, fair value would have increased DKK 39 million (31 December 2013: DKK 19 million). A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable input. Changing one or more of the non-observable inputs to reflect reasonably possible alternative assumptions would not have changed the fair value of the derivatives significantly.

In the first half of 2014, the Group recognised unrealised value adjustments of unlisted shares valued on the basis of non-observable input of DKK 2,153 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	30 June 2014			31 December 2013		
	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	12,500	674	1,591	10,184	586	-167
Value adjustment through profit or loss	577	29	-113	552	-82	26
Acquisitions	2,145	716	-121	3,080	275	-434
Sale and redemption	-1,054	-19	102	-1,316	-	349
Transferred from quoted prices and observable input	-	-	-211	-	-	209
Transferred to quoted prices and observable input	-	-	-1,930	-	-105	1,608
Fair value at 30 June	15,744	1,400	-682	12,500	674	1,591

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) 30 June 2014	Total	Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, other trading and investing activities	Insurance risk	Contracts, full risk assumed by customers	Non-core
Balance sheet items							
Demand deposits with central banks	30.6	30.6	-	-	-	-	-
Due from credit institutions and central banks	44.6	44.5	-	-	-	-	0.1
Repo loans with credit institutions and central banks	70.0	70.0	-	-	-	-	-
Trading portfolio assets	696.5	-	272.9	423.6	-	-	-
Investment securities	207.2	-	-	207.2	-	-	-
Loans and advances at amortised cost	862.1	826.3	-	-	-	-	35.8
Repo loans	222.7	222.7	-	-	-	-	-
Loans at fair value	740.2	740.2	-	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	78.5	-	-	-	-	78.5	-
Assets under insurance contracts	259.1	-	-	-	259.1	-	-
Off-balance-sheet items							
Guarantees	76.3	75.3	-	-	-	-	1.0
Loan commitments shorter than 1 year	47.0	46.4	-	-	-	-	0.6
Loan commitments longer than 1 year	128.1	128.1	-	-	-	-	-
Other unutilised commitments	0.5	-	-	0.5	-	-	-
Total	3,463.2	2,183.9	272.9	631.3	259.1	78.5	37.5
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	-	-	-
Total	3,395.0	2,172.7	249.5	608.6	246.5	74.8	42.9

In addition to credit exposure from lending activities, the Group had made loan offers and granted uncommitted lines of credit of DKK 303 billion at 30 June 2014 (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 broken down 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)

					Impaired loans					
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
(DKK billions)	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
Public institutions	103.2	118.6	24.6	18.2	-	-	-	-	-	-
Banks	75.7	97.4	36.1	38.3	-	-	0.1	0.1	0.1	0.1
Credit institutions	33.4	27.1	22.6	14.7	-	-	-	-	-	-
Insurance	48.0	53.0	41.3	44.9	-	-	-	-	-	-
Investments funds	128.8	102.6	116.1	93.6	1.0	0.9	0.1	0.1	0.5	0.5
Other financials	80.8	101.7	54.9	80.4	-	-	-	-	0.1	0.1
Agriculture	63.4	62.9	51.1	50.8	0.8	0.6	0.1	0.1	3.0	3.1
Commercial property	249.6	237.4	211.0	195.3	7.1	6.7	2.4	2.6	9.0	8.6
Construction, engineering and building products	34.7	32.3	8.7	8.2	0.2	0.2	0.5	0.6	2.8	3.0
Consumer discretionary	74.8	71.8	35.5	33.7	1.0	1.2	0.9	0.7	3.1	3.0
Consumer staples	55.2	45.5	18.8	17.5	0.1	0.2	0.1	-	0.4	0.4
Energy and utilities	34.6	37.2	6.7	7.3	-	0.1	-	-	0.1	0.1
Health care	26.7	29.1	10.5	13.1	-	-	-	-	0.1	0.1
Industrial services, supplies and machinery	82.1	71.2	17.1	16.3	1.0	0.8	0.3	0.2	1.8	2.0
IT and telecommunication services	19.0	19.0	2.9	2.1	-	-	-	-	0.2	0.3
Materials	41.6	39.7	10.1	8.6	0.5	0.3	0.1	0.1	1.3	1.2
Non-profits and other associations	118.4	116.6	110.3	108.9	2.7	1.8	1.0	1.3	1.5	1.4
Other commercial	37.8	29.8	6.5	6.0	0.1	-	-	-	0.1	0.4
Shipping	34.5	36.2	19.2	19.0	1.6	2.3	1.0	-	1.7	1.9
Transportation	15.8	15.4	8.3	8.0	0.2	0.2	-	-	0.3	0.3
Personal customers	825.9	828.4	715.0	715.7	3.7	3.5	3.3	3.8	8.3	8.2
Total	2,183.9	2,172.7	1,527.2	1,500.5	20.2	19.1	10.0	9.8	34.6	34.7

