Interim report – first half 2016

Danske Bank Group

Danske Bank

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Financial highlights – Danske Bank Group

Income statement* (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Net interest income	10,747	10,800	100	5,489	5,259	104	5,499	100	21,402
Net fee income	6,737	7,519	90	3,354	3,382	99	3,812	88	15,018
Net trading income	3,735	4,394	85	2,138	1,597	134	1,371	156	6,848
Other income	1,794	1,126	159	562	1,231	46	622	90	2,343
Total income	23,012	23,839	97	11,543	11,469	101	11,304	102	45,611
Operating expenses	11,115	11,410	97	5,805	5,310	109	5,649	103	23,237
Goodwill impairment charges	-	-	-	-	-	-	-	-	4,601
Profit before loan impairment charges	11,897	12,429	96	5,738	6,159	93	5,655	101	17,773
Loan impairment charges	-107	283	-	22	-130	-	-219	-	57
Profit before tax, core	12,004	12,146	99	5,715	6,289	91	5,874	97	17,716
Profit before tax, Non-core	47	30	156	65	-18	-	-60	-	46
Profit before tax	12,051	12,176	99	5,780	6,271	92	5,814	99	17,762
Tax	2,688	2,757	97	1,362	1,326	103	1,346	101	4,639
Net profit for the period	**9,363**	**9,419**	**99**	**4,418**	**4,945**	**89**	**4,468**	**99**	**13,123**
Net profit for the period before goodwill imp. chg.	**9,363**	**9,419**	**99**	**4,418**	**4,945**	**89**	**4,468**	**99**	**17,724**
Attributable to additional tier 1 etc.	322	279	115	161	161	100	161	100	607
Balance sheet (end of period) (DKK millions)									
Due from credit institutions and central banks	167,665	125,520	134	167,665	99,831	168	125,520	134	75,221
Repo loans	233,098	234,139	100	233,098	245,371	95	234,139	100	216,303
Loans	1,663,698	1,601,060	104	1,663,698	1,640,063	101	1,601,060	104	1,609,384
Trading portfolio assets	577,414	596,739	97	577,414	566,268	102	596,739	97	547,019
Investment securities	333,321	330,926	101	333,321	335,965	99	330,926	101	343,304
Assets under insurance contracts	294,647	269,214	109	294,647	268,338	110	269,214	109	265,572
Total assets in Non-core	21,555	30,326	71	21,555	26,514	81	30,326	71	27,645
Other assets	191,928	264,289	73	191,928	206,169	93	264,289	73	208,431
Total assets	**3,483,327**	**3,452,213**	**101**	**3,483,327**	**3,388,518**	**103**	**3,452,213**	**101**	**3,292,878**
Due to credit institutions and central banks	146,484	114,717	128	146,484	170,887	86	114,717	128	137,068
Repo deposits	237,162	337,311	70	237,162	208,833	114	337,311	70	177,456
Deposits	854,518	839,690	102	854,518	811,631	105	839,690	102	816,762
Bonds issued by Realkredit Danmark	706,503	691,544	102	706,503	682,542	104	691,544	102	694,519
Other issued bonds	391,477	345,532	113	391,477	381,367	103	345,532	113	363,931
Trading portfolio liabilities	487,322	485,838	100	487,322	493,395	99	485,838	100	471,131
Liabilities under insurance contracts	319,351	288,658	111	319,351	299,824	107	288,658	111	285,030
Total liabilities in Non-core	4,008	6,065	66	4,008	5,106	79	6,065	66	5,520
Other liabilities	139,687	145,956	96	139,687	139,467	100	145,956	96	140,640
Subordinated debt	38,726	36,846	105	38,726	39,361	98	36,846	105	39,991
Additional tier 1 etc.	11,308	11,340	100	11,308	11,433	99	11,340	100	11,317
Shareholders' equity	146,779	148,715	99	146,779	144,672	101	148,715	99	149,513
Total liabilities and equity	**3,483,327**	**3,452,213**	**101**	**3,483,327**	**3,388,518**	**103**	**3,452,213**	**101**	**3,292,878**
Ratios and key figures									
Dividends per share (DKK)									8.0
Earnings per share (DKK)	9.4	9.2		4.4	5.0		4.4		12.8
Return on avg. shareholders' equity (%)	12.4	12.5		11.8	13.1		11.8		8.5
Return before goodwill impairment charges on avg. shareholders' equity (%)	12.4	12.5		11.8	13.1		11.8		11.6
Return on avg. tangible equity (%)	13.3	14.1		12.6	14.0		13.3		12.9
Net interest income as % p.a. of loans and deposits	0.85	0.88		0.87	0.86		0.90		0.88
Cost/income ratio (%)	48.3	47.9		50.3	46.3		50.0		61.0
Cost/income ratio before goodwill impairment charges (%)	48.3	47.9		50.3	46.3		50.0		50.9
Total capital ratio (%)	21.1	18.7		21.1	20.1		18.7		21.0
Common equity tier 1 capital ratio (%)	15.8	14.3		15.8	15.0		14.3		16.1
Share price (end of period) (DKK)	175.4	196.8		175.4	185.0		196.8		185.2
Book value per share (DKK)	153.2	150.2		153.2	149.3		150.2		153.2
Full-time-equivalent staff (end of period)	19,394	18,874	103	19,394	19,272	101	18,874	103	19,049

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

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

Executive summary

"We have had a satisfactory first half of 2016 despite difficult market conditions with continued negative interest rates, low economic growth and subdued demand. Generally, the period has been characterised by low activity, except within financial markets. The results reflect our well-diversified business model, increased lending and our efforts to become an even more customer-focused, simple and efficient bank," says Thomas F. Borgen, Chief Executive Officer.

"We have launched a number of new products and solutions to support our customers with their financial needs, and we have seen a positive customer inflow in key markets. Our lending book grew while we maintained high credit quality and kept impairments at a very low level.

Even though the market conditions have become more challenging owing to the UK's vote to leave the EU, we maintain our outlook for 2016."

Danske Bank delivered a satisfactory result for the first half of 2016. Net profit was DKK 9.4 billion, compared with DKK 9.4 billion in the first half of 2015. The return on shareholders' equity after tax was 12.4%, against 12.5% in the first half of 2015 when both net fee and net trading income were unusually strong. The underlying business remained robust, and we continued our strong focus on cost control and efficiency.

We continued to execute our strategy of becoming an even more customer-focused, simple and efficient bank. Our clear ambition is to be number one in customer experience by making daily banking and important financial decisions as easy as possible. We continued our efforts to reach this ambition through empowerment of the organisation, continued digitalisation to ensure efficiency, improvements to existing customer offerings as well as the launch of new products and services. As a result, we saw an inflow of new customers, and customer satisfaction improved further, bringing us in line with our ambitions in most markets.

The macroeconomic environment continued the trend of low economic growth and negative short-term interest rates. Growth in Denmark was still low. In Sweden and Finland, growth was trending better than expected, while growth in Norway was more moderate, although supported by a stabilisation of the oil price in the second quarter. On aggregate, lending grew 3% from the end of 2015.

The outcome of the UK referendum on EU membership will not have any significant short-term impact on Danske Bank as our business in Northern Ireland accounted for 3% of total lending at 30 June 2016 and 5% of total income in the first half of 2016. The outcome will probably impact economic activity in all of our markets, however. It is too early to predict the extent of the impact, but uncertainty concerning future economic growth has increased.

Market conditions for trading improved towards the end of the first quarter and continued to do so in the second quarter. As a result, activity levels increased from the low levels early in the year, mainly benefiting net trading income. Trading saw a positive impact from currency inflows in Denmark in the second quarter, driven partly by uncertainty as to the outcome of the UK referendum on EU membership. The Danish central bank left interest rates unchanged.

Trading income in the second quarter benefited from a one-off gain on the sale of VISA Europe but was adversely affected by improvements to the model for credit value adjustments (CVA). In the first quarter, a one-off property sale benefited other income.

Capital, funding and liquidity

As part of our ongoing capital assessment, we have reviewed our capital targets. The target CET1 capital ratio will be in the range of 14-15% in the short to medium term in the light of regulatory uncertainty. Our total capital ratio target will be around 19%. We will reassess the capital targets as regulatory requirements become clearer.

Our capital position remains strong, with a total capital ratio of 21.1% and a CET1 capital ratio of 15.8%. On the basis of fully phased-in CRR and CRD IV rules and requirements, our CET1 capital ratio stands at 15.6% versus our current fully phased-in regulatory CET1 capital requirement of 12.0%.

At 30 June 2016, DKK 3.6 billion of the DKK 9.0 billion share buy-back programme had been executed.

We are well ahead of our funding plan for 2016, having successfully completed transactions, including several benchmarks, in both covered bonds and the senior market totalling DKK 52.3 billion during the first half of 2016. For the year as a whole, we expect to issue between DKK 60 and 80 billion.

Our liquidity coverage ratio stood at 136% at 30 June 2016.

Customer satisfaction

Customer satisfaction continued to improve overall and remains on a good trajectory. Customer satisfaction remains a key priority.

Outlook

We maintain our outlook for net profit for 2016 to be in line with net profit before goodwill impairments in 2015.

On net interest income, we now expect somewhat less pressure on margins for the remainder of 2016, and we will benefit from volume growth and somewhat lower funding costs.

In the light of weak activity levels and uncertainty in the financial markets, we now expect net fee income in 2016 to be lower than in 2015.

Our outlook is based on the restated financial highlights for 2015.

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

Financial review

In the first half of 2016, Danske Bank Group posted a profit before tax from core activities of DKK 12.0 billion, which is at the same level as in the first half of 2015.

Income
Total income amounted to DKK 23.0 billion, which constituted a decrease of 3% from the level in the first half of 2015, driven by lower net fee and net trading income. Both net trading income and net fee income were unusually strong in the first half of 2015 as a result of high customer activity.

Net interest income totalled DKK 10.7 billion and was unchanged from the year-earlier level, as lending growth at most business units and lower funding costs offset the pressure on margins.

Net fee income amounted to DKK 6.7 billion and decreased 10% from the level in the first half of 2015. Remortgaging activity normalised compared with the high level in the first half of 2015, and this caused a decline in net fee income. Fee income was also adversely affected by a fall in income from asset management activities and the life conventional business as a result of unfavourable market conditions and the reduction in assets under management caused by lower asset values.

Net trading income totalled DKK 3.7 billion, representing a decrease of 15% from the year-earlier level, which was exceptionally high due to high customer activity. Net trading income picked up in the second quarter of 2016, though, with an increase of 34%. Client activity increased, but market conditions and client activity were still less favourable than in the first half of 2015. In the second quarter, net trading income benefited from a one-off gain of DKK 0.3 billion on the sale of VISA Europe but was adversely affected by credit value adjustments (CVA) of DKK -0.6 billion caused by model improvements.

Other income amounted to DKK 1.8 billion, an increase of DKK 59%, owing mainly to the sale of properties in the first quarter.

Expenses
Operating expenses amounted to DKK 11.1 billion and were reduced 3% from the level in the first half of 2015. The main reasons for the fall in expenses were our ongoing efforts to reduce operational costs, a lower net contribution to the Danish Resolution Fund and the Deposit Guarantee Fund and lower depreciation on intangible assets. Operating expenses were adversely impacted by increasing regulatory costs, especially related to the continued increase in resources spent on strengthening anti-money-laundering activities, which remains a key priority for Danske Bank.

The number of full-time equivalent staff increased 3% from the number in the first half of 2015. The increase was driven primarily by insourcing of IT competencies in India and upstaffing within operations in Lithuania, specifically within the anti-money laundering area.

Loan impairments
Loan impairments declined from the level in the first half of 2015. The lower impairment level reflected our ongoing work to improve credit quality as well as general improvements driven by a stable macroeconomic climate and higher collateral values. In the agricultural and oil sectors, however, impairments increased, reflecting weak market conditions.

Loan impairment charges

	First half 2016		First half 2015	
(DKK millions)	Charges	% of loans and guarantees*	Charges	% of loans and guarantees*
Personal Banking	-179	-0.05	431	0.12
Business Banking	-23	-0.01	109	0.04
C&I	320	0.16	11	-
Wealth Management	-74	-0.21	-34	-0.10
Northern Ireland	-151	-0.60	-234	-1.01
Total	**-107**	**-0.01**	**283**	**0.03**

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

Tax
Tax on the profit for the first half of 2016 amounted to DKK 2.7 billion, or 22.3% of profit before tax.

Changes to the financial highlights

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

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

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

Q2 2016 vs Q1 2016

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

Net interest income amounted to DKK 5.5 billion and increased 4% from the level in the first quarter.

Net fee income amounted to DKK 3.4 billion and was down 1% from the level in the first quarter.

Net trading income amounted to DKK 2.1 billion, against DKK 1.6 billion in the first quarter. Activity in parts of the first quarter was subdued because of challenging market conditions but improved in the second quarter. In the second quarter, income benefited from a one-off gain of DKK 0.3 billion on the sale of VISA Europe but also saw an adverse effect of DKK 0.6 billion as a result of improvements to the CVA model.

Other income decreased 54% from the level in the first quarter, when Other income benefited from the sale of properties.

Operating expenses increased to DKK 5.8 billion, up 9% from the level in the first quarter. The increase was due mainly to higher regulatory costs, higher bonuses and seasonality.

Loan impairments remained at a very low level and showed a net charge of DKK 22 million, up slightly from the level in the first quarter. Individual impairment charges made against agricultural customers in Denmark and customers in the oil sector increased in the second quarter.

Balance sheet

Lending (end of period) (DKK billions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Full year 2015
Personal Banking	730.7	718.9	102	730.7	722.5	101	720.5
Business Banking	657.5	617.1	107	657.5	646.2	102	629.9
Corporates & Institutions	192.1	179.2	107	192.1	188.0	102	172.2
Wealth Management	70.7	67.4	105	70.7	69.5	102	68.4
Northern Ireland	46.1	54.5	85	46.1	48.1	96	52.2
Other Activities incl. eliminations	-8.8	-5.4	-	-8.8	-8.5	-	-6.9
Allowance account, lending	24.6	30.6	80	24.6	25.7	96	26.9
Total lending	**1,663.7**	**1,601.1**	**104**	**1,663.7**	**1,640.1**	**101**	**1,609.4**

Deposits (end of period) (DKK billions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Full year 2015
Personal Banking	267.4	259.6	103	267.4	255.8	105	256.4
Business Banking	224.2	229.7	98	224.2	223.3	100	226.0
Corporates & Institutions	238.8	229.5	104	238.8	215.6	111	213.5
Wealth Management	62.9	56.1	112	62.9	58.4	108	52.9
Northern Ireland	58.8	62.3	94	58.8	59.7	98	63.6
Other Activities incl. eliminations	2.4	2.6	93	2.4	-1.2	-	4.4
Total deposits	**854.5**	**839.7**	**102**	**854.5**	**811.6**	**105**	**816.8**

Covered bonds (DKK billions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Full year 2015
Bonds issued by Realkredit Danmark	706.5	691.5	102	706.5	682.5	104	694.5
Own holdings of bonds	49.5	48.7	102	49.5	64.9	76	56.6
Total Realkredit Danmark bonds	**756.0**	**740.2**	**102**	**756.0**	**747.4**	**101**	**751.1**
Other covered bonds issued	174.3	179.0	97	174.3	172.3	101	171.4
Own holdings of bonds	50.9	40.6	125	50.9	48.5	105	49.8
Total other covered bonds	**225.1**	**219.5**	**103**	**225.1**	**220.7**	**102**	**221.2**
Total deposits and issued mortgage bonds etc.	**1,835.7**	**1,799.4**	**102**	**1,835.7**	**1,779.7**	**103**	**1,789.1**
Lending as % of deposits and issued mortgage bonds etc.	90.6	89.0		90.6	92.2		90.0

Lending
At the end of June 2016, total lending was up 3% from the level at the end of 2015. Lending increased at almost all banking units.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 43.5 billion. Lending to personal customers accounted for DKK 16.8 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, rose from 26.5% at the end of 2015 to 26.7% at the end of May 2016. In the other Nordic countries, our market share of lending also rose.

Market shares of lending (%)	31 May 2016	31December 2015
Denmark incl. RD (excl. repo)	26.7	26.5
Finland	9.7	9.6
Sweden (excl. repo)	5.0	4.9
Norway	5.8	5.7

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

Lending equalled 90.6% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.0% at the end of 2015.