Notes – Danske Bank Group

Credit exposure broken down by business unit

					Impaired loans					
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
(DKK billions)	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
Denmark	541.8	540.6	451.9	450.5	2.4	2.3	0.8	0.7	6.5	7.0
Finland	93.8	95.9	87.6	89.4	0.4	0.3	1.3	1.3	0.6	0.5
Sweden	70.1	74.1	63.6	68.0	0.1	-	0.3	0.3	0.2	0.2
Norway	72.9	71.9	67.5	66.8	0.1	0.1	0.2	0.2	0.2	0.1
Northern Ireland	17.8	16.6	14.7	13.8	0.4	0.3	0.3	-	0.5	0.5
Other	5.3	5.6	2.8	2.6	0.1	-	0.1	0.2	0.1	-
Personal Banking	801.8	804.8	688.2	691.2	3.4	3.1	3.0	2.7	8.1	8.3
Denmark	370.5	378.8	308.5	303.2	10.7	9.2	3.0	3.0	13.3	13.3
Finland	56.9	49.9	31.9	24.5	0.3	0.3	0.4	0.5	1.1	1.1
Sweden	109.3	107.2	81.7	75.9	0.3	0.4	0.2	0.4	0.8	0.9
Norway	58.7	53.8	38.3	34.9	1.1	1.1	0.4	0.7	1.2	1.1
Northern Ireland	27.0	26.9	15.6	15.1	0.8	0.9	1.1	1.6	6.2	6.2
Baltics	23.9	22.7	19.5	17.3	0.6	0.6	0.6	0.7	1.0	1.1
Business Banking	646.4	639.3	495.4	470.9	13.9	12.5	5.7	6.8	23.5	23.7
C&I*	696.7	687.2	340.7	335.5	2.2	2.8	1.1	0.1	3.0	2.8
Other	39.0	41.4	2.8	3.0	0.7	0.7	0.2	0.2	-	-
Total	2,183.9	2,172.7	1,527.2	1,500.5	20.2	19.1	10.0	9.8	34.6	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

	PD level		Personal Banking		Business Banking		C&I		Other		Total	
(DKK billions)	Upper	Lower	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
1	0.00	0.01	2.3	2.2	18.8	19.2	43.6	62.4	13.2	15.7	78.0	99.4
2	0.01	0.03	71.5	70.2	10.8	10.0	72.4	60.8	7.5	5.7	162.1	146.7
3	0.03	0.06	141.1	137.4	76.5	74.0	110.9	175.3	6.0	6.5	334.5	393.3
4	0.06	0.14	203.3	199.3	94.7	79.4	139.9	124.8	2.7	1.9	440.6	405.5
5	0.14	0.31	169.7	170.2	124.2	140.9	192.5	139.5	6.3	6.2	492.7	456.9
6	0.31	0.63	92.6	96.3	113.5	105.9	97.4	90.7	1.0	2.8	304.5	295.7
7	0.63	1.90	72.5	77.2	110.4	112.0	25.4	19.3	0.8	1.4	209.2	209.9
8	1.90	7.98	24.8	27.9	48.7	46.9	9.5	5.2	0.5	0.4	83.5	80.3
9	7.98	25.70	10.9	11.2	12.2	13.7	0.6	5.5	-	0.1	23.7	30.4
10	25.70	99.99	7.8	7.6	26.0	25.7	3.5	3.6	0.7	0.7	37.9	37.5
Impaired portion	25.70	99.99	3.4	3.1	13.9	12.5	2.2	2.8	0.7	0.7	20.2	19.1
11 (default)	100.00	100.00	5.4	5.3	10.7	11.6	1.1	0.1	0.2	0.2	17.3	17.2
Impaired portion	100.00	100.00	3.0	2.7	5.7	6.8	1.1	0.1	0.2	0.2	10.0	9.8
Total			801.8	804.8	646.4	639.3	696.7	687.2	39.0	41.4	2,183.9	2,172.7

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 in 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	Impairment 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	0	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	1,724	2,699	583	-	5,006	4,137	869
Reversals of impairment charges from previous periods	1,165	2,098	353	-	3,616	2,912	704
Write-offs debited to allowance account	585	1,186	56	-	1,827	1,827	-
Foreign currency translation	14	235	11	-	260	247	13
Other items	-195	209	18	-	32	32	-
30 June 2014	8,112	23,514	2,977	-	34,603	31,141	3,462

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 3.3 billion (31 December 2013: about DKK 3.7 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 into items on and off the balance sheet

(DKK millions)	30 June 2014	31 Dec. 2013
Due from credit institutions and central banks	125	87
Loans and advances at amortised cost	29,156	29,549
Loans at fair value	4,194	3,901
Other liabilities	1,128	1,211
Total	34,603	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) and conduit structures. 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)

					Impaired loans					
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
(DKK millions)	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
Financials	11,803	13,318	9,020	9,277	1,080	482	29	22	417	160
Commercial property	2,764	4,835	2,738	3,857	156	206	1,716	2,936	4,957	5,886
Consumer discretionary	695	994	490	671	41	108	203	302	895	1,094
Personal customers	19,063	21,583	15,617	16,344	1,998	2,126	1,712	1,711	2,925	2,963
Other	3,246	2,111	1,919	2,261	146	168	1,126	918	1,925	2,048
Total	37,571	42,841	29,784	32,410	3,421	3,090	4,785	5,889	11,119	12,151

Credit exposure and collateral broken down by rating category

	PD level		Credit exposure		Collateral after haircut	
(DKK millions)	Upper	Lower	30 June 2014	31 December 2013	30 June 2014	31 December 2013
1	0.00	0.01	1,258	2,619	1,258	2,265
2	0.01	0.03	3,159	3,161	2,721	2,368
3	0.03	0.06	1,366	2,160	933	1,567
4	0.06	0.14	2,377	3,744	1,658	2,936
5	0.14	0.31	2,873	5,800	2,672	4,374
6	0.31	0.63	2,771	3,403	2,288	2,684
7	0.63	1.90	5,757	3,241	4,410	2,793
8	1.90	7.98	7,150	5,143	4,769	3,373
9	7.98	25.70	1,691	3,044	1,021	1,364
10	25.70	99.99	3,934	4,068	2,820	2,639
Impaired portion	25.70	99.99	3,421	3,090	2,450	2,104
11 (default)	100.00	100.00	5,235	6,459	5,235	6,047
Impaired portion	100.00	100.00	4,785	5,889	4,785	5,706
Total			37,571	42,841	29,784	32,410

The average unsecured portion of impaired exposures was 12% at the end of June 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 30 June 2014, the Group's credit exposure from trading and investing activities amounted to DKK 904 billion, relating primarily to bonds (DKK 623 billion) and derivates with positive fair value (DKK 273 billion).

Bond portfolio

(DKK millions) 30 June 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Held-for-trading	193,498	8,368	119,935	62,524	12,366	24,149	420,840
Designated at fair value	4,995	-	29,819	696	374	4,478	40,362
Available-for-sale	157	623	56,114	-	3,964	-	60,858
Hold-to-maturity	51,246	983	47,322	-	1,317	426	101,294
Total	249,896	9,974	253,190	63,220	18,021	29,053	623,354
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
Total	202,776	8,718	261,774	84,837	14,061	25,965	598,131

The Group has an additional bond portfolio worth DKK 145,523 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 slightly exceeded amortised cost at 30 June 2014 and 31 December 2013.