Deposits
At the end of June 2016, total deposits were up 5% from the level at the end of 2015, with increases at Personal Banking, Corporates & Institutions and Wealth Management. We recorded decreases at Business Banking and Northern Ireland. The Group maintained its strong funding position.

Market shares of deposits (%)	31 May 2016	31December 2015
Denmark (excl. repo)	28.2	28.3
Finland	13.6	13.5
Sweden (excl. repo)	3.8	3.8
Norway	5.2	5.5

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

Credit exposure

Credit exposure from lending activities in core segments totalled DKK 2,473 billion, against DKK 2,323 billion at the end of 2015.

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

Credit quality

The benign credit conditions, including the low interest rate level, and managerial efforts enabled us to improve credit quality. Total gross non-performing loans (NPL) decreased owing to continued reversals and work-outs of larger customers. The coverage ratio remained high.

The risk management notes on pp. 48-57 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 June 2016	31 December 2015
Gross NPL	42,580	47,820
Individual allowance account	20,731	23,151
Net NPL	**21,849**	**24,670**
Collateral (after haircut)	**17,450**	**19,848**
NPL Coverage ratio (%)	82.5	82.8
NPL Coverage ratio of which is in default (%)	95.5	92.8
NPL as percentage of total gross exposure	1.7	2.0

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

Accumulated individual impairments amounted to DKK 20.7 billion, or 1.0% of lending and guarantees. Accumulated collective impairments amounted to DKK 4.5 billion, or 0.2% of lending and guarantees. The corresponding figures at 31 December 2015 were DKK 23.2 billion and DKK 4.3 billion, respectively.

Allowance account by business units

(DKK millions)	30 June 2016 Accum. impairm. charges*	30 June 2016 % of loans and guarantees	31 December 2015 Accum. impairm. charges*	31 December 2015 % of loans and guarantees
Personal Banking	6,113	0.83	6,614	0.91
Business Banking	14,286	2.11	15,091	2.32
C&I	2,093	0.47	2,369	0.59
Wealth Management	613	0.81	606	0.85
Northern Ireland	2,150	4.58	2,814	5.32
Other Activities incl. eliminations	2	-	2	-
Total	**25,257**	**1.27**	**27,496**	**1.44**

** Relating to lending activities in core segments.*

Recognised losses amounted to DKK 2.3 billion. Of these losses, DKK 0.2 billion was attributable to facilities not already subject to impairment.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 911 billion at 30 June 2016, against DKK 891 billion at 31 December 2015.

Danske Bank has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 98 billion, against DKK 94 billion at the end of 2015, and it was mostly secured through collateral management agreements.

The value of the bond portfolio was DKK 513 billion. Of the total bond portfolio, 75.9% was recognised at fair value and 24.1% at amortised cost.

Bond portfolio (%)	30 June 2016	31 December 2015
Government bonds and bonds guaranteed by central or local governments	38	38
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	45	46
Swedish covered bonds	11	9
Other covered bonds	3	3
Corporate bonds	2	3
Total holdings	**100**	**100**
Hold-to-maturity bonds included in total holdings	24	16
Available-for-sale bonds included in total holdings	9	9

Other balance sheet items

The financial highlights on page 3 provide information about our balance sheet.

The net position towards central banks, credit institutions and repo counterparties has changed from a liability of DKK 23.0 billion at the end of 2015 to an asset of DKK 17.1 billion at the end of the first half of 2016, primarily because of an increase in funding from central banks and an increase in the holding af own bonds issued by Realkredit Danmark.

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 75.9 billion at the end of 2015 to net assets of DKK 90.1 billion at the end of June 2016 as a result of fluctuations in the market value of the derivatives portfolio.

Total assets in Non-core were reduced by DKK 6.1 billion from the level at the end of 2015 as a consequence of the continued winding-up of the Non-core portfolio, and amounted to DKK 21.6 billion at 30 June 2016. In June, the sale of a residential mortgage loan portfolio relating to the Group's Non-core mass personal customer business in Lithuania and Latvia was completed.

Other assets is the sum of several small line items. The decrease of DKK 16.5 billion from the end of 2015 to the end of June 2016 was caused by lower on-demand deposits with central banks.

Capital ratios

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

As part of our ongoing capital assesment, we have reviewed our capital targets. In the short to medium term, our target for the common equity tier 1 (CET1) capital ratio will be in the range of 14-15%, while the target for the total capital ratio will be around 19%.

The capital targets address the elevated regulatory uncertainty and ensure that the Group meets its capital requirements when faced with both normal REA fluctuations and macroeconomic stress. We will reassess the capital targets when we have more clarity regarding future regulatory initiatives, especially in relation to what is known as Basel IV.

At the end of the first half of 2016, the total capital ratio was 21.1%, and the CET1 capital ratio was 15.8%, against 21.0% and 16.1%, respectively, at the end of 2015.

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

During the first half of 2016, REA decreased DKK 34 billion to DKK 800 billion. The decrease comprises an increase from implementation of new models offset by lower market risk and revised prudential treatment of LR Realkredit A/S and Danmarks Skibskredit A/S. The revised treatment also entailed a corresponding capital reduction, and the capital ratios were therefore largely unaffected by this change.

Capital requirements

Danske Bank's capital management policies and practices are based on the internal capital adequacy assessment process (ICAAP). In this process, Danske Bank determines its solvency need.

At the end of the first half of 2016, the solvency need was 10.6%. The solvency need consists of the 8% minimum capital requirement under Pillar I and a capital add-on under Pillar II. Some 56% of the solvency need must be met with CET1 capital, corresponding to 6.0% of the total REA.

A combined buffer requirement applies in addition to the solvency need. At the end of the first half of 2016, the Group's combined capital buffer requirement was 2.3%. When fully phased-in, the buffer requirement will be 6.0%, bringing the fully phased-in CET1 capital requirement to 12.0%.

Capital ratios and requirements (% of total REA)	First half 2016	Fully phased-in*
Capital ratios		
CET 1 capital ratio	15.8	15.6
Total capital ratio	21.1	19.1
Capital requirements (incl. buffers)**		
CET 1 requirement	8.2	12.0
- *of which countercyclical buffer*	0.4	0.5
- *of which capital conservation buffer*	0.6	2.5
- *of which SIFI buffer*	1.2	3.0
Total capital requirement	**12.9**	**16.6**
Excess capital		
CET 1 capital	7.6	3.6
Total capital	8.2	2.5

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

*** The total capital requirement consists of the solvency need and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of the first half of 2016.*

The calculation of the solvency need and the combined capital buffer requirement is described in more detail in Risk Management 2015, chapter 3, which is available at danskebank.com/ir.

Capital distribution policy

Danske Bank's longer-term ambition is to provide shareholders with a competitive return through share price appreciation and ordinary dividend payments of 40-50% of net profit.

We intend to return excess capital to our shareholders if capital is available after we have met our capital targets and paid out ordinary dividends.

At 30 June 2016, we had bought back 19.9 million shares for at total purchase amount of DKK 3.6 billion (figures at trade date) of our planned DKK 9 billion share buy-back programme.

Ratings

In the first half of 2016, Danske Bank's ratings were maintained at the strategic goals of a long-term rating equivalent to A from all three rating agencies.

Danske Bank's ratings	Moody's	S&P	Fitch
Long-term	A2	A	A
Short-term	P-1	A-1	F1
Outlook	Stable	Stable	Stable

On 8 July 2016, S&P raised Danske Bank's SACP (Stand-Alone Credit Profile) rating from A- to A as a result of Danske Bank's improved capitalisation. As a result of the improved SACP rating, Danske Bank's tier 2 capital debt rating was raised from BBB to BBB+ and the rating of Danske Bank's additional tier 1 debt was raised from BB+ to BBB-. Also, the rating of Danica Pension was raised from A-

to A, and Danica's tier 2 capital debt instrument was raised from BBB to BBB+.

Mortgage bonds and mortgage-covered bonds issued by Realkredit Danmark are rated AAA by S&P (stable outlook). In addition, bonds issued from capital centre S are rated AAA (stable outlook) by Fitch, while bonds issued from capital centre T are rated AA+ (positive outlook).

Funding and liquidity
We have completed the majority of our expected funding need for the year in order to remain well positioned for any market turmoil after the outcome of the UK referendum on EU membership. Further, as part of our strategy to secure more funding in local currencies, we have issued covered bonds in benchmark format denominated in Norwegian kroner. This complements our aim to establish a Swedish covered bond programme to ensure a more diversified funding mix.

With a liquidity buffer of DKK 525 billion at the end of June 2016, Danske Bank's liquidity position remained robust.

Our liquidity coverage ratio stood at 136% at 30 June 2016.
Stress tests show that we have a sufficient liquidity buffer well beyond 12 months.

In the first half of 2016, Danske Bank issued senior debt for DKK 38.2 billion and covered bonds for DKK 14.1 billion, totalling DKK 52.3 billion. The issues included several benchmarks, including both a 5-year USD senior, a 5-year EUR senior and a 7-year EUR senior as well as a 5-year EUR covered bond. We also redeemed long-term debt of DKK 34.3 billion.

At the end of June, the total nominal value of outstanding long-term funding, excluding additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 337 billion, against DKK 323 billion at the end of 2015.

Danske Bank excluding Realkredit Danmark (DKK billions)	30 June 2016	31 December 2015
Covered bonds	174	171
Senior unsecured debt	124	112
Subordinated debt	39	40
Total	**337**	**323**

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

At 30 June 2016, Danske Bank was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

Capital regulation
The Group's leverage ratio was 4.3% at 30 June 2016 when transitional rules are taken into account. Assuming fully phased-in tier 1 capital under CRR/CRD IV without taking into account any refinancing of non-eligible additional tier 1 instruments, the leverage ratio would be 4.0%.

The Basel Committee on Banking Supervision (BCBS) is conducting a review of the standards for calculating REA. This review is popularly known as Basel IV. Among other things, Basel IV proposes to constrain the use of internal models and introduce a permanent floor under REA. The full set of revised BCBS standards is expected to be final by the end of 2016, whereafter the EU implementation process will begin. Danske Bank is following developments closely, but the extent of the final regulatory changes and the timeline for implementation are currently unknown.

Bank Recovery and Resolution Directive
In accordance with the Bank Recovery and Resolution Directive (BRRD), every credit institution must have a minimum amount of "bail-in-able" liabilities, in order to ensure they hold a sufficient amount of bail-in-able liabilities to absorb losses and restore their critical functions without support from public funds.

The Danish FSA is required to set a minimum requirement for own funds and eligible liabilities (MREL) for Danish institutions. We expect the MREL for Danske Bank to be set during second half of 2016 with effect from 2017.

Personal Banking

Profit before tax increased 37% from the first half of 2015. The increase was driven by lower expenses and net impairment reversals. Income was under pressure owing to persistently negative short-term interest rates and a fall in customer activity from the exceptionally high level in first half of 2015. The lower activity levels were to some degree offset by positive customer development in a number of our core markets, with a positive impact on net interest income.

Personal Banking (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Net interest income	3,823	3,986	96	1,919	1,904	101	1,956	98	7,909
Net fee income	1,596	1,856	86	808	789	102	935	86	3,494
Net trading income	264	302	88	103	162	63	104	99	517
Other income	312	339	92	187	124	151	186	101	609
Total income	5,995	6,483	92	3,017	2,979	101	3,181	95	12,529
Operating expenses	3,735	4,266	88	1,939	1,795	108	2,131	91	8,444
Goodwill impairment charges	-	-	-	-	-	-	-	-	3,155
Profit before loan impairment charges	2,260	2,217	102	1,079	1,184	91	1,050	103	930
Loan impairment charges	-179	431	-	-14	-165	-	131	-	390
Profit before tax	**2,440**	**1,786**	**137**	**1,093**	**1,349**	**81**	**919**	**119**	**540**
Profit before tax and goodwill impairment charges	**2,440**	**1,786**	**137**	**1,093**	**1,349**	**81**	**919**	**119**	**3,695**
Loans, excluding reverse transactions before impairments	730,694	718,933	102	730,694	722,498	101	718,933	102	720,532
Allowance account, loans	5,583	6,451	87	5,583	5,815	96	6,451	87	6,011
Deposits, excluding repo deposits	267,351	259,562	103	267,351	255,759	105	259,562	103	256,394
Bonds issued by Realkredit Danmark	395,484	389,780	101	395,484	391,672	101	389,780	101	392,484
Allowance account, guarantees	530	687	77	530	525	101	687	77	603
Allocated capital (average)*	22,243	22,940	97	22,335	22,157	101	22,555	99	22,002
Net interest income as % p.a. of loans and deposits	0.77	0.82		0.77	0.78		0.80		0.81
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROAC)*	21.9	15.6		19.6	24.4		16.3		16.6
Cost/income ratio before goodwill impairment charges (%)	62.3	65.8		64.3	60.3		67.0		67.4
Full-time-equivalent staff	5,070	5,332	95	5,070	5,080	100	5,332	95	5,120

Fact Book Q2 2016 provides financial highlights at the country level for Personal Banking. Fact Book Q2 2016 is available at danskebank.com/ir.

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

First half 2016 vs first half 2015

Profit before tax increased 37% to DKK 2.4 billion. The increase was the result mainly of a continued decrease in expenses and net impairment reversals.

Total income declined DKK 0.5 billion to DKK 6.0 billion. Net interest income was 4% lower, as the increase in lending could not compensate for the pressure on margins. Net fee income fell 14% from the first half of 2015, when mortgage refinancing activity was extraordinarily high.

Investment-related income in particular suffered under the market turbulence in the first half of the year, and this adversely affected investment volumes and personal customer trading activity. The pressure on income was to some extent offset by an inflow of business with new customers from our partnerships with Akademikerne in Norway and Saco in Sweden.

Net trading income fell 12% because of turbulence in the financial markets that led to a decline in trading volumes and lower activity.

Operating expenses declined 12%, primarily because of high cost efficiency, lower activity levels and lower depreciation of intangible assets. In addition, the costs associated with the deposit guarantee scheme were replaced with a lower contribution to the Danish Resolution Fund.

Credit quality

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

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

As a result of strengthened credit quality, loan impairments continued to be low, resulting in net reversals of DKK 179 million in the first half of 2016.

Overall, the LTV level was stable during the first half of 2016.

Loan-to-value ratio, home loans

	30 June 2016		31 December 2015	
	Average LTV (%)	Credit exposure (DKK bn)	Average LTV (%)	Credit exposure (DKK bn)
Denmark	67.6	459	67.2	453
Finland	61.8	84	61.9	84
Sweden	59.9	65	62.1	64
Norway	63.0	86	64.2	78
Total	**65.6**	**694**	**65.7**	**679**

Credit exposure

Credit exposure increased to DKK 762 billion in the first half of 2016, mainly because of growth in Norway and Sweden. In Denmark, credit exposure also increased owing to increased lending and a net positive effect of fair value adjustments.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2016	31 December 2015	30 June 2016
Denmark	491,748	476,726	-0.09
Finland	90,468	90,294	0.10
Sweden	73,221	72,295	-0.01
Norway	106,193	96,269	0.01
Other	-	-	-
Total	**761,630**	**735,585**	**-0.05**

Business initiatives

Consumer expectations continue to change, and customers want to do their banking business whenever it suits them. At Personal Banking, we aim to make daily banking and important financial decisions easy and to create the best experience for our customers across all touch points.

Seamless and customer-centric banking across all touch points

In the first half of 2016, we continued to improve existing solutions and launched a number of new solutions aimed at simplifying the customer experience and increasing efficiency.

In Denmark and Sweden, we introduced a new simple and digitalised welcoming process for new customers, and in Norway, we made it possible for customers to use their BankID to easily access our online solutions.

We expanded our unique homebuyer universe in Denmark, called Sunday, with two new apps, including the SundayLoan app. It supports customers through the entire buying process, from obtaining a loan commitment and receiving advice to directly applying for and getting the loan.

In Denmark, MobilePay reached three million registered users in May 2016, only three years after launch, and more than 29,000 stores now offer MobilePay as a payment option. Since the launch of MobilePay, users have transferred more than DKK 42 billion. We also launched MobilePay Invoice, which enables users to easily pay their bills directly with MobilePay and a feature to integrate loyalty programmes in the app.

We also launched WeShare in Denmark, Norway and Finland – an app that allows users to keep track of and share expenses with friends and settle payment via MobilePay.

Developing our business to meet customer demand

We introduced a new range of home loans in Finland to suit various life situations. Through a range of options such as interest rate protection, instalment-free months, free loan amendment, loan services discounts and fund savings with Danske Invest with no subscription fee, the new loans offer homeowners various levels of financial flexibility and security. The loans, which are unique in the Finnish market, got off to a good start with solid customer demand.