Notes – Danske Bank Group

Bond portfolio broken down by geographical area

(DKK millions) 30 June 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	28,773	-	253,190	-	-	4,271	286,234
Sweden	20,324	-	-	63,220	-	7,743	91,287
UK	15,991	207	-	-	4,392	881	21,471
Norway	6,680	-	-	-	5,395	3,957	16,032
USA	589	1,544	-	-	40	856	3,029
Spain	6,096	-	-	-	3,722	-	9,818
France	31,079	-	-	-	1,666	1,970	34,715
Luxembourg	-	8,003	-	-	-	31	8,034
Canada	1,491	-	-	-	-	168	1,659
Finland	18,483	136	-	-	1,641	3,712	23,972
Ireland	4,406	-	-	-	79	160	4,645
Italy	15,370	-	-	-	-	-	15,370
Portugal	1,473	-	-	-	-	-	1,473
Austria	7,761	-	-	-	-	-	7,761
Netherlands	11,494	-	-	-	558	3,318	15,370
Germany	63,765	-	-	-	430	523	64,718
Belgium	13,318	-	-	-	97	-	13,415
Lithuania	1,371	-	-	-	-	-	1,371
Other	1,431	84	-	-	-	1,463	2,978
Total	249,895	9,974	253,190	63,220	18,020	29,053	623,352
31 December 2013							
Denmark	10,615	-	261,774	-	101	4,264	276,755
Sweden	27,182	-	-	84,837	-	6,630	118,649
UK	10,770	137	-	-	3,881	1,126	15,914
Norway	10,039	-	-	-	4,838	4,683	19,560
USA	582	1,238	-	-	40	733	2,594
Spain	6,598	-	-	-	3,498	-	10,096
France	31,911	-	-	-	234	2,290	34,436
Luxembourg	-	7,234	-	-	-	141	7,375
Canada	292	-	-	-	-	131	424
Finland	11,544	109	-	-	454	903	13,011
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	3,137	8,433
Germany	57,974	-	-	-	262	601	58,838
Belgium	10,249	-	-	-	73	-	10,322
Lithuania	286	-	-	-	-	-	286
Other	862	-	-	-	-	1,121	1,983
Total	202,776	8,718	261,774	84,837	14,061	25,965	598,131

Exposures below DKK 1 billion are aggregated in the Other category. The breakdown of the bond portfolio on the various geographical areas in the consolidated financial statements for 2013 was incorrect and has been changed in the comparative figures above. 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

Bond portfolio broken down by external ratings

(DKK millions) 30 June 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	152,661	6,401	252,374	58,965	10,854	622	481,877
AA+	51,166	1,125	-	-	1,041	299	53,631
AA	3,611	2,448	-	4,176	1,892	883	13,010
AA-	13,504	-	13	-	-	5,065	18,582
A+	208	-	303	8	40	6,102	6,661
A	860	-	7	-	388	7,551	8,806
A-	-	-	-	-	1,447	1,832	3,279
BBB+	15,445	-	5	-	184	1,081	16,715
BBB	7	-	487	-	2	3,698	4,194
BBB-	6,096	-	-	-	1,069	368	7,533
Sub-inv. grade or unrated	6,337	-	-	71	1,103	1,551	9,062
Total	249,895	9,974	253,189	63,220	18,021	29,053	623,352

31 December 2013							
AAA	124,195	6,867	260,752	84,832	8,375	159	485,180
AA+	46,260	278	-	-	593	438	47,569
AA	594	1,573	69	5	1,343	921	4,505
AA-	10,248	-	62	-	-	3,288	13,598
A+	158	-	305	-	40	3,476	3,979
A	507	-	55	-	30	8,960	9,552
A-	-	-	-	-	1,506	1,832	3,338
BBB+	-	-	5	-	-	2,130	2,135
BBB	10,729	-	417	-	13	3,338	14,497
BBB-	6,598	-	-	-	1,561	391	8,550
Sub-inv. grade or unrated	3,486	-	110	-	599	1,032	5,227
Total	202,775	8,719	261,775	84,837	14,060	25,965	598,131

The breakdown of the bond portfolio on the various rating categories in the consolidated financial statements for 2013 was incorrect and has been changed in the comparative figures above.

Derivatives with positive fair value	30 June 2014	31 December 2013
Derivatives with positive fair value before netting	566,180	434,978
Netting (under accounting rules)	293,324	185,443
Carrying amount	272,856	249,535
Netting (under capital adequacy rules)	190,794	176,253
Net current exposure	82,062	73,282
Collateral	42,754	34,860
Net amount	39,308	38,422
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	222,047	187,619
Currency contracts	49,843	61,123
Other contracts	966	793
Total	272,856	249,535

Interim financial statements – Danske Bank A/S

(DKK millions)

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

The rules are identical to the Group's IFRS-compliant valuation and measurement principles with the following exceptions:
- Domicile property is measured (revalued) at its estimated fair value through Other comprehensive income.
- The available-for-sale financial assets category is not used.

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

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

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

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

	Net profit		Shareholders' equity	
	First half 2014	First half 2013	30 June 2014	31 December 2013
Consolidated financial statements (IFRSs)	6,859	3,656	155,912	145,657
Domicile property	-28	-28	1,055	1,177
Available-for-sale financial assets	155	617	-	-
Tax effect	-17	-159	-217	-241
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Consolidated financial statements (Danish FSA rules)	6,969	4,086	159,752	149,595
Non-controlling interests	2	-	2	-
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Goodwill on acquisition of non-controlling interests	-	-	6	10
Parent Company financial statements (Danish FSA rules)	6,967	4,086	156,754	146,603

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2014	First half 2013
	Interest income	16,908	18,667
	Interest expense	8,736	10,631
	Net interest income	8,172	8,036
	Dividends from shares etc.	1,227	1,232
	Fee and commission income	5,314	4,837
	Fees and commissions paid	1,269	1,294
	Net interest and fee income	13,444	12,811
1	Value adjustments	554	546
	Other operating income	737	741
	Staff costs and administrative expenses	8,071	8,414
	Amortisation, depreciation and impairment charges	918	813
	Other operating expenses	4	86
	Loan impairment charges etc.	1,048	2,097
	Income from associates and group undertakings	3,129	2,346
	Profit before tax	7,823	5,034
	Tax	854	948
	Net profit for the period	6,969	4,086

Statement of comprehensive income – Danske Bank A/S

Note	(DKK millions)	First half 2014	First half 2013
	Net profit for the period	6,969	4,086
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit plans	-32	-214
	Tax	30	77
	Items that will not be reclassified to profit or loss	-2	-137
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	402	-665
	Hedging of units outside Denmark	-380	595
	Fair value adjustment of domicile property	-127	10
	Tax	76	-111
	Items that are or may be reclassified subsequently to profit or loss	-29	-171
	Total other comprehensive income	-31	-308
	Total comprehensive income for the period	6,938	3,778
	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	6,840	3,778
	additional tier 1 capital holders	98	-
	Total comprehensive income for the period	6,938	3,778

Balance sheet – Danske Bank A/S

Note	(DKK millions)	30 June 2014	31 December 2013	30 June 2013
	ASSETS			
	Cash in hand and demand deposits with central banks	23,601	25,712	55,583
	Due from credit institutions and central banks	144,297	158,912	174,454
	Loans, advances and other amounts due at amortised cost	894,030	899,572	956,880
	Bonds at fair value	543,597	573,734	527,048
	Bonds at amortised cost	57,595	22,112	1,209
	Shares etc.	6,726	9,286	6,445
	Holdings in associates	901	1,056	1,059
	Holdings in group undertakings	99,125	98,662	96,032
	Assets under pooled schemes	47,286	46,507	46,134
	Intangible assets	19,281	19,160	19,074
	Land and buildings	3,373	3,616	3,433
	Investment property	350	371	111
	Domicile property	3,023	3,245	3,322
	Other tangible assets	2,541	2,515	2,821
	Current tax assets	650	533	830
	Deferred tax assets	386	280	118
	Assets temporarily taken over	269	278	350
	Other assets	284,064	263,682	308,378
	Prepayments	898	765	829
	Total assets	2,128,620	2,126,382	2,200,677
	LIABILITIES AND EQUITY			
	AMOUNTS DUE			
	Due to credit institutions and central banks	348,735	374,860	456,897
	Deposits and other amounts due	856,074	773,252	727,165
	Deposits under pooled schemes	48,409	47,105	47,968
	Issued bonds at amortised cost	234,322	246,917	280,705
	Current tax liabilities	676	1,177	566
	Other liabilities	433,718	463,237	479,505
	Deferred income	987	1,045	979
	Total amounts due	1,922,921	1,907,593	1,993,785
	PROVISIONS FOR LIABILITIES			
	Provisions for pensions and similar obligations	664	331	466
	Provisions for deferred tax	6,470	6,267	5,865
2	Provisions for losses on guarantees	1,187	1,182	1,007
	Other provisions for liabilities	464	86	80
	Total provisions for liabilities	8,785	7,866	7,418
	SUBORDINATED DEBT			
	Subordinated debt	40,160	64,320	56,876
	EQUITY			
	Share capital	10,086	10,086	10,086
	Accumulated value adjustments	230	162	205
	Equity method reserve	25,928	25,928	25,315
	Retained earnings	114,844	108,410	106,992
	Proposed dividends	-	2,017	-
	Shareholders of Danske Bank A/S (the Parent Company)	151,088	146,603	142,598
	Additional tier 1 capital holders	5,666	-	-
	Total equity	156,754	146,603	142,598
	Total liabilities and equity	2,128,620	2,126,382	2,200,677