An important part of our strategy for growing our Swedish franchise and strengthening our position as a trusted partner for our customers is to secure stable funding in local currency. To ensure this, we have applied to the Swedish FSA for permission to establish a mortgage finance business in Sweden, and we aim for the Swedish funding programme to be operational in 2017.

Customer satisfaction

The upward trend in customer satisfaction continued in the first half of the year. We are now number two in Finland, Norway and Sweden, and in Denmark, we improved our ranking to third place.

Source: PB Strategy & Insights, Customer Insights

The positive development across markets reflects our commitment to constantly improve the customer experience across all touch points and to proactively provide high-quality financial advice that matches our customers' expectations and life situation. We know that the more interaction we have with our customers, the more they value our competencies and services.

Q2 2016 vs Q1 2016

Profit before tax declined 19% to DKK 1.1 billion in the second quarter of 2016.

There was a slight rise of 1% in total income, driven by increased volumes.

Other income increased 51% owing to seasonality in the mortgage business.

Operating expenses increased 8% mainly because of seasonality.

Loan impairments showed a net reversal, reflecting the ongoing improvement in credit quality.

Business Banking

Profit before tax fell 5% from the level in the first half of 2015, primarily as a result of income from mortgage refinancing activity being extraordinarily high in the same period last year. We gained new customers and business volumes rose, despite low activity in general. Loan impairment charges fell, owing to our continued efforts to improve credit quality and higher collateral values. Operating expenses fell 1% as continued efficiency improvements and lower depreciation of intangible assets offset increased regulatory costs.

Business Banking (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Net interest income	4,202	4,148	101	2,117	2,085	102	2,112	100	8,309
Net fee income	789	1,007	78	396	393	101	501	79	1,864
Net trading income	292	413	71	138	153	90	216	64	606
Other income	288	332	87	156	132	118	161	97	581
Total income	5,571	5,900	94	2,808	2,763	102	2,990	94	11,360
Operating expenses	2,329	2,346	99	1,187	1,142	104	1,163	102	4,704
Goodwill impairment charges	-	-	-	-	-	-	-	-	1,296
Profit before loan impairment charges	3,242	3,554	91	1,621	1,621	100	1,827	89	5,360
Loan impairment charges	-23	109	-	5	-29	-	-79	-	191
Profit before tax	**3,265**	**3,445**	**95**	**1,616**	**1,650**	**98**	**1,906**	**85**	**5,169**
Profit before tax and goodwill impairment charges	**3,265**	**3,445**	**95**	**1,616**	**1,650**	**98**	**1,906**	**85**	**6,465**
Loans, excluding reverse transactions before impairments	657,462	617,140	107	657,462	646,235	102	617,140	107	629,909
Allowance account, loans	13,929	15,442	90	13,929	14,448	96	15,442	90	14,756
Deposits, excluding repo deposits	224,190	229,663	98	224,190	223,348	100	229,663	98	225,964
Bonds issued by Realkredit Danmark	310,216	296,462	105	310,216	303,688	102	296,462	105	301,799
Allowance account, guarantees	356	271	132	356	357	100	271	132	336
Allocated capital (average)*	41,331	34,574	120	40,969	41,688	98	34,394	119	34,267
Net interest income as % p.a. of loans and deposits	0.97	1.00		0.98	0.98		1.02		0.99
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROAC)*	15.8	19.9		15.8	15.8		22.2		18.8
Cost/income ratio before goodwill impairment charges (%)	41.8	39.8		42.3	41.3		38.9		41.4
Full-time-equivalent staff	2,704	2,879	94	2,704	2,689	101	2,879	94	2,761

Fact Book Q2 2016 provides financial highlights at the country level for Business Banking. Fact Book Q2 2016 is available at danskebank.com/ir.

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

First half 2016 vs first half 2015

Profit before tax fell 5% to DKK 3.3 billion, owing to extraordinarily high net fee and net trading income in the same period last year. The result benefited from continued business momentum and a decline in loan impairments.

Net interest income rose 1% as lending growth in all our markets offset currency effects and the pressure on margins. Total lending rose 7%.

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

Operating expenses were down 1% as continued efficiency improvements and lower depreciation of intangible assets offset increased regulatory costs.

Credit quality improving

Combined with relatively stable macroeconomic conditions and higher collateral values, our continued efforts to improve credit quality led to a net reversal of impairments of DKK 23 million in the first half of 2016, against a charge of DKK 109 million in the first half of 2015.

The lower level of impairments was owing primarily to reversals in the commercial property segments in Denmark, whereas individual impairment charges were made against facilities to customers in the agricultural sector in Denmark and collective impairments were made in oil-related sectors in Norway.

Credit exposure
Credit exposure amounted to DKK 754 billion at the end of June 2016, against DKK 728 billion at the end of 2015.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2016	31 December 2015	30 June 2016
Denmark	434,198	423,842	-0.08
Finland	72,128	67,766	-0.12
Sweden	152,167	147,743	0.06
Norway	76,315	70,418	0.46
Baltics	19,545	18,687	-0.30
Other	9	8	-
Total	**754,363**	**728,465**	**-0.01**

Business initiatives
At Business Banking, our ambition is to deliver the best customer experience by always adding value for customers and by making daily banking easy and efficient. As part of our efforts to achieve this, we strengthened our Nordic setup and improved our value propositions for all customer segments during the first half of 2016.

Supporting customers' growth ambitions
To support the growth ambitions of our large customers in the Nordic countries, we launched a concept that brings down entry costs and time to market for customers expanding across borders. We also launched a change of ownership concept that supports customers when they want to buy or sell a company.

In order to support the many start-up companies in Denmark, we have developed TheHub.dk, a digital platform for sourcing competencies and, since March, also equity funding to small companies that are not yet bankable. We want to support this important growth segment and build relationships at an early stage.

Digitalisation to ensure efficient services
We continued to digitalise our offerings. In the second quarter, we specifically made it faster and easier for small businesses in Denmark to become customers online. This initiative aims to improve the customer experience, while also reducing our costs.

We also continued to expand our MobilePay Business offering, which is available in Denmark, Norway and Finland. The full-range solution, currently available only in Denmark, enables business customers to easily receive payments and process bills and is the market-leading solution in this area.

With the launch of MobilePay Invoice in Denmark in the second quarter, we made it easier for business customers to process bills. The solution enables faster payment and improves liquidity, while reducing the time businesses spend on administrative tasks. The solution was launched for both Business Banking and Corporates & Institutions customers, as was the pilot test of our Financial Dashboard prototype launched at the end of the second quarter. The purpose of the Financial Dashboard is to better support both the day-today and future financial needs of our customers by offering a customised entry point into Danske Bank.

Customer satisfaction
We continue to see the results of our efforts to improve the customer experience as we generally saw a good trend in customer satisfaction in all markets in the first half of 2016, among both large and small customers. In Denmark, we saw the highest level of customer satisfaction among small customers in recent years.

We are on target in three of our four markets, as we are number one in Norway and share a position as number one in Sweden and Finland. In Denmark, we improved our position from number four to number three and saw a positive trend in customer satisfaction relative to our peers.

Source: BD Sales & Customer Engagement, Customer Insights

Q2 2016 vs Q1 2016

Profit before tax fell 2% to DKK 1.6 billion in the second quarter of 2016.

Total income increased 2% from the level in the first quarter of 2016, primarily owing to a 2% rise in lending.

Net interest income increased 2%, owing to the growth in lending, while net fee income was largely unchanged.

Operating expenses increased 4%, owing to a VAT refund in the first quarter, seasonality in costs and increasing regulatory costs.

Loan impairments remained at a very low level, amounting to DKK 5 million in the second quarter.

Corporates & Institutions

Profit before tax amounted to DKK 2.4 billion, a decline of DKK 0.8 billion from the same period last year. The decline was owing mainly to less benign market conditions than in the first half of 2015 and higher impairments as collective impairment charges were made against facilities to the oil sector. Credit value adjustments also had an adverse effect owing to lower interest rates and higher credit spreads for the period as well as model improvements. Market conditions improved and client activity rose from the first to the second quarter of 2016.

Corporates & Institutions (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Net interest income	1,488	1,363	109	761	727	105	703	108	2,660
Net fee income	1,117	1,252	89	574	543	106	643	89	2,408
Net trading income	2,374	2,877	83	1,284	1,090	118	1,177	109	4,799
Other income	16	2	-	3	14	19	-	-	7
Total income	4,996	5,494	91	2,622	2,374	110	2,523	104	9,873
Operating expenses	2,322	2,284	102	1,219	1,103	111	1,126	108	4,412
Profit before loan impairment charges	2,673	3,210	83	1,403	1,271	110	1,398	100	5,461
Loan impairment charges	320	11	-	125	195	64	-153	-	65
Profit before tax	**2,353**	**3,199**	**74**	**1,278**	**1,076**	**119**	**1,551**	**82**	**5,396**
Loans, excluding reverse trans. before impairments	192,100	179,160	107	192,100	187,991	102	179,160	107	172,176
Allowance account, loans	1,825	2,758	66	1,825	1,857	98	2,758	66	2,155
Allowance account, credit institutions	40	67	60	40	26	154	67	60	6
Deposits, excluding repo deposits	238,847	229,522	104	238,847	215,647	111	229,522	104	213,532
Bonds issued by Realkredit Danmark	19,686	22,818	86	19,686	20,992	94	22,818	86	22,030
Allowance account, guarantees	228	239	96	228	246	93	239	96	208
Allocated capital (average)*	38,603	38,308	101	36,864	40,346	91	38,508	96	36,471
Net interest income as % p.a. of loans and deposits	0.69	0.67		0.71	0.72		0.69		0.69
Profit before tax as % p.a. of allocated capital (ROAC)	12.2	16.7		13.9	10.7		16.1		14.8
Cost/income ratio (%)	46.5	41.6		46.5	46.5		44.6		44.7
Full-time-equivalent staff	1,828	1,832	100	1,828	1,810	101	1,832	100	1,832

Total income (DKK millions)									
FICC	2,033	2,433	84	1,078	955	113	1,014	106	4,049
Capital Markets	824	894	92	455	369	123	391	116	1,535
General Banking	2,139	2,167	99	1,089	1,050	104	1,118	97	4,289
Total income	**4,996**	**5,494**	**91**	**2,622**	**2,374**	**110**	**2,523**	**104**	**9,873**

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

First half 2016 vs first half 2015

After very challenging market conditions at the beginning of 2016, client activity picked up in March, fuelled primarily by European Central Bank (ECB) policy decisions. The higher levels of activity continued throughout the second quarter, although the British referendum contributed to significant market volatility towards the end of the period.

Total income fell 9% to DKK 5.0 billion. Net interest income rose 9% as a result of less margin pressure than in the first half of 2015. Net fee income dropped 11% owing to a decline in activity from the level last year.

Net trading income picked up in the second quarter of 2016 on the basis of increased client activity, but market conditions and client activity were less favorable than in the first half of 2015. In addition, net trading income was adversely affected by credit value adjustments (CVA) owing to lower interest rates and higher credit spreads for the period as well as model improvements. Combined, these factors kept net trading income 17% below the level for the first half of 2015.

Operating expenses were on par with the first half of 2015.

Market area developments

Total income from Fixed Income, Currencies and Commodities (FICC) declined 16% from the level in the first half of 2015, owing to the above-mentioned CVA effects. The underlying FICC business benefited from high client activity in the second quarter of 2016.

With total income of DKK 0.8 billion, Capital Markets was slightly below the level in the first half of 2015 because of challenging credit markets, especially at the beginning of the year. Income from both Corporate Finance and General Banking was on par with the first half of 2015.

Credit quality

In the first half of 2016, total impairments for Corporates & Institutions increased to DKK 320 million from a low level in the first half year of 2015. The increase was owing primarily to collective impairment charges against facilities to the oil sector.

Loan portfolio quality at Corporates & Institutions is considered to be strong. At 30 June 2016, total credit exposure from lending activities, including repo transactions, amounted to DKK 768 billion. The total portfolio rose 15% from the level at the end of 2015. The rise was caused mainly by increased exposure to sovereigns as deposits with central banks increased on the basis of the substantial inflow of liquidity into the Danish financial system. Credit exposure to financial institutions and corporate clients increased slightly.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2016	31 December 2015	30 June 2016
Sovereign	150,442	77,722	-0.03
Financial Institutions	274,342	256,758	0.02
Corporate	343,571	332,771	0.32
Other	110	31	-
Total	**768,465**	**667,283**	**0.16**

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

Business initiatives

During the first half of 2016, Corporates & Institutions continued to promote a simpler and more intuitive customer experience by developing new, and expanding existing, solutions in close collaboration with customers.

In FICC and Capital Markets we continued our efforts to further develop our business model with an increased focus on providing advisory services and risk facilitation. As a result, a number of important transactions and mandates were executed in the first half of 2016, including an M&A financial adviser role for Sponda, a sole arranger role in a US private placement transaction for Danish Crown, and bond transactions for Aspo in Finland and Kongsberg in Norway. Danske Bank was also a joint bookrunner in the DONG Energy initial public offering (IPO).

Transaction Banking also won a number of important deals in the first half of 2016. Among these, a cash management mandate for the National Debt Office in Sweden – which also included our new In-house Bank solution.

Supporting customers' financial needs

One example of a solution developed in close collaboration with customers is the 'X-ray services', which is part of the Post Trade Services offering. X-ray services help clients to better understand and calculate the risk on an underlying portfolio fund investment.

At the end of the second quarter, we launched a pilot test of our Financial Dashboard prototype to selected customers of Business Banking and Corporates & Institutions. Our aim is to better support both the day-to-day and future financial needs of clients. We will achieve this by creating a customised entry point into Danske Bank with interconnected services tailored to client needs. We will provide new views, solutions and insights into their business, leverage data-driven recommendations and provide access to third-party services. We do this to support our clients' business and the customer experience in general.

Digitalisation

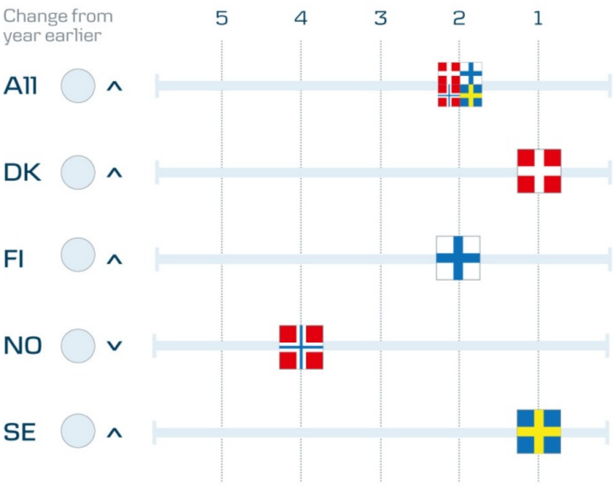
In the second quarter, we launched Mobilepay Invoice in collaboration with Business Banking. We also continued to develop our new online invoice payment solution, DynamicPay, with selected corporate and institutional customers and their respective suppliers. DynamicPay provides buyers with a single automated payment setup for their entire supplier base. It also enables suppliers to decide when payment should take place and to have the possibility of receiving early payment against a dynamic discount.

Customer satisfaction

Customer satisfaction remained high in the first half of 2016.

This resulted in a number one position in strategically important areas such as Interest Rate Swaps in the Nordics, where Danske Bank was number one for the second consecutive year, Cash Management in the Nordics – for the third consecutive year – and Trade Finance in the Nordics – for the sixth consecutive year. We were also number one in Foreign Exchange, Nordics for the first time.

Market position, all (rolling year)



The chart shows current average ranking over a full set of reports for all Prospera surveys that Corporates & Institutions subscribes to (104 surveys), compared with main competitors in each geographical market. A number 1 position in a geographical market indicates best average ranking in that specific market.

Despite tough competition, we managed to maintain the aggregated position for Corporates & Institutions. The strong results were driven primarily by improvements in Denmark and Finland, supported by Sweden, where we achieved a shared number one position. In Norway, our position was impacted by the intensified competitive pressure. We do, however, hold the number one position in the strategic focus area, Corporate Banking, and we will continue our efforts to improve our overall position in the Norwegian market.

Q2 2016 vs Q1 2016

Profit before tax increased 19% from the first quarter of 2016, mainly because of improved market conditions and lower impairments.

Capital consumption decreased DKK 3.5 billion from the first to the second quarter of 2016 owing to lower market and credit risk.

General Banking income was unchanged.

At Capital Markets, income rose 23%. Activity was subdued in the first quarter owing to challenging market conditions, but conditions improved in the second quarter.

At FICC, income rose 13% because of increased client activity as a result of the improved market conditions.

Operating expenses increased 11% from the level in the previous quarter, mainly owing to positive one-offs in the previous quarter.

Wealth Management

The integration of the newly established unit continued, and Wealth Management delivered a profit before tax of DKK 2.0 billion. The result was lower than in the first half of 2015 owing to the volatile markets early in the year and again in connection with the outcome of the UK referendum on EU membership. Market developments adversely affected trading and investment results – mainly in relation to the health and accident business of Danica Pension – which fell from the unusually high levels in the first half of 2015. The market developments also reduced the nominal value of assets under management. The initiatives to support our ambition of growing our market shares within Nordic wealth management are progressing according to plan.

Wealth Management (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Net interest income	332	317	105	164	168	98	156	105	620
Net fee income	3,052	3,271	93	1,501	1,550	97	1,670	90	6,977
Net trading income	144	295	49	59	85	69	-34	-	316
Other income	261	261	100	158	104	151	117	135	564
Total income	3,789	4,144	91	1,882	1,907	99	1,909	99	8,477
Operating expenses	1,882	1,776	106	964	918	105	893	108	3,702
Profit before loan impairment charges	1,907	2,368	81	918	989	93	1,016	90	4,775
Loan impairment charges	-74	-34	-	-23	-51	-	5	-	-29
Profit before tax	**1,981**	**2,402**	**82**	**941**	**1,040**	**91**	**1,011**	**93**	**4,804**
Loans, exluding reverse trans. before impairments	70,744	67,413	105	70,744	69,472	102	67,413	105	68,399
Allowance account, loans	610	636	96	610	563	108	636	96	604
Deposits, exluding repo deposits	62,917	56,101	112	62,917	58,431	108	56,101	112	52,912
Bonds issued by Realkredit Danmark	30,658	31,110	99	30,658	31,074	99	31,110	99	31,771
Allowance account, guarantees	3	4	79	3	4	79	4	79	2
Allocated capital (average)*	14,673	15,717	93	13,085	16,266	80	15,717	83	15,566
Net interest income as % p.a. of loans and deposits	0.50	0.52		0.49	0.53		0.51		0.51
Profit before tax as % p.a. of allocated capital (ROAC)*	27.0	30.6		28.8	25.6		25.7		30.9
Cost/income ratio (%)	49.7	42.9		51.2	48.1		46.8		43.7
Full-time-equivalent staff	1,983	1,958	101	1,983	1,992	100	1,958	101	1,952

Breakdown of assets under management** (DKK billions)									
Life conventional	166	167	99	166	162	102	167	99	161
Asset management	766	769	100	766	761	101	769	100	774
Assets under advice	403	452	89	403	428	94	452	89	435
Total assets under management	**1,336**	**1,388**	**96**	**1,336**	**1,351**	**99**	**1,388**	**96**	**1,369**

Breakdown of net fee income (DKK millions)									
Management fees	2,472	2,505	99	1,234	1,237	100	1,261	98	4,955
Performance fees	14	92	15	3	11	27	68	4	506
Risk allowance fees	566	674	84	264	302	87	341	77	1,516
Total net fee income	**3,052**	**3,271**	**93**	**1,501**	**1,550**	**97**	**1,670**	**90**	**6,977**

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

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

First half 2016 vs first half 2015
Profit before tax amounted to DKK 2.0 billion, a decline of 18% caused by a market-driven decline in assets under management that reduced net fee income and net trading income, which were unusually high in the first half of 2015.

Net interest income was up 5% to DKK 0.3 billion as a result of a 5% rise in lending volumes.

Net fee income was affected by the turbulence in the financial markets, which led to lower customer activity and a decline in assets under management. Net fee income amounted to DKK 3.1 billion and dropped 7% from the same period last year owing to lower performance and risk allowance fees. Management fees, on the other hand, were unchanged at DKK 2.5 billion.

The financial market turbulence had a negative impact on trading income. Consequently, the investment result of the health and accident business of Danica Pension declined DKK 0.1 billion from the strong result in the first half of 2015. Net trading income thus fell to DKK 0.1 billion.

As a result, total income declined 9% from the year-earlier level.

Operating expenses were up 6%, influenced by the establishment of the new business unit.

Credit quality
Credit quality improved in most markets as a result of more favourable macroeconomic conditions.

As a result of strong credit quality, loan impairments continued to be low, resulting in net reversals of DKK 74 million in the first half of 2016.

Overall, the LTV level was stable during the first half of 2016.

Loan-to-value ratio, home loans

	30 June 2016		31 December 2015	
	Average LTV (%)	Credit exposure (DKK bn)	Average LTV (%)	Credit exposure (DKK bn)
Denmark	62.2	37	62.0	36
Finland	65.4	2	65.4	2
Sweden	61.5	3	64.1	3
Norway	61.2	6	61.4	6
Luxembourg	-	-	-	-
Total	**62.1**	**48**	**62.2**	**47**

Credit exposure
Credit exposure rose 9% in the first half of 2016 to DKK 80.5 billion, mainly because of growth in Norway, Luxembourg and Sweden. In Denmark, credit exposure also increased, owing to increased activity and a net positive effect of fair value adjustments.

(DKK millions)	Net credit exposure 30 June 2016	Net credit exposure 31 December 2015	Impairments (ann.) (%) 30 June 2016
Denmark	51,223	49,378	-0.28
Finland	3,336	3,386	-0.09
Sweden	5,394	5,017	0.03
Norway	9,844	9,186	-0.15
Luxembourg	6,211	5,919	0.05
Other	4,498	722	0.00
Total	**80,505**	**73,607**	**-0.21**

Assets under management
Assets managed consist of our life conventional business (*Danica Traditionel*), asset management (Danica unit-linked and Danske Capital) as well as assets under advice, where the investment decision is taken by the client. For the first half of 2016, assets under management totalled DKK 1,336 billion.

Assets under management were reduced by 4%, or DKK 52 billion, from the level in the first half of 2015. The reduction was driven by lower asset prices, which were partly offset by a positive inflow from net sales and premiums. For Danske Capital, net sales amounted to DKK 9 billion, which came from institutional clients. The inflow of premiums to Danica Pension (life conventional and unit-linked) increased 3% and amounted to DKK 16 billion.

Investment return on customer funds
For our asset management business, 61% of all investment products generated above-benchmark results. On a 3-year horizon, 68% were above benchmark.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*

	First half 2016	3-year
All funds	61	68
Equity funds	57	68
Fixed-income funds	75	78
Balanced funds etc.	45	40

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

Customers with *Danica Balance* achieved returns on investments of -2.1% to 2.3%. The return for customers with *Danica Balance* (medium risk profile with 15 years to retirement) was 1.7%. Compared with the market return, the return was satisfactory, and the positive trend we have seen since the summer of 2015 continued.

Business initiatives
The organisational structure of Wealth Management is now in place, and the strategic direction has been set. We aim to be recognised as the leading Wealth Management bank in the Nordics and to deliver a truly coherent and integrated Private Banking, asset management and life and pension offering.

The following initiatives were launched to support our ambition of growing our market shares:

Sustainable investments
During the second quarter, we expanded our offering within the growing market for sustainable investments. We launched the new "European Corporate Sustainable Bonds" fund (with a net inflow of DKK 0.4 billion). The fund invests in bonds issued by companies that meet enhanced responsible investment criteria in addition to the standard responsible investment screening.

Health offerings
We focused on increasing customer awareness of the new Health Package launched by Danica Pension at the beginning of the year. Unique in the Nordic countries, the package provides a second opinion via Best Doctors and gives Danica Pension's customers access to an extensive network of international experts. The package also contains a stress hotline, help to navigate the public health system and online health checks. Of the first customers that have used Best Doctors, more than 80% rate it a 9 or 10 of 10, with a similar proportion stating that it is 'very important' that Danica provides access to the service.

Improved investment reporting
During the first half of 2016, we introduced a number of solutions aimed at improving customers' tracking and understanding of their investments in order to help them feel more in control.

We have launched a new reporting solution that targets institutional customers, initially as a pilot with selected Swedish customers. The solution provides a coherent and structured report of investment performance with digital and interactive access to the investment reporting. Increased flexibility is key to the solution, and we continue to develop it on the basis of feedback from customers. The goal is for the majority of our customers to have started using the first version of the reporting solution by the end of the year.

We also started testing a new app for individual investors with selected users. The app provides the user with a simple, interactive and engaging overview of their specific investment performance. This is a first step towards providing customers with holistic and goals-based digital advisory tools.

Customer satisfaction
In the Prospera institutional client survey, Danske Capital was ranked number one in Denmark and number three in Norway. We also received the following awards during the first half of 2016:

- Morningstar: Danske Invest was named the best in equities in Denmark for the eighth year running.
- EuroHedge: Danske Invest Hedge Fixed Income Strategies was ranked number 1 in the Long-term performance – macro, fixed income & relative value (5 years) category. In addition, Danske Invest Europe Long-Short Dynamic was ranked number 1 in the UCITS Equities category.

In the Aalund half-year survey from June 2016, Danica Pension was ranked third on customer satisfaction among corporate customers.

Q2 2016 vs Q1 2016

In the second quarter of 2016, profit before tax decreased to DKK 0.9 billion, down 9% from the level in the first quarter of 2016.

Total income declined 1% because of lower net fee and net trading income.

Operating expenses were up 5%, primarily because of seasonal effects.

Loan impairments showed a net reversal and reflected the ongoing improvement in credit quality.

The capital allocated to Danica Pension was reduced, primarily because of a lower solvency capital requirement resulting from transitional rules coming into effect in the second quarter of 2016.

Northern Ireland

Profit before tax declined 9% to DKK 608 million. Loan impairment charges continued to show a net reversal, however, reversals were lower in the first half of 2016 than in the same period in 2015. Reported financials were adversely impacted by the decline in the GBP/DKK exchange rate from the same period last year. In local currency the profit before tax decreased 1%.

Northern Ireland (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Net interest income	777	794	98	392	385	102	406	97	1,620
Net fee income	233	250	93	112	121	93	123	91	487
Net trading income	47	57	83	25	23	108	28	88	118
Other income	12	9	137	3	9	31	6	47	14
Total income	1,070	1,110	96	532	538	99	563	95	2,239
Operating expenses	613	675	91	328	285	115	336	98	1,369
Goodwill impairment charges	-	-	-	-	-	-	-	-	150
Profit before loan impairment charges	457	435	105	204	253	81	227	90	720
Loan impairment charges	-151	-234	-	-71	-81	-	-121	-	-561
Profit before tax	**608**	**669**	**91**	**275**	**334**	**82**	**348**	**79**	**1,281**
Profit before tax and goodwill impairment charges	**608**	**669**	**91**	**275**	**334**	**82**	**348**	**79**	**1,431**
Loans, excluding reverse transactions before impairments	46,073	54,469	85	46,073	48,125	96	54,469	85	52,225
Allowance account, loans	2,127	4,668	46	2,127	2,480	86	4,668	46	2,789
Deposits, excluding repo deposits	58,786	62,291	94	58,786	59,655	99	62,291	94	63,601
Allowance account, guarantees	23	34	68	23	24	96	34	68	26
Allocated capital (average)*	8,330	8,013	104	8,342	8,319	100	8,013	104	8,142
Net interest income as % p.a. of loans and deposits	1.51	1.42		1.53	1.46		1.45		1.43
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROE)	14.6	16.7		13.2	16.1		17.4		17.5
Cost/income ratio before goodwill impairment charges (%)	57.3	60.8		61.7	53.0		59.7		61.1
Full-time-equivalent staff	1,273	1,280	99	1,273	1,285	99	1,280	99	1,287

** Allocated capital equals the legal entity's capital.*

First half 2016 vs first half 2015

Profit before tax decreased 9% to DKK 608 million, as a result of lower impairment reversals in the first half of 2016.

Total income stood at DKK 1,070 million and was adversely affected by movements in the GBP/DKK exchange rate. Net interest income was 2% lower than in the first half of 2015.

Operating expenses were down 9%, reflecting our ongoing focus on cost reductions and benefited from the currency movement.

First half 2016 vs first half 2015 in local currency

In local currency, profit before impairments rose 13% with total income up 4% and costs down 2%. Net interest income benefited from lower funding costs, fee income increased because of card-related income, whilst other income reflected profit on the sale of a property.

UK referendum on EU membership

The outcome of the UK referendum on EU membership is expected to impact economic activity in Northern Ireland. It is too early to predict the extent of the impact, but uncertainty concerning future growth has increased and we expect some pressure on net interest income from lower base rates.

Credit quality

Credit quality remained stable during the period.

Loan impairments amounted to a net reversal of DKK 151 million, reflecting realisation of collateral in an improving property market.

(DKK millions)	Net credit exposure 30 June 2016	Net credit exposure 31 December 2015	Impairments (ann.) (%) 30 June 2016
Personal customers	17,866	19,443	0.17
Public institutions	12,677	17,598	-0.18
Financial customers	2,908	455	0.61
Commercial customers	30,152	32,535	-1.26
Total	**63,604**	**70,030**	**-0.60**

Business initiatives

Our business in Northern Ireland has operated as a separate unit since 1 January 2016 with the objectives of improving the market position and increasing the focus on creating value for customers. The vision is to be recognised as the best bank in Northern Ireland for both customers and other stakeholders. In order to achieve this, we continue to develop our business and products.

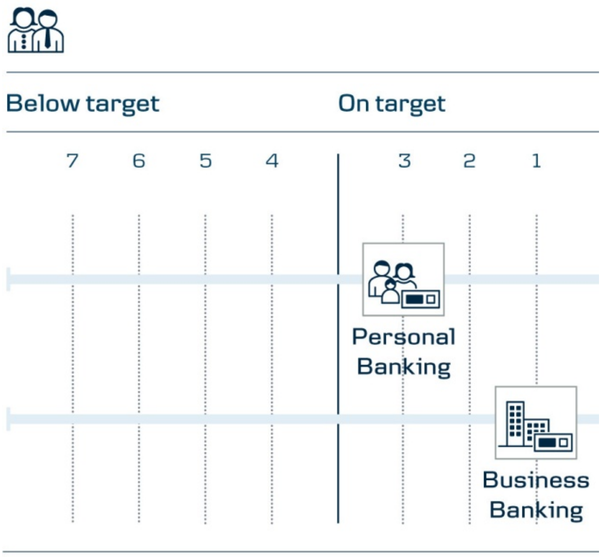
Broker distribution
In the first half of 2016, we enhanced our residential mortgage distribution capability through brokers. Brokers are an important distribution channel in the local market, supplementing established branch and direct distribution channels. Brokers represent between 65-70% of the local market.

While credit quality requirements have been maintained, the increased use of brokers has, together with improvements to the customer proposition, resulted in a significant increase in mortgage approvals from the same period in 2015. Further improvements in the mortgage broker channel proposition will be introduced over the remainder of 2016.

Personal and small business customers
In the second quarter, we introduced revised current account propositions for both personal and small business customers. Competition is increasing for both customer types. As market leaders, we are focused on having best-in-class and value-creating offerings for our customers, while remaining competitive.

Customer satisfaction
In the business segment, we continue to be the overall market leader for customer satisfaction in Northern Ireland. For larger businesses, we enjoy a clear lead over our competitors, although there has been greater volatility in the small business segment.

For personal customers, our customer satisfaction position was a third place at the end of June 2016, the same position as at the end of 2015.



Source: PB Strategy & Insights, Customer Insights and BD Sales Customer Engagement, Customer Insights

Q2 2016 vs Q1 2016

Profit before tax fell in the second quarter, reflecting a combination of lower impairment reversals, higher costs and a decline in the GBP/DKK exchange rate.

Loan impairments continued the trend of lower net reversals.

Non-core

Profit before tax for the first half of 2016 was DKK 47 million, an increase of DKK 17 million from the level in the first half of 2015. Both income and costs improved from the level in the same period last year.