Statement of capital – Danske Bank A/S

(DKK millions)

Changes in equity

	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capial	Total
Total equity at 1 January 2014	10,086	-434	596	25,928	108,410	2,017	146,603	-	146,603
Net profit for the period	-	-	-	-	6,871	-	6,871	98	6,969
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	-32	-	-32	-	-32
Translation of units outside Denmark	-	402	-	-	-	-	402	-	402
Hedging of units outside Denmark	-	-380	-	-	-	-	-380	-	-380
Fair value adjustment of domicile property	-	-	49	-	-176	-	-127	-	-127
Sale of domicile property	-	-	-6	-	6	-	-	-	-
Tax	-	-	3	-	103	-	106	-	106
Total other comprehensive income	-	22	46	-	-99	-	-31	-	-31
Total comprehensive income for the period	-	22	46	-	6,772	-	6,840	98	6,938
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-59	-	-59	5,597	5,538
Accrued interest on additional tier 1 capital	-	-	-	-	-	-		-	-
Dividends paid	-	-	-	-	17	-2,017	-2,000	-	-2,000
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-15,571	-	-15,571	-40	-15,611
Sale of own shares and additional tier 1 capital	-	-	-	-	15,231	-	15,231	11	15,242
Tax	-	-	-	-	43	-	43	-	43
Total equity at 30 June 2014	10,086	-412	642	25,928	114,844	-	151,088	5,666	156,754
Total equity at 1 January 2013	10,086	-362	642	25,315	103,292	-	138,973	-	138,973
Net profit for the period	-	-	-	-	4,086	-	4,086	-	4,086
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	-214	-	-214	-	-214
Translation of units outside Denmark	-	-665	-	-	-	-	-665	-	-665
Hedging of units outside Denmark	-	595	-	-	-	-	595	-	595
Fair value adjustment of domicile property	-	-	10	-	-	-	10	-	10
Sale of domicile property	-	-	-16	-	16	-	-	-	-
Tax	-	-	1	-	-35	-	-34	-	-34
Total other comprehensive income	-	-70	-5	-	-233	-	-308	-	-308
Total comprehensive income for the period	-	-70	-5	-	3,853	-	3,778	-	3,778
Transactions with owners								-	-
Acquisition of own shares	-	-	-	-	-8,766	-	-8,766	-	-8,766
Sale of own shares	-	-	-	-	8,610	-	8,610	-	8,610
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-	3	-	3	-	3
Total equity at 30 June 2013	10,086	-432	637	25,315	106,992	-	142,598	-	142,598

Notes – Danske Bank A/S

Note	(DKK millions)	30 June 2014	30 June 2013
1	**Value adjustments**		
	Loans at fair value	150	-527
	Bonds	1,162	-2,008
	Shares etc.	829	-1,116
	Investment property	9	-24
	Currency	870	964
	Derivatives	-228	-1,782
	Assets under pooled schemes	2,651	996
	Deposits under pooled schemes	-2,700	-1,009
	Other liabilities	-2,189	5,052
	Total	554	546

2 **Impairment charges for loans, advances and guarantees**

	Loans, advances and guarantees, individual impairment	Loans, advances and guarantees, collective impairment	Other amounts due, individual impairment	Other amounts due, collective impairment	Total
Impairment charges at 1 January 2014	31,673	2,624	88	-	34,385
Impairment charges during the period	4,208	821	40	-	5,069
Reversals of impairment charges from previous years	5,712	735	2	-	6,448
Other changes	-84	-7	0	-	-91
Impairment charges at 30 June 2014	30,085	2,703	127	-	32,915
Value adjustment of assets taken over	-	-	-	-	-
Impairment charges at 1 January 2013	32,735	2,675	92	-	35,502
Impairment charges during the period	9,052	1,057	0	-	10,108
Reversals of impairment charges from previous years	9,782	1,085	2	-	10,869
Other changes	-332	-22	-2	-	-356
Impairment charges at 31 December 2013	31,673	2,624	88	-	34,385
Value adjustment of assets taken over	-	-	-	-	-