Non-core (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Total income	145	106	136	74	70	106	52	143	334
Operating expenses	178	213	84	92	86	107	113	81	406
Profit before loan impairment charges	-34	-107	-	-17	-16	-	-61	-	-72
Loan impairment charges	-80	-137	-	-82	2	-	-1	-	-118
Profit before tax	**47**	**30**	**156**	**65**	**-18**	**-**	**-60**	**-**	**46**
Loans, excluding reverse transactions before impairments	25,167	35,187	72	25,167	26,727	94	35,187	72	27,714
Allowance account, loans	3,859	5,040	77	3,859	3,828	101	5,040	77	3,870
Deposits, excluding repo deposits	3,187	5,525	58	3,187	3,256	98	5,525	58	3,735
Allowance account, guarantees	34	39	87	34	36	95	39	87	46
Allocated capital (average)*	3,116	7,463	42	3,199	3,025	106	5,864	55	6,224
Net interest income as % p.a. of loans and deposits	1.16	0.51		1.21	1.04		0.48		1.06
Profit before tax as % p.a. of allocated capital (ROAC)*	3.0	0.8		8.1	-2.4		-4.1		0.7
Cost/income ratio (%)	122.8	200.9		124.3	122.9		217.3		121.6
Full-time-equivalent staff	236	393	60	236	267	88	393	60	277

Loan impairment charges (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Non-core banking**	-79	-132	-	-82	3	-	-2	-	-118
Non-core conduits etc.	-1	-5	-	-	-1	-	1	-	-
Total	**-80**	**-137**	**-**	**-82**	**2**	**-**	**-1**	**-**	**-118**

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

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

First half 2016 vs first half 2015

Profit before tax in the first half of 2016 amounted to DKK 47 million, against DKK 30 million in the first half of 2015, with the increase being caused by higher income and lower operating expenses. The result benefited from the sale of the residential mortgage loan portfolio relating to mass personal customer business in Lithuania and Latvia.

Total income rose 36% and benefited from the fall in funding costs for conduits that was driven by the ongoing balance sheet reduction. Operating expenses were reduced by 16%, owing primarily to the large reduction in full-time employees.

Total lending, which amounted to DKK 25.2 billion, consisted mainly of exposure to personal mortgages and conduits. Personal mortgages in Estonia and Ireland will mature according to contractual terms.

The Non-core conduits portfolio amounted to DKK 7.2 billion, against DKK 8.7 billion in the first half of 2015. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio was stable.

	Net credit exposure		Accumulated impairment charges	
(DKK millions)	30 June 2016	31 Dec. 2015	30 June 2016	31 Dec. 2015
Non-core banking*	19,312	20,571	3,656	3,673
-of which Personal customers	19,031	20,035	2,687	2,560
Non-core conduits etc.	7,152	7,992	238	243
Total	**26,464**	**28,563**	**3,893**	**3,916**

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

Total impairments amounted to a net reversal of DKK 80 million, against a net reversal of DKK 137 million in the first half of 2015. This development was due to lower reversals within the commercial property portfolio in Ireland being partly offset by a reversal resulting from the completion of the sale of the Non-core mass personal customer business in Lithuania and Latvia.

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

Q2 2016 vs Q1 2016

Profit before tax amounted to DKK 65 million, up DKK 83 million from the level in the first quarter.

Loan impairment charges improved from a charge of DKK 2 million in the first quarter to a net reversal of DKK 82 million in the second quarter.

Other Activities

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

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

Other Activities (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Net interest income	124	191	65	134	-10	-	165	81	284
Net fee income	-51	-117	-	-38	-14	-	-60	-	-212
Net trading income	614	450	136	529	84	-	-120	-	492
Other income	904	184	-	56	849	7	153	37	568
Total income	1,591	708	225	682	909	75	138	-	1,132
Operating expenses	233	64	-	169	66	256	1	-	606
Profit before loan impairment charges	1,358	644	211	513	843	61	137	-	526
Loan impairment charges	1	-1	-	-0	1	-	-3	-	1
Profit before tax	**1,357**	**645**	**210**	**513**	**842**	**61**	**140**	**-**	**525**

Profit before tax (DKK millions)	First half 2016	First half 2015	Index 16/15	Q2 2016	Q1 2016	Index Q2/Q1	Q2 2015	Index 16/15	Full year 2015
Group Treasury	505	470	107	490	15	-	-82	-	286
Own shares	-3	-177	-	36	-38	-	-78	-	-154
Group support functions	855	352	243	-12	865	-	300	-	393
Total Other Activities	**1,357**	**645**	**210**	**513**	**842**	**61**	**140**	**-**	**525**

First half 2016 vs first half 2015

Other Activities posted a profit before tax of DKK 1,357 million, against DKK 645 million in the first half of 2015.

Net trading income amounted to DKK 614 million, benefiting from a one-off gain on the sale of VISA Europe in the second quarter and positive fair value adjustments of the liquidity portfolio and the private equity portfolio in the second quarter. The year-earlier income of DKK 450 million also benefited from positive fair value adjustments of the liquidity portfolio and the private equity portfolio.

Other income amounted to DKK 904 million, against DKK 184 million in the first half of 2015. Other income included a gain related to the sale of the head office buildings at Holmens Kanal in Copenhagen.

Q2 2016 vs Q1 2016

In the second quarter of 2016, profit before tax was DKK 513 million, against DKK 842 million in the first quarter.

Other income amounted to DKK 56 million, against DKK 849 million in the first quarter. Income was higher in the first quarter because of gains on property sales.

Operating expenses amounted to DKK 169 million, against DKK 66 million in the first quarter, with the increase being partly due to increasing regulatory costs.

Income statement – Danske Bank Group

Note	(DKK millions)	First half 2016	First half 2015	Q2 2016	Q2 2015	Full year 2015
	Interest income	28,355	30,769	13,774	15,058	59,666
	Interest expense	12,209	13,742	5,682	6,428	26,333
	Net interest income	16,146	17,026	8,092	8,629	33,333
	Fee income	7,565	7,825	3,752	3,939	15,566
	Fee expenses	3,093	2,415	1,759	1,267	4,887
	Net trading income	-134	6,519	1,739	-4,920	6,908
3	Other income	3,140	2,660	1,523	1,781	5,275
	Net premiums	10,116	10,599	4,485	5,061	21,359
	Net insurance benefits	9,873	17,739	5,819	1,584	30,468
	Operating expenses	12,003	12,152	6,292	6,046	24,785
	Impairment charges on goodwill and customers relations	-	-	-	-	4,601
	Profit before loan impairment charges	11,864	12,322	5,720	5,594	17,701
4	Loan impairment charges	-188	146	-60	-220	-61
	Profit before tax	12,051	12,176	5,780	5,814	17,762
	Tax	2,688	2,757	1,362	1,346	4,639
	Net profit for the period	**9,363**	**9,419**	**4,418**	**4,468**	**13,123**
	Portion attributable to					
	shareholders of Danske Bank A/S (the Parent Company)	9,041	9,140	4,258	4,307	12,516
	additional tier 1 capital holders	322	279	161	161	607
	non-controlling interests	-	-	-	-	-
	Net profit for the period	**9,363**	**9,419**	**4,418**	**4,468**	**13,123**
	Earnings per share (DKK)	9.4	9.2	4.4	4.4	12.8
	Diluted earnings per share (DKK)	9.4	9.2	4.4	4.4	12.8
	Proposed dividend per share (DKK)	-	-	-	-	8.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2016	First half 2015	Q2 2016	Q2 2015	Full year 2015
Net profit for the period	9,363	9,419	4,418	4,468	13,123
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	-464	289	-432	258	568
Tax	133	-27	112	-35	-70
Items that will not be reclassified to profit or loss	**-331**	**262**	**-320**	**223**	**498**
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	-1,111	1,038	-309	79	681
Hedging of units outside Denmark	1,100	-1,166	262	-95	-797
Unrealised value adjustments of available-for-sale financial assets	192	-1	55	-41	-17
Realised value adjustments of available-for-sale financial assets	-8	-36	-5	-	-68
Tax	-227	233	-12	23	176
Items that are or may be reclassified subsequently to profit or loss	**-54**	**68**	**-9**	**-34**	**-25**
Total other comprehensive income	**-385**	**330**	**-329**	**189**	**473**
Total comprehensive income for the period	**8,978**	**9,749**	**4,089**	**4,657**	**13,596**
Portion attributable to					
shareholders of Danske Bank A/S (the Parent Company)	8,656	9,470	3,928	4,496	12,989
additional tier 1 capital holders	322	279	161	161	607
non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	**8,978**	**9,749**	**4,089**	**4,657**	**13,596**

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 June 2016	31 December 2015	30 June 2015
	Assets			
	Cash in hand and demand deposits with central banks	57,322	76,837	125,965
	Due from credit institutions and central banks	186,582	103,859	185,277
	Trading portfolio assets	577,415	547,019	596,740
	Investment securities	333,321	343,304	330,926
	Loans at amortised cost	1,141,990	1,079,257	1,068,246
	Loans at fair value	757,222	741,660	737,370
	Assets under pooled schemes and unit-linked investment contracts	91,499	91,893	90,081
	Assets under insurance contracts	294,647	265,572	269,214
	Intangible assets	6,587	6,505	11,148
	Tax assets	3,304	1,550	3,825
7	Others assets	33,438	35,422	33,421
	Total assets	**3,483,327**	**3,292,878**	**3,452,213**
	Liabilities			
	Due to credit institutions and central banks	289,363	271,588	312,871
	Trading portfolio liabilities	487,322	471,131	485,838
	Deposits	952,386	863,474	984,409
	Bonds issued by Realkredit Danmark	706,503	694,519	691,544
	Deposits under pooled schemes and unit-linked investment contracts	99,313	96,958	95,432
	Liabilities under insurance contracts	319,351	285,030	288,658
6	Other issued bonds	391,477	363,931	345,532
	Tax liabilities	7,985	8,333	8,430
7	Other liabilities	32,813	37,093	42,598
6	Subordinated debt	38,726	39,991	36,846
	Total liabilities	**3,325,238**	**3,132,048**	**3,292,158**
	Equity			
	Share capital	9,837	10,086	10,086
	Foreign currency translation reserve	-604	-593	-605
	Reserve for available-for-sale- financial assets	72	-401	-353
	Retained earnings	137,476	132,352	139,587
	Proposed dividends	-	8,069	-
	Shareholders of Danske Bank A/S (the Parent Company)	146,779	149,513	148,715
	Additional tier 1 capital holders	11,308	11,317	11,340
	Non-controlling interests	-	-	-
	Total equity	**158,089**	**160,830**	**160,055**
	Total liabilities and equity	**3,483,327**	**3,292,878**	**3,452,213**

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)								
(DKK millions)	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 2016	10,086	-593	-401	132,352	8,069	149,513	11,317	-	160,830
Changed recognition of insurance liabilities	-	-	-	-205	-	-205	-	-	-205
Restated total equity at 1 January 2016	10,086	-593	-401	132,147	8,069	149,308	11,317	-	160,625
Net profit for the period	-	-	-	9,041	-	9,041	322	-	9,363
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-464	-	-464	-	-	-464
Translation of units outside Denmark	-	-1,111	-	-	-	-1,111	-	-	-1,111
Hedging of units outside Denmark	-	1,100	-	-	-	1,100	-	-	1,100
Unrealised value adjustments	-	-	192	-	-	192	-	-	192
Realised value adjustments	-	-	-8	-	-	-8	-	-	-8
Transfer between reserves	-	-	289	-289	-	-	-	-	-
Tax	-	-	-	-94	-	-94	-	-	-94
Total other comprehensive income	-	-11	473	-847	-	-385	-	-	-385
Total comprehensive income for the period	**-**	**-11**	**473**	**8,194**	**-**	**8,656**	**322**	**-**	**8,978**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-	-	-	-	-
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-325	-	-325
Dividends paid	-	-	-	311	-8,069	-7,758	-	-	-7,758
Share capital reduction	-249	-	-	249	-	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-20,004	-	-20,004	-45	-	-20,049
Sale of own shares and additional tier 1 capital	-	-	-	16,483	-	16,483	39	-	16,522
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	96	-	96	-	-	96
Total equity at 30 June 2016	**9,837**	**-604**	**72**	**137,476**	**-**	**146,779**	**11,308**	**-**	**158,089**

On 4 February 2016, the Group initiated a share buy-back programme of DKK 9 billion, which may run until 4 February 2017. At the end of June 2016, the Group had acquired 19,859,000 shares for a total amount of DKK 3,642 million under the share buy-back programme based on trade date.

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

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)								
(DKK millions)	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 2015	10,086	-477	-316	131,869	5,547	146,709	5,673	2	152,384
Net profit for the period	-	-	-	9,140	-	9,140	279	-	9,419
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	289	-	289	-	-	289
Translation of units outside Denmark	-	1,038	-	-	-	1,038	-	-	1,038
Hedging of units outside Denmark	-	-1,166	-	-	-	-1,166	-	-	-1,166
Unrealised value adjustments	-	-	-1	-	-	-1	-	-	-1
Realised value adjustments	-	-	-36	-	-	-36	-	-	-36
Tax	-	-	-	206	-	206	-	-	206
Total other comprehensive income	-	-128	-37	495	-	330	-	-	330
Total comprehensive income for the period	**-**	**-128**	**-37**	**9,635**	**-**	**9,470**	**279**	**-**	**9,749**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-56	-	-56	5,583	-	5,527
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-161	-	-161
Dividends paid	-	-	-	53	-5,547	-5,494	-	-2	-5,496
Acquisition of own shares and additional tier 1 capital	-	-	-	-18,372	-	-18,372	-34	-	-18,406
Sale of own shares and additional tier 1 capital	-	-	-	16,424	-	16,424	-	-	16,424
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	34	-	34	-	-	34
Total equity at 30 June 2015	**10,086**	**-605**	**-353**	**139,587**	**-**	**148,715**	**11,340**	**-**	**160,055**

Statement of capital – Danske Bank Group

	30 June 2016	31 December 2015
Share capital (DKK)	9,837,128,350	10,086,200,000
Number of shares	983,712,835	1,008,620,000
Number of shares outstanding	958,081,450	976,029,806
Average number of shares outstanding for the period	970,442,200	987,987,050
Average number of shares outstanding, including dilutive shares, for the period	970,981,391	989,291,999

Total capital and total capital ratio		
Total equity	158,089	160,830
Revaluation of domicile property at fair value	612	884
Tax effect of revaluation of domicile property at fair value	-117	-172
Reserves in undertakings consolidated on a pro rata basis	-	3,002
Total equity calculated in accordance with the rules of the Danish FSA	158,584	164,544
Additional tier 1 capital instruments included in total equity	-11,135	-11,177
Accrued interest on additional tier 1 capital instruments	-152	-155
Tax on accrued interest on additional tier 1 capital instruments	34	36
Common equity tier 1 capital instruments	147,331	153,248
Adjustment to eligible capital instruments	-5,769	-154
Prudential valuation	-1,135	-
Prudential filters	-543	-507
Expected/proposed dividends	-4,680	-8,069
Intangible assets of banking operations	-6,505	-6,426
Deferred tax on intangible assets	294	337
Deferred tax assets that rely on future profitability excluding temporary differences	-413	-343
Defined benefit pension fund assets	-1,068	-808
Statutory deduction for insurance subsidiaries	-1,075	-2,885
Other statutory deductions	-166	-35
Common equity tier 1 capital	**126,270**	**134,358**
Additional tier 1 capital instruments	20,669	22,338
Statutory deduction for insurance subsidiaries	-358	-2,164
Other statutory deductions	-5	-7
Tier 1 capital	**146,575**	**154,525**
Tier 2 capital instruments	23,038	22,782
Statutory deduction for insurance subsidiaries	-358	-2,164
Other statutory deductions	-5	-7
Total capital	**169,250**	**175,136**
Total risk exposure amount	**800,329**	**833,594**
Common equity tier 1 capital ratio (%)	15.8	16.1
Tier 1 capital ratio (%)	18.3	18.5
Total capital ratio (%)	21.1	21.0

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under CRR, taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority. A new filter has been introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Commission has adopted a Delegated Regulation on regulatory technical standards for prudent valuation that has been effective from February 2016.

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

The risk exposure amount calculated under the Basel I rules amounted to DKK 1,454,035 million at 30 June 2016 (31 December 2015: DKK 1,441,527 million). The capital need under the transitional rules was DKK 93,058 million, equal to 11.6% of the reported risk exposure amount (31 December 2015: DKK 92,258 million).

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

Cash flow statement – Danske Bank Group

(DKK millions)	First half 2016	First half 2015	Full year 2015
Cash flow from operations			
Profit before tax	12,051	12,176	17,762
Tax paid	-4,433	-4,751	-4,770
Adjustment for non-cash operating items	-2,444	-1,482	6,858
Total	5,174	5,943	19,850
Changes in operating capital			
Amounts due to/from credit institutions and central banks	17,786	-14,387	-56,229
Trading portfolio	-14,205	80,983	115,996
Aquisition / sale of own shares and additional tier 1 capital	31	-148	15
Other financial instruments	7,117	-7,459	-24,083
Loans at amortised cost	-62,545	24,510	13,706
Loans at fair value	-15,561	4,239	-51
Deposits	88,912	18,214	-102,722
Bonds issued by Realkredit Danmark	11,984	35,579	38,553
Assets/liabilities under insurance contracts	5,246	579	593
Other assets/liabilities	34,018	22,660	34,704
Cash flow from operations	**77,957**	**170,713**	**40,332**
Cash flow from investing activities			
Acquisition/sale of businesses	81	-	11
Acquisition of intangible assets	-313	-263	-626
Acquisition of tangible assets	-106	-105	-378
Sale of tangible assets	891	75	661
Cash flow from investing activities	**553**	**-293**	**-332**
Cash flow from financing activities			
Issues of subordinated debt	-	-	3,725
Redemption of subordinated debt	-	-5,212	-5,212
Dividends	-7,758	-5,493	-5,494
Share buy back programme*	-3,559	-1,834	-5,000
Issued additional tier 1 capital	-	5,525	5,527
Paid interest on additional tier 1 capital	-325	-161	-529
Change in non-controlling interests	-	-2	-2
Cash flow from financing activities	**-11,642**	**-7,177**	**-6,985**
Cash and cash equivalents at 1 January	178,835	143,543	143,543
Foreign currency translation	-3,649	3,154	2,277
Change in cash and cash equivalents	66,868	163,243	33,015
Cash and cash equivalents, end of period	**242,054**	**309,940**	**178,835**
Cash and cash equivalents end of period			
Cash in hand	8,930	10,050	10,638
Demand deposits with central banks	48,392	115,915	66,199
Amounts due from credit institutions and central banks within three months	184,732	183,975	101,998
Total	**242,054**	**309,940**	**178,835**

* Shares acquired under the share buy-back programme are recognised at settlement date.

Notes – Danske Bank Group

1. Significant accounting policies and estimates

(a) General

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

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

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

Changes to the accounting policy for insurance liabilities

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

Changes to financial highlights and segment reporting

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

Wealth Management consists of Danica Pension, Danske Capital and Private Banking. However, assets allocated to Danica Pension's shareholders' equity, tier 2 capital issued by Danica Pension and the related amounts in the income statement are together with special allotments included in Group Treasury (Other activities). Danica Pension and Danske Capital were previously presented as separate business units, whereas Private Banking was included in Personal Banking. After the establishment of Wealth Management, the previous presentation of Danica Pension's earnings as Net income from insurance business in the financial highlights has changed. The risk allowance for the conventional life insurance business and other income from the unit-link business are now presented under Fee income. Net trading income in Wealth Management consists of the return on assets related to the health and accident business, whereas the special allotments and the return on shareholders' investment in Danica Pension are presented as Net trading income in Group Treasury. The risk and guarantee result and net income from the health and accident business are presented under Other income, together with income from the recharge of certain operating expenses to customers, whereas all costs, except external investment costs, are included under Operating expenses.

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

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

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

Notes – Danske Bank Group

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

Income statement (DKK millions)	Highlights First half 2015	Presentation of Danica Pension	Equity Finance	Adjusted highlights First half 2015
Net interest income	10,829	-29	-	10,800
Net fee income	6,134	1,290	95	7,519
Net trading income	4,240	249	-95	4,394
Other income	866	260	-	1,126
Net income from insurance business	1,110	-1,110	-	-
Total income	23,179	660	-	23,839
Operating expenses	10,750	660	-	11,410
Goodwill impairments	-	-	-	-
Profit before loan impairment charges	12,429	-	-	12,429
Loan impairment charges	283	-	-	283
Profit before tax, core	12,146	-	-	12,146
Profit before tax, Non-core	30	-	-	30
Profit before tax	12,176	-	-	12,176
Tax	2,757	-	-	2,757
Net profit for the period	**9,419**	**-**	**-**	**9,419**

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

(DKK millions)	Personal Banking	Business Banking	Wealth Management	Northern Ireland	Other Activities	Danske Capital	Danica Pension	Total
Net interest income	-742	-389	317	795	-13	3	-	-29
Net fee income	-878	-132	3,271	250	-71	-1,150	-	1,290
Net trading income	-114	-29	295	57	40	-	-	249
Other income	-1	-7	261	8	-	-1	-	260
Net income from insurance business		-	-	-	-	-	-1,110	-1,110
Total income	-1,735	-557	4,144	1,110	-44	-1,148	-1,110	660
Operating expenses	-958	-264	1,776	674	-91	-477	-	660
Impairment charges on goodwill and customers relations	-	-	-	-	-	-	-	-
Profit before loan impairment charges	-777	-293	2,368	436	47	-671	-1,110	-
Loan impairment charges	55	212	-34	-233	-	-	-	-
Profit before tax, core	-832	-505	2,402	669	47	-671	-1,110	-
Profit before tax, Non-core	-	-	-	-	-	-	-	-
Profit before tax	-832	-505	2,402	669	47	-671	-1,110	-
Tax	-	-	-	-	-	-	-	-
Net profit for the period	**-832**	**-505**	**2,402**	**669**	**47**	**-671**	**-1,110**	**-**

Notes – Danske Bank Group

(b) Significant accounting estimates

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements. Those estimates and assumptions are presented in the following sections.

The estimates and assumptions are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Fair value measurement of financial instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp would have caused the fair value of the bonds to decrease DKK 86 million (31 December 2015: DKK 65 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. At 30 June 2016, the adjustments totalled DKK 2.1 billion (31 December 2015: DKK 1.3 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. The increase mainly relates to improvements of the CVA model. Note 30 in the annual report 2015 provides more details.

Measurement of loans

The Group makes impairment charges to account for any impairment of loans that occurs after initial recognition. Impairment charges consist of individual and collective charges and rely on a number of estimates, including identification of loans or portfolios of loans with objective evidence of impairment, expected future cash flows and the value of collateral. The Group determines the need for impairment charges on the basis of the customer's expected ability to repay debt. This ability depends on a number of factors, including the customer's earnings capacity and trends in the general economic environment and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.

The losses incurred under non-performing loan agreements depend, among other factors, on the value of collateral received. If the value of collateral decreased 10%, individual impairment charges would increase by about DKK 2.6 billion (31 December 2015: DKK 2.8 billion). The collective impairment charges are sensitive to the credit rating of customers. If all customers were downgraded one rating category, collective impairment charges would increase by about DKK 2.1 billion (31 December 2015: DKK 3.0 billion). Further, a collective impairment charge of DKK 2.7 billion (31 December 2015: DKK 3.8 billion) has been recognised as a management judgement to reflect market conditions at the balance sheet date that are not fully reflected in the Group's models. During the first quarter of 2016, the method used when calculating the collective impairment charges was improved in order to more directly incorporate certain credit risk factors for personal customers and caused the decline in the collective impairment charge recognized as a management judgement. Note 14 in the annual report 2015 and the risk management notes provide more details on impairment charges for loans. At 30 June 2016, loans accounted for about 55% of total assets (31 December 2015: 55%).

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 the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. At 30 June 2016, goodwill amounted to DKK 5.4 billion (31 December 2015: DKK 5.4 billion). Following the impairment charges made in Q4 2015, no goodwill at the banking units remains. For Danske Capital, the carrying amount of goodwill is DKK 1.8 billion (31 December 2015: DKK 1.8 billion) and relates to the activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the impairment test 2015 for Danske Capital amounted to DKK 0.1 billion. If growth in the terminal period were lowered by 0.5 percentage points to 1.2%, or the discount rate were increased by 0.4 percentage points to 9.4%, the excess value would be zero. The outcome of the UK referendum on EU membership has increased the uncertainty concerning future growth, the size of assets under management and the margin hereon. It is too early to reliably predict an eventual impact on the future cash flows in the cash-generating unit in Finland. Note 18 in the annual report 2015 provides more information about impairment testing.

Measurement of liabilities under insurance contracts

Measurement of liabilities under insurance contracts is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates, and on the discount rate. Assumptions of future mortality rates are based on the Danish FSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. As of 1 January 2016, the Group implemented the changes made by the Danish FSA to its executive order on financial reports for insurance companies to harmonise the measurement of insurance liabilities in the financial statements with the measurement under the Solvency II framework. A risk margin has been added to the insurance liabilities and the value of customers' expected frequency of surrenders and conversions into paid-up policies is now explicitly included in the measurement of liabilities for all insurance contracts. Further, the discount yield curve that is set out in the executive order has been changed to the risk free discount yield curve and a volatility adjustment, both published by EIOPA. Previously, the discount yield curve was fixed on a zero-coupon yield curve on the basis of euro swap market rates to which a spread between Danish and German government bonds and a mortgage yield curve spread was added. The change to the discount yield curve is according to IFRS and previous changes to the discount yield curve treated as a change in accounting estimates and resulted in a reduction in insurance liabilities of DKK 0.1 billion. The reduction is included in the income statement under Net insurance benefits in Q1 2016.

Recognition of deferred tax assets and liabilities

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. At 30 June 2016 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.4 billion (31 December 2015: DKK 0.3 billion). The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.1 billion (31 December 2015: DKK 3.2 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.9 billion (31 December 2015: DKK 5.9 billion). Note 20 in the annual report 2015 provides more information about deferred tax.

Notes – Danske Bank Group

2. Business model and business segmentation

Danske Bank is a Nordic universal bank with bridges to the rest of the world. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

The Group consists of a number of business units and support functions. The business units are segmented according to customers, legislation and products and services characteristics. From 2016, the Group has five business units, a Non-core unit and Other Activities.

Personal Banking serves personal customers. The unit focuses on providing proactive advice to customers and making day-to-day banking simple and efficient through innovative digital solutions.

Business Banking serves small and medium-sized businesses through a large network of national finance centers, branches, contact centres and online channels. The unit offers leading solutions within financing, investing, cash management and risk management.

Corporates & Institutions serves large Nordic corporate and institutional customers in the Nordic countries and beyond. This wholesale division of the bank provides strategic advice, financial solutions and products within Capital Markets, Fixed Income, Currencies and Commodities, and Transaction Banking.

Wealth Management serves the Group's entire customer base and encompasses expertise from Danica Pension, Danske Capital and Private Banking.

Northern Ireland serves personal and business customers through a network of branches in Northern Ireland and leading digital channels.

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up and divestment of this part of the loan portfolio. The portfolio consists of loans to customers in Ireland, personal banking customers in the Baltics and liquidity facilities for Special Purpose Vehicles (SPVs) and conduit structures.

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

Presentation in the financial highlights and in the segment reporting

Segment reporting and the financial highlights are based on the information provided to management. The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements and includes the following:

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

In the segment reporting and the financial highlights, income contributed by FICC and trading related income at Capital Markets (both part of C&I) are presented as net trading income. Income contributed by equity finance (also part of C&I) is presented as net fee income. In the IFRS income statement, the income is presented as net interest income, net fee income, net trading income and other income. Similarly, income at Group Treasury (part of Other Activities) except income at the internal bank and income on the hold-to-maturity portfolio are presented as net trading income in the financial highlights and as net interest income, net fee income, net trading income and other income in the IFRS income statement.

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

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

Definition of ratios presented in the management report

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

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments first half 2016

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights	Reclassi fication	IFRS income statement
Net interest income	3,823	4,202	1,488	332	777	-	115	9	10,747	5,399	16,146
Net fee income	1,596	789	1,117	3,052	233	-	-49	-2	6,737	-2,265	4,472
Net trading income	264	292	2,374	144	47	-	646	-32	3,735	-3,869	-134
Other income	312	288	16	261	12	-	967	-63	1,794	1,346	3,140
Net premiums	-	-	-	-	-	-	-	-	-	10,116	10,116
Net insurance benefits	-	-	-	-	-	-	-	-	-	9,873	9,873
Total income	5,995	5,571	4,996	3,789	1,070	-	1,679	-88	23,012	855	23,867
Operating expenses	3,735	2,329	2,322	1,882	613	-	148	85	11,115	888	12,003
Profit before loan impairment charges	2,260	3,242	2,673	1,907	457	-	1,531	-173	11,897	-34	11,864
Loan impairment charges	-179	-23	320	-74	-151	-	1	-	-107	-80	-188
Profit before tax, core	2,440	3,265	2,353	1,981	608	-	1,530	-173	12,004	47	12,051
Profit before tax, Non-core	-	-	-	-	-	47	-	-	47	-47	-
Profit before tax	**2,440**	**3,265**	**2,353**	**1,981**	**608**	**47**	**1,530**	**-173**	**12,051**	**-**	**12,051**
Loans, excluding reverse transactions	725,110	643,534	190,275	70,134	43,947	-	22,610	-31,912	1,663,698	21,308	1,685,006
Other assets	178,548	148,207	3,845,638	476,512	26,954	-	2,562,153	-5,439,936	1,798,074	247	1,798,321
Total assets in Non-core	-	-	-	-	-	21,555	-	-	21,555	-21,555	-
Total assets	903,658	791,740	4,035,913	546,646	70,901	-	2,606,317	-5,471,848	3,483,327	-	3,483,327
Deposits, excluding repo deposits	267,351	224,190	238,847	62,917	58,786	-	13,015	-10,587	854,518	3,187	857,705
Other liabilities	614,154	526,321	3,761,107	471,180	6,338	-	2,560,183	-5,461,261	2,478,021	821	2,478,842
Allocated capital	22,154	41,230	35,959	12,550	5,776	-	29,110	-	146,779	-	146,779
Total liabilities in Non-core	-	-	-	-	-	4,008	-	-	4,008	-4,008	-
Total liabilities and equity	**903,658**	**791,740**	**4,035,913**	**546,646**	**70,901**	**-**	**2,606,317**	**-5,471,848**	**3,483,327**	**-**	**3,483,327**
Profit before tax as % of allocated capital (avg.)	21.9	15.8	12.2	27.0	14.6	-	15.4	-	16.3	-	16.3
Cost/income ratio (%)	62.3	41.8	46.5	49.7	57.3	-	8.8	-	48.3	-	50.3
Full-time-equivalent staff, end of period	5,070	2,704	1,828	1,983	1,273	236	6,300	-	19,394	-	19,394

The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements. The reclassifications are explained on the preceding page.

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

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments first half 2015

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights	Reclassi-fication	IFRS income statement
Net interest income	3,986	4,148	1,363	317	794	-	172	20	10,800	6,226	17,026
Net fee income	1,856	1,007	1,252	3,271	250	-	-101	-16	7,519	-2,109	5,410
Net trading income	302	413	2,877	295	57	-	670	-220	4,394	2,125	6,519
Other income	339	332	2	261	9	-	232	-49	1,126	1,534	2,660
Net premiums	-	-	-	-	-	-	-	-	-	10,599	10,599
Net insurance benefits	-	-	-	-	-	-	-	-	-	17,739	17,739
Total income	6,483	5,900	5,494	4,144	1,110	-	973	-265	23,839	636	24,475
Operating expenses	4,266	2,346	2,284	1,776	675	-	152	-88	11,410	742	12,152
Profit before loan impairment charges	2,217	3,554	3,210	2,368	435	-	821	-177	12,429	-106	12,322
Loan impairment charges	431	109	11	-34	-234	-	-1	-	283	-137	146
Profit before tax, core	1,786	3,445	3,199	2,402	669	-	822	-177	12,146	30	12,176
Profit before tax, Non-core	-	-	-	-	-	30	-	-	30	-30	-
Profit before tax	**1,786**	**3,445**	**3,199**	**2,402**	**669**	**30**	**822**	**-177**	**12,176**	**-**	**12,176**
Loans, excluding reverse transactions	712,482	601,698	176,402	66,777	49,801	-	24,540	-30,640	1,601,060	30,147	1,631,207
Other assets	173,937	185,208	3,568,823	435,963	27,932	-	1,982,250	-4,553,287	1,820,827	179	1,821,006
Total assets in Non-core	-	-	-	-	-	30,326	-	-	30,326	-30,326	-
Total assets	**886,419**	**786,906**	**3,745,225**	**502,740**	**77,733**	**-**	**2,037,116**	**-4,583,926**	**3,452,213**	**-**	**3,452,213**
Deposits, excluding repo deposits	259,562	229,663	229,522	56,101	62,291	-	12,789	-10,238	839,690	5,525	845,215
Other liabilities	604,428	522,021	3,478,240	430,749	7,382	-	1,988,611	-4,573,688	2,457,743	540	2,458,283
Allocated capital	22,429	35,222	37,463	15,890	8,060	-	29,651	-	148,715	-	148,715
Total liabilities in Non-core	-	-	-	-	-	6,065	-	-	6,065	-6,065	-
Total liabilities and equity	**886,419**	**786,906**	**3,745,225**	**502,740**	**77,733**	**-**	**2,037,116**	**-4,583,926**	**3,452,213**	**-**	**3,452,213**
Profit before tax as % of allocated capital (avg.)	15.6	19.9	16.7	30.6	16.7	-	7.7	-	16.4	-	16.4
Cost/income ratio (%)	65.8	39.8	41.6	42.9	60.8	-	15.6	-	47.9	-	49.7
Full-time-equivalent staff, end of period	5,332	2,879	1,832	1,958	1,280	393	5,200	-	18,874	-	18,874

Notes – Danske Bank Group

3. Other income

Other income amounted to DKK 3,140 million (30 June 2015: DKK 2,660 million), including income from associates of DKK 127 million (30 June 2015: DKK 320 million). Other income include a gain of DKK 825 million related to the sale of the head office buildings at Holmens Kanal, Copenhagen. Title is formally transferred on 1 October 2016.