Notes – Danske Bank A/S

	First half 2014	Full year 2013	First half 2013
RATIOS AND KEY FIGURES			
Total capital ratio (%)	23.6	27.2	29.2
Tier 1 capital ratio (%)	20.4	24.3	27.4
Return on equity before tax (%)	5.2	6.4	3.6
Return on equity after tax (%)	4.6	5.5	2.9
Cost/income ratio (DKK)	1.78	1.41	1.44
Interest rate risk (%)	1.5	1.1	0.4
Foreign exchange position (%)	6.6	5.9	6.7
Foreign exchange risk (%)	-	-	-
Loans and advances plus impairment charges as % of deposits	102.4	113.7	128.0
Gearing of loans and advances (%)	5.7	6.1	6.7
Growth in loans and advances (%)	1.5	-10.7	-5.6
Surplus liquidity in relation to statutory liquidity requirement (%)	129.8	199.6	204.8
Sum of large exposures as % of capital base	-	-	-
Funding ratio	0.63	0.60	0.66
Lending growth (year-on-year)	-4.0	-10.7	-9.6
Real property exposure	10	10	10
Impairment ratio (%)	0.1	0.3	0.2
Return on assets	0.33	0.37	0.19
Earnings per share (DKK)	6.9	7.7	4.1
Book value per share (DKK)	156.4	146.2	142.2
Proposed dividend per share (DKK)	-	2.0	-
Share price at 31 December/earnings per share (DKK)	22.3	16.1	24.2
Share price at 31 December/book value per share (DKK)	0.98	0.85	0.69

The ratios and key figures are defined by the Danish FSA in its Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim Report - first half 2014 of Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, total equity and financial position at 30 June 2014 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting on 1 January 2014 and ending on 30 June 2014. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 24 July 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

Auditors' review reports

Internal Audit's review report on the interim financial statements

We have reviewed the interim financial statements of the Danske Bank Group and Danske Bank A/S for the period starting on 1 January 2014 and ending on 30 June 2014, pp. 31-65.

Scope of review
A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, as well as performing analytical procedures and other review procedures. A review is substantially less in scope than an audit and consequently, the review does not provide assurance that we have become aware of all significant matters that might be identified in an audit. We have not conducted an audit, and, accordingly, we express no audit opinion.

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

Copenhagen, 24 July 2014

Jens Peter Thomassen
Group Chief Auditor

Independent auditors' review report on the interim financial statements

To the shareholders of Danske Bank A/S

We have reviewed the interim financial statements of Danske Bank Group and Danske Bank A/S for the period starting on 1 January 2014 and ending on 30 June 2014, pp. 31-65. The interim financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for Danske Bank A/S and the consolidated cash flow statement. The consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and Danish disclosure requirements for listed financial institutions. The Parent Company's interim financial statements have been prepared in accordance with the Danish Financial Business Act.

Management is responsible for the interim financial statements. Our responsibility is to express a conclusion on the interim financial statements based on our review.

Scope of review
We conducted our review in accordance with ISRE 2410 DK, Review of Interim Financial Information Performed by the Independent Auditor, and additional requirements under Danish audit regulation. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, as well as performing analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and additional requirements under Danish audit regulation, and, consequently, the review does not provide assurance that we have become aware of all significant matters that might be identified in an audit. We have not conducted an audit, and, accordingly, we express no audit opinion.

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

Copenhagen, 24 July 2014

Ernst & Young
Godkendt Revisionspartnerselskab

Jesper Ridder Olsen
State Authorised
Public Accountant

Ole Karstensen
State Authorised
Public Accountant

Supplementary information

Conference call

Danske Bank will hold a conference call on 24 July 2014 upon the presentation of its interim report for the first half of 2014. The conference call is scheduled for 2.30pm CET. The conference call will be webcast live at danskebank.com.

Financial calendar

30 October 2014	Interim Report – First Nine Months 2014
3 February 2015	Annual Report 2014

Contacts

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Links

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

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

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