4. Loan impairment charges and reconciliation of total allowance account

Loan impairment charges include losses on and impairment charges against loans, provisions for loan commitments and guarantees, as well as fair value adjustments of the credit risk on loans measured at fair value.

Loan impairment charges (DKK millions)	30 June 2016	30 June 2015
New and increased impairment charges	4,528	4,979
Reversals of impairment charges	4,351	4,912
Write-offs charged directly to income statement	275	824
Received on claims previously written off	540	541
Interest income, effective interest method	-101	-204
Total	**-188**	**146**

Reconciliation of total allowance account (DKK millions)	30 June 2016	31 December 2015
Balance at 1 January	31,413	40,947
New and increased impairment charges	4,528	7,601
Reversals of impairment charges	4,351	7,224
Write-offs debited to the allowance account	2,179	9,716
Foreign currency translation	-337	580
Other items*	78	-775
Balance at end of period	**29,151**	**31,413**

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

5. Deposits

The Group's total deposits amount to DKK 1,005 billion (31 December 2015: DKK 958 billion), including deposits from other credit institutions and central banks but excluding repo transactions. Of those DKK 328 billion (31 December 2015: DKK 304 billion) represents wholesale deposits ranking pari passu with senior creditors. Such wholesale deposits exclude deposits from other credit institutions with an original maturity less than 7 days.

Notes – Danske Bank Group

6. Issued bonds and subordinated debt

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

Other issued bonds (DKK millions)	30 June 2016	31 December 2015
Commercial paper and certificates of deposit	70,385	60,839
Other	321,092	303,092
Total	**391,477**	**363,931**

Nominal value (DKK millions)	1 January 2016	Issued	Redeemed	Foreign currency translation	30 June 2016
Commercial paper and certificates of deposit	60,836	102,875	90,832	-2,503	70,376
Other	350,780	52,133	34,904	-1,830	366,179
Other issued bonds	**411,616**	**155,008**	**125,736**	**-4,333**	**436,555**

Nominal value (DKK millions)	1 January 2015	Issued	Redeemed	Foreign currency translation	31 December 2015
Commercial paper and certificates of deposit	25,671	94,826	61,148	1,487	60,836
Other	342,520	82,414	78,861	4,707	350,780
Other issued bonds	**368,191**	**177,240**	**140,009**	**6,194**	**411,616**

The nominal values disclosed are before the elimination of own holdings of issued bonds. In the management report's section on Funding and liquidity, issued junior covered bonds in Realkredit Danmark A/S of DKK 17.6 billion (31 December 2015: DKK 17.7 billion) are excluded. Further, retained and repurchased bonds held by Group Treasury amounting at DKK 50.9 billion (31 December 2015: 49.8 billion) have been excluded.

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

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

At 30 June 2016, the nominal value of issued additional tier 1 capital amounted to EUR 1,500 million (31 December 2015: EUR 1,500 million) equivalent to DKK 11,159 million (31 December 2015: DKK 11,194 million). Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bondholders. Any interest payments made must be made out of retained earnings in Danske Bank A/S and Danske Bank Group. Retained earnings at end June 2016 are disclosed in the balance sheet for both Danske Bank A/S and Danske Bank Group. The additional tier 1 capital will be temporarily written down if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. The ratios at end June 2016 are disclosed in the Statement of capital for the Group and in Ratios and key figures for Danske Bank A/S. For information on the Group's excess capital, see the Capital requirements section in the Management's report. The solvency need for Danske Bank A/S and Danske Bank Group is provided in the Internal Capital Adequacy Assessment report at 30 June 2016, which is available at danskebank.com/ir/reports. The issued additional tier 1 capital is classified as equity instruments in the financial statements.

7. Other assets and other liabilities

Other assets amounted to DKK 33,438 million (31 December 2015: DKK 35,422 million), including holdings in associates of DKK 1,130 million (31 December 2015: DKK 1,209 million), investment property of DKK 4,730 million (31 December 2015: DKK 4,681 million), tangible assets of DKK 5,476 million (31 December 2015: DKK 5,082 million) and assets held for sale of DKK 1,305 million (31 December 2015: DKK 5,582 million). Other liabilities amounted to DKK 32,813 million (31 December 2015: DKK 37,093 million), including accrued interest and commissions due of DKK 9,311 (31 December 2015: DKK 12,569), other staff commitments of DKK 3,016 million (31 December 2015: DKK 3,186 million), and liabilities held for sale of DKK 0 million (31 December 2015: DKK 1,334 million).

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

Notes – Danske Bank Group

8. Contingent liabilities

Contingent liabilities consist of possible liabilities arising from past events. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Contingent liabilities that can, but are not likely to, result in an outflow of economic resources are disclosed.

The Group uses a variety of loan-related financial instruments to meet customers' financial requirements. Instruments include loan offers and other credit facilities, guarantees and instruments not recognised in the balance sheet. If an instrument is likely to result in a payment obligation, a liability is recognised under Other liabilities corresponding to the present value of expected payments.

Guarantees (DKK millions)	30 June 2016	31 December 2015
Financial guarantees	8,626	8,638
Mortgage finance guarantees	1,238	1,367
Other guarantees	71,725	71,750
Total	**81,589**	**81,755**

Other contingent liabilities		
Loan commitments shorter than 1 year	127,385	124,978
Loan commitments longer than 1 year	156,437	153,650
Other unutilised loan commitments	478	523
Total	**284,300**	**279,151**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 362 billion (31 December 2015: DKK 329 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. The supervisory authorities conduct ongoing inspections of Danske Bank's compliance with anti-money laundering legislation. As announced on 21 March 2016, the FSA has reported Danske Bank to the Danish Prosecutor for Special Economic and International Crime for investigation in relation to violation of the provisions of the Danish Anti-Money Laundering Act with regard to identification and monitoring procedures on correspondent banks.

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, the Group is also liable for the pension obligations of a number of company pension funds.

The Group participates in the Danish Deposit Guarantee Fund and the Danish Resolution Fund. The funds' capital must amount to at least 0.8% and 1%, respectively, of the covered deposits of all Danish credit institutions by 31 December 2024. The Deposit Guarantee Fund is currently fully funded but if the fund subsequently does not have sufficient means to make required payments, extraordinary contributions of up to 0.5 percent of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage rate require the consent of the Danish FSA. The first contribution to the Resolution Fund was made in December 2015. Danske Bank A/S and Realkredit Danmark A/S make contributions to the fund on the basis of their size and risk relative to other credit institutions in Denmark. The contribution for 2016 of DKK 0.4 billion is accrued over the year as operating expenses. If the Resolution Fund does not have sufficient means to make required payments, extraordinary contributions of up to three times the latest annual contributions may be required. Further, Danish banks participate in the Danish Restructuring Fund, that reimburse creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015. Similarly, Danish banks have made payment commitments (totalling DKK 1 billion) to cover losses incurred by the Danish Restructuring Fund for the withdrawal of distressed banks from data centres etc. Payments to the Restructuring Fund will be calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark, however, each institution's contribution to the Restructuring Fund may not exceed 0.2 % of its covered deposits.

The Group is a member of deposit guarantee schemes and other compensation schemes in Finland, Norway, the UK and Luxembourg. For Finland, the schemes are fully funded, and no further contributions are expected during 2016-2017. The contributions to the schemes in the other countries are annual contributions combined with extraordinary contributions if the means of the schemes are not sufficient to cover the required payments.

Notes – Danske Bank Group

8. Contingent liabilities continued

The Group is the lessee in non-cancellable operating leases, involving mainly leasing of real property, equipment, furniture and fixtures. The Group recognises lease payments as an expense over the lease term but does not recognise the operating lease assets in its balance sheet. Such assets are recognised by lessors.

Danske Bank A/S is taxed jointly with all entities in Danske Bank Group and is jointly and severally liable for payment of Danish corporate tax and withholding tax, etc.

Danske Bank A/S is registered jointly with all significant Danish entities in Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

9. Assets provided or received as collateral

At 30 June 2016, Danske Bank A/S had deposited securities worth DKK 12.2 billion as collateral with Danish and international clearing centres and other institutions (31 December 2015: DKK 10.1 billion).

At 30 June 2016, Danske Bank A/S had provided cash and securities worth DKK 82.0 billion as collateral for derivatives transactions (31 December 2015: DKK 80.7 billion).

At 30 June 2016, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 333.7 billion (31 December 2015: DKK 326.9 billion) as collateral for policyholders' savings of DKK 328,5 billion (31 December 2015: DKK 320.8 billion).

At 30 June 2016, the Group had registered loans at fair value and securities worth a total of DKK 758.4 billion (31 December 2015 DKK 743.0 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 706.5 billion (31 December 2015: DKK 694.5 billion). Similarly, the Group had registered loans and other assets worth DKK 273.4 billion (31 December 2015: DKK 273.1 billion) as collateral for covered bonds issued under Danish and Finnish law.

The table below shows assets provided as collateral for obligations, including obligations under repo transactions and securities lending:

	30 June 2016			31 December 2015		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	32,687	32,687	-	33,800	33,800
Trading portfolio securities	220,242	61,049	281,291	161,165	63,108	224,273
Loans at fair value	-	757,222	757,222	-	741,660	741,660
Loans at amortised cost	-	284,980	284,980	-	281,721	281,721
Assets under insurance contracts	-	263,822	263,822	-	273,954	273,954
Other assets	-	119	119	-	105	105
Total	220,242	1,399,879	1,620,121	161,165	1,394,348	1,555,513
Own issued bonds	22,924	103,214	126,138	12,487	88,136	100,623
Total, including own issued bonds	**243,166**	**1,503,093**	**1,746,259**	**173,652**	**1,482,484**	**1,656,136**

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 220.2 billion at 30 June 2016 (31 December 2015 DKK 161.2 billion).

At 30 June 2016, the Group had received securities worth DKK 258.3 billion (31 December 2015: DKK 225.7 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in many cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At 30 June 2016, the Group had sold securities or provided securities as collateral worth DKK 113.1 billion (31 December 2015: DKK 150.9 billion).

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

Notes – Danske Bank Group

10. Fair value information for financial instruments

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

	30 June 2016		31 December 2015	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	57,322	-	76,837
Due from credit institutions and central banks	-	186,582	-	103,859
Trading portfolio assets	577,415	-	547,019	-
Investment securities	209,655	123,666	224,102	119,202
Loans at amortised cost	-	1,141,990	-	1,079,257
Loans at fair value	757,222	-	741,660	-
Assets under pooled schemes and unit-linked investment contracts	91,499	-	91,893	-
Assets under insurance contracts	271,493	-	239,863	-
Total	**1,907,284**	**1,509,559**	**1,844,538**	**1,379,155**
Financial liabilities				
Due to credit institutions and central banks	-	289,363	-	271,588
Trading portfolio liabilities	487,322	-	471,131	-
Deposits	-	952,386	-	863,474
Bonds issued by Realkredit Danmark	706,503	-	694,519	-
Deposits under pooled schemes and unit-linked investment contracts	99,313	-	96,958	-
Other issued bonds	6,286	385,191	3,558	360,373
Subordinated debt	-	38,726	-	39,991
Other liabilities (loan commitments and guarantees)	-	652	-	611
Total	**1,299,424**	**1,666,318**	**1,266,166**	**1,536,037**

Negative interest income during the first half of 2016 amounted to DKK 524 million and negative interest expenses to DKK 552 million. For the first half of 2015, negative interest income and expenses were insignificant. The amounts are offset against interest income and interest expenses, respectively.

Financial instruments at fair value

Note 30 in the annual report 2015 provides more information about fair value calculation methods for financial instruments.

Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category. Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category. This category covers instruments such as derivatives valued on the basis of observable yield curves and exchange rates and illiquid mortgage bonds valued by reference to the value of similar, liquid bonds. Other financial instruments valued substantially on the basis of non-observable input are recognised in the Non-observable input category. This category covers instruments such as unlisted shares, some unlisted bonds and a very limited portion of the derivatives portfolio.

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date. Developments in the financial markets have resulted in reclassification between the categories. Some bonds have become illiquid and have therefore been moved from the Quoted prices to the Observable input category, while other bonds have become liquid and have been moved from the Observable input to the Quoted prices category. The amounts transferred are insignificant.

Financial instruments at amortised cost

Note 30 in the annual report 2015 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. The difference between the two types of measurement at 30 June 2016 was in line with the difference at 31 December 2015.

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

30 June 2016 (DKK millions)	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives				
Interest rate contracts	5,986	261,855	7,164	275,005
Currency contracts etc.	535	110,469	1,189	112,193
Trading portfolio bonds				
Government bonds and other bonds	72,155	388	-	72,543
Danish mortgage bonds	31,727	5,907	-	37,634
Other covered bonds	48,867	1,344	-	50,211
Other bonds	17,176	3,698	-	20,874
Trading portfolio shares	8,220	-	734	8,954
Investment securities, bonds	159,517	48,573	-	208,090
Investment securities, shares	71	-	1,495	1,566
Loans at fair value	-	757,222	-	757,222
Assets under pooled schemes and unit-linked investment contracts	91,499	-	-	91,499
Assets under insurance contracts, bonds				
Danish mortgage bonds	52,063	4,592	-	56,655
Other bonds	92,775	131	4,486	97,392
Assets under insurance contracts, shares	63,709	-	17,819	81,528
Assets under insurance contracts, derivatives	-	35,912	6	35,918
Total	**644,300**	**1,230,091**	**32,893**	**1,907,284**
Financial liabilities				
Derivatives				
Interest rate contracts	6,273	239,924	7,413	253,610
Currency contracts etc.	852	118,572	1,185	120,609
Obligations to repurchase securities	112,582	493	27	113,102
Bonds issued by Realkredit Danmark	706,503	-	-	706,503
Deposits under pooled schemes and unit-linked investment contracts	-	99,313	-	99,313
Other issued bonds	-	6,286	-	6,286
Total	**826,210**	**464,588**	**8,625**	**1,299,424**

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

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

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

At 30 June 2016, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 20,021 million (31 December 2015: DKK 18,516 million), illiquid bonds of DKK 4,486 million (31 December 2015: DKK 3,170 million) and derivatives with a net market value of DKK -239 million (31 December 2015: DKK -1,062 million).

Unlisted shares of DKK 17,819 million (31 December 2015: DKK 16,140 million) are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the shares. Changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The remaining portfolio of unlisted shares of DKK 2,202 million (31 December 2015: DKK 2,376 million) consists primarily of banking related investments and holdings in private equity funds. A 10% increase or decrease in the fair value would amount to DKK 220 million (31 December 2015: DKK 238 million). Under the current market conditions, a 10% decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. In the first half of 2016, the Group recognised DKK 147 million in unrealised gains (2015: DKK 146 million) and DKK -1 million in realised gains (2015: DKK 74 million) on those share. The unrealised adjustments in the first half of 2016 and in 2015 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised gains in the first half of 2016 amounted to DKK -391 million (2015: DKK 1,292 million) and the realised gains to DKK 474 million (2015: DKK 1,137 million).

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 86 million (31 December 2015: DKK 65 million). If the credit spread narrows 50bp, fair value will increase DKK 88 million (31 December 2015: DKK 67 million).

A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable input. Changing one or more of the non-observable inputs to reflect reasonably possible alternative assumptions would not change the fair value of the derivatives significantly above what is already covered by the reserve related to fair value adjustment for model risk.

Shares, bonds and derivatives valued on the basis of non-observable input	30 June 2016			31 December 2015		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value beginning of period	18,516	3,170	-1,062	14,674	1,610	-1,211
Value adjustment through profit or loss	854	-19	140	2,649	125	-148
Acquisitions	9,179	2,656	178	4,704	1,520	-670
Sale and redemption	-8,528	-1,321	578	-3,511	-85	837
Transferred to quoted prices and observable input	-	-	-72	-	-	131
Fair value end of period	**20,021**	**4,486**	**-239**	**18,516**	**3,170**	**-1,062**

Notes – Danske Bank Group

Risk Management

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

Breakdown of credit exposure

(DKK billions) 30 June 2016	Total	Lending activities Core	Lending activities Non-core	Counterparty risk (derivatives)	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	48.4	48.4	-	-	-	-
Due from credit institutions and central banks	167.7	167.7	-	-	-	-
Repo loans with credit institutions and central banks	18.9	18.9	-	-	-	-
Trading portfolio assets	577.4	-	-	387.2	190.2	-
Investment securities	333.3	-	-	-	333.3	-
Loans at amortised cost	927.8	906.5	21.3	-	-	-
Repo loans	214.2	214.2	-	-	-	-
Loans at fair value	757.2	757.2	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	91.5	-	-	-	-	91.5
Assets under insurance contracts	294.6	-	-	-	-	294.6
Off-balance-sheet items						
Guarantees	81.6	81.6	-	-	-	-
Loan commitments shorter than 1 year	127.4	122.7	4.7	-	-	-
Loan commitments longer than 1 year	156.4	156.0	0.4	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	**3,797.0**	**2,473.1**	**26.5**	**387.2**	**524.0**	**386.1**
31 December 2015						
Balance sheet items						
Demand deposits with central banks	66.2	66.2	-	-	-	-
Due from credit institutions and central banks	75.2	75.2	-	-	-	-
Repo loans with credit institutions and central banks	28.6	28.6	-	-	-	-
Trading portfolio assets	547.0	-	-	331.0	216.0	-
Investment securities	343.3	-	-	-	343.3	-
Loans at amortised cost	891.6	867.7	23.8	-	-	-
Repo loans	187.7	187.7	-	-	-	-
Loans at fair value	741.7	741.7	-	-	-	-
Assets under pooled schemes and unit-linked Investment contracts	91.9	-	-	-	-	91.9
Assets under insurance contracts	265.6	-	-	-	-	265.6
Off-balance-sheet items						
Guarantees	81.8	81.7	-	-	-	-
Loan commitments shorter than 1 year	125.0	121.0	4.0	-	-	-
Loan commitments longer than 1 year	153.6	153.0	0.7	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	**3,599.7**	**2,322.8**	**28.6**	**331.0**	**559.8**	**357.5**

In addition to credit exposure from lending activities, Danske Bank had made loan offers and granted uncommitted lines of credit of DKK 362 billion at 30 June 2016 (31 December 2015: DKK 329 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

Credit exposure from lending activities in the Group's core banking business includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges and includes repo loans. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount. The credit exposure from Non-core lending activities is disclosed later in these notes.

Classification of customers

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

The Group has developed a number of classification models to assess customer PD and to classify customers in various segments. Large business and financial customers are classified on the basis of rating models, while small business and personal customers are classified by means of scoring models.

In its credit risk management, the Group uses point-in-time (PIT) PD estimates for risk classification. These PIT PD estimates express a customer's probability of default in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands. During a downturn, a customer's PIT PD may increase, and the customer may migrate to a lower rating category. The effect from a downturn is thus larger when PIT PD is used than if the classification were based on through-the-cycle (TTC) PD, which the Group uses to calculate the risk exposure amount for credit risk.

Loans to customers for which objective evidence of impairment exists are placed in rating category 10 or 11, including loans for which no impairment charges have been recognised, for example because adequate collateral has been provided.

Credit portfolio in core activities broken down by rating category

			30 June 2016				31 December 2015			
	PD level		Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
(DKK billions)	Upper	Lower	a	b	=a-b		a	b	=a-b	
1	0.00	0.01	176.4	-	176.4	161.9	99.3	-	99.3	83.1
2	0.01	0.03	243.7	-	243.7	119.1	248.1	-	248.1	118.5
3	0.03	0.06	440.8	-	440.8	131.0	382.2	-	382.2	126.5
4	0.06	0.14	513.0	-	513.0	204.7	458.5	-	458.5	162.4
5	0.14	0.31	472.0	-	472.0	151.5	494.5	-	494.5	158.8
6	0.31	0.63	309.5	-	309.5	85.5	302.5	-	302.5	81.8
7	0.63	1.90	182.3	-	182.3	47.2	195.7	-	195.7	50.1
8	1.90	7.98	68.6	-	68.6	22.0	70.2	-	70.2	20.5
9	7.98	25.70	14.7	-	14.7	5.0	16.1	-	16.1	4.5
10	25.70	99.99	41.5	6.4	35.1	11.0	44.3	7.0	37.3	10.9
11 (default)	100.00	100.00	31.5	14.3	17.2	1.2	34.7	16.2	18.5	1.8
Total before collective impairment charges			**2,493.9**	**20.7**	**2,473.1**	**940.0**	**2,345.9**	**23.2**	**2,322.8**	**818.8**
Collective impairment charges			4.5				4.3			
Total gross exposure			**2,498.4**				**2,350.3**			

Notes – Danske Bank Group

Credit exposure continued

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

The table below breaks down credit exposure by industry. The industry segmentation follows the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard.

	30 June 2016				31 December 2015			
(DKK billions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Public institutions	234.9	-	234.9	218.5	166.4	-	166.4	143.9
Banks	75.9	0.2	75.7	65.0	78.2	0.1	78.1	63.2
Credit institutions	8.9	-	8.9	3.3	8.8	-	8.8	2.8
Insurance	72.6	-	72.6	12.5	58.4	-	58.4	8.8
Investment funds	56.6	0.3	56.4	15.0	82.9	0.4	82.5	13.5
Other financials	96.9	-	96.9	11.9	65.1	-	65.1	36.7
Agriculture	66.3	3.2	63.1	11.5	66.4	2.7	63.7	12.5
Commercial property	298.8	4.1	294.7	61.7	289.1	4.8	284.3	51.7
Construction, engineering and building products	42.8	1.2	41.6	31.6	37.8	1.4	36.4	26.3
Consumer discretionary	96.4	1.8	94.7	53.6	91.8	1.9	89.9	47.7
Consumer staples	54.4	0.2	54.2	36.8	55.9	0.2	55.7	36.9
Energy and utilities	48.6	0.2	48.4	36.8	45.0	0.1	44.9	37.2
Health care	37.9	0.1	37.8	23.2	35.6	0.1	35.5	25.5
Industrial services, supplies and machinery	98.4	1.3	97.1	77.1	85.6	1.3	84.3	63.8
IT and telecommunication services	27.3	0.1	27.2	23.3	26.2	0.2	26.0	22.9
Materials	45.8	0.9	44.9	33.8	44.7	1.1	43.5	33.4
Non-profits and other associations	150.1	0.9	149.2	28.8	142.0	0.9	141.0	23.6
Other commercial	34.0	0.3	33.7	22.5	44.7	0.3	44.5	28.5
Shipping	40.8	0.6	40.2	14.2	44.5	1.1	43.4	19.2
Transportation	22.6	0.2	22.4	12.6	19.5	0.2	19.3	9.9
Personal customers	883.9	5.3	878.6	146.4	857.4	6.2	851.2	110.8
Total before collective impairment charges	**2,493.9**	**20.7**	**2,473.1**	**940.0**	**2,345.9**	**23.2**	**2,322.8**	**818.8**
Collective impairment charges	4.5				4.3			
Total gross exposure	**2,498.4**				**2,350.3**			

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by business unit

The table below breaks down credit exposure by core business unit and underlying segment.

	30 June 2016				31 December 2015			
(DKK billions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Denmark	495.5	3.8	491.7	74.8	480.9	4.2	476.7	56.6
Finland	91.0	0.5	90.5	6.9	90.7	0.4	90.3	4.9
Sweden	73.3	0.1	73.2	13.7	72.4	0.1	72.3	8.9
Norway	106.3	0.1	106.2	24.5	96.3	0.1	96.3	18.6
Other	-	-	-	-	-	-	-	-
Personal Banking	**766.1**	**4.5**	**761.6**	**119.9**	**740.4**	**4.8**	**735.6**	**89.0**
Denmark	443.8	9.6	434.2	106.9	434.1	10.2	423.8	103.7
Finland	73.1	1.0	72.1	33.1	68.8	1.0	67.8	32.0
Sweden	152.8	0.6	152.2	62.8	148.4	0.6	147.7	50.1
Norway	77.0	0.7	76.3	34.5	71.2	0.7	70.4	25.0
Baltics	19.8	0.3	19.5	10.6	19.0	0.3	18.7	10.4
Other	-	-	-	-	-	-	-	-
Business Banking	**766.6**	**12.2**	**754.4**	**247.9**	**741.4**	**13.0**	**728.5**	**221.3**
C&I*	**770.0**	**1.5**	**768.5**	**480.5**	**669.4**	**2.1**	**667.3**	**413.7**
Wealth Management**	**81.0**	**0.5**	**80.5**	**21.5**	**74.2**	**0.6**	**73.6**	**16.3**
Northern Ireland**	**65.6**	**2.0**	**63.6**	**28.6**	**72.7**	**2.6**	**70.0**	**33.8**
Other	**44.6**	**-**	**44.6**	**41.6**	**47.8**	**-**	**47.8**	**44.8**
Total before collective impairment charges	**2,493.9**	**20.7**	**2,473.1**	**940.0**	**2,345.9**	**23.2**	**2,322.8**	**818.8**
Collective impairment charges	4.5				4.3			
Total gross exposure	**2,498.4**				**2,350.3**			

*The Corporates & Institutions (C&I) segment comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, a geographical split is not applicable.

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

Notes – Danske Bank Group

Credit exposure continued

Forbearance practices and repossessed assets

The Group adopts forbearance plans to assist customers in financial difficulty. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and settlements.

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of the first half 2016, the Group recognised properties taken over in Denmark at a carrying amount of DKK 98 million (31 December 2015: DKK 76 million) and properties taken over in other countries at DKK 289 million (31 December 2015: DKK 388 million). The properties are held for sale and included under Other assets in the balance sheet.

The table below shows the exposures that are subject to forbearance measures and is based on the EBA's definition as described in the annual report 2015. The increase in forborne exposures to the refinancing segment relates to pro-active forbearance measures taken by the Bank to improve the financial position of weak customers.

Exposures subject to forbearance measures	30 June 2016		31 December 2015	
(DKK millions)	Performing	Non-performing	Performing	Non-performing
Modification	50	1,137	36	1,347
Refinancing	1,525	11,852	1,848	9,150
Under probation	6,591	-	5,312	-
Total	**8,167**	**12,989**	**7,196**	**10,497**

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

The Group defines non-performing loans as facilities with objective evidence of impairment and for which individual impairment charges have been booked. For non-retail exposures with any non-performing loans, the entire amount of the customer's exposure is considered to be non-performing. For retail exposures, only impaired facilities are included in non-performing loans. The Group's definition of non-performing loans differs from the EBA's definition by excluding fully covered exposures to customers in default and previously forborne exposures that are now performing and are under probation.

(DKK millions)	30 June 2016	31 December 2015
Total non-performing loans	21,849	24,670
-portion in default	9,368	10,469
Coverage ratio (default) (%)	96	93
Coverage ratio (non-default) (%)	63	66
Coverage ratio (total non-perfoming loans) (%)	82	83
Non-performing loans as a percentage of total gross exposure (%)	1.7	2.0

Allowance account in core activities

Allowance account in core activities broken down by segment

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Management*	Northern Ireland*	Other	Allowance account total	Impairment Individual	Impairment Collective
1 January 2015	7,260	16,677	3,158	696	5,243	-	33,035	29,050	3,985
New and increased impairment charges	1,901	3,469	558	131	193	1	6,253	5,154	1,099
Reversals of impairment charges from previous periods	1,351	3,106	432	155	798	-	5,843	5,190	653
Write-offs debited to allowance account	938	2,006	1,150	31	2,128	-	6,254	6,254	-
Foreign currency translation	3	-7	175	4	348	-	523	503	20
Other items	-262	64	60	-38	-43	1	-219	-113	-106
31 December 2015	6,614	15,091	2,369	606	2,814	2	27,496	23,151	4,346
New and increased impairment charges	1,184	1,839	671	50	135	1	3,879	3,262	617
Reversals of impairment charges from previous periods	1,250	1,737	348	126	291	-	3,752	3,201	551
Write-offs debited to allowance account	469	921	415	22	204	-	2,030	2,030	-
Foreign currency translation	1	1	-28	-	-293	-	-320	-313	-7
Other items	33	14	-156	106	-12	-1	-16	-138	122
30 June 2016	**6,113**	**14,287**	**2,093**	**613**	**2,150**	**2**	**25,258**	**20,731**	**4,527**

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

Collective impairment charges include charges that reflect the migration of customers from one rating category to another without changes being made to the credit margin to reflect the increase in credit risk. If all customers were downgraded one rating category with no corresponding change in the interest rate charged to the customers, collective impairment charges would increase by about DKK 2.0 billion (31 December 2015: about DKK 2.7 billion).

If the value of collateral provided by customers in rating categories 10 and 11 decreased 10%, individual impairment charges would increase by about DKK 2.3 billion (31 December 2015: about DKK 2.5 billion).

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

The Non-core business unit is responsible for the controlled winding-up and divestment of exposures that are no longer considered part of the Group's core activities. The portfolio consists of the Non-core exposures in Ireland, the Baltics and conduits etc.

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

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

	30 June 2016				31 December 2015			
(DKK millions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Personal customers	21,312	2,281	19,031	1,982	21,879	1,844	20,035	1,093
Consumer discretionary	142	114	28	-	191	129	61	12
Commercial property	511	385	126	-	752	445	307	-
Other	481	354	127	41	556	389	167	-
Non-core banking	**22,446**	**3,134**	**19,312**	**2,023**	**23,378**	**2,807**	**20,570**	**1,105**
Non-core conduits etc.	**7,390**	**238**	**7,152**	**886**	**8,235**	**243**	**7,992**	**3,109**
Total Non-core before collective impairment charges	**29,836**	**3,372**	**26,464**	**2,909**	**31,613**	**3,050**	**28,563**	**4,214**
Collective impairment charges	521				865			
Total Non-core exposure	**30,357**				**32,479**			

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

	PD level		30 June 2016				31 December 2015			
(DKK millions)	Upper	Lower	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
1	0.00	0.01	198	-	198	-	208	-	208	-
2	0.01	0.03	2,007	-	2,007	-	2,398	-	2,398	-
3	0.03	0.06	1,552	-	1,552	503	1,447	-	1,447	864
4	0.06	0.14	1,659	-	1,659	125	2,704	-	2,704	1,028
5	0.14	0.31	246	-	246	-	490	-	490	113
6	0.31	0.63	1,400	-	1,400	92	680	-	680	-
7	0.63	1.90	12,036	-	12,036	1,230	13,142	-	13,142	1,177
8	1.90	7.98	1,822	-	1,822	247	1,194	-	1,194	-
9	7.98	25.70	618	-	618	54	716	-	716	54
10	25.70	99.99	3,102	646	2,455	654	3,570	640	2,929	978
11 (default)	100.00	100.00	5,195	2,726	2,469	4	5,063	2,410	2,653	-
Total Non-core before collective impairment charges			**29,836**	**3,372**	**26,464**	**2,909**	**31,613**	**3,050**	**28,563**	**4,214**
Collective impairment charges			521				865			
Total Non-core exposure			**30,357**				**32,479**			

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 4,339 million (31 December 2015: DKK 5,311 million), of which the average unsecured portion of non-performing loans was 14.3% at the end of June 2016 (31 December 2015: 17.9%).

Counterparty risk

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

(DKK billions)	30 June 2016	31 December 2015
Counterparty risk		
Derivatives with positive fair value	387.2	331.0
Credit exposure from other trading and investment securities		
Bonds	513.0	535.9
Shares	10.5	22.5
Other unutilised commitments	0.5	0.5
Total	**911.2**	**889.8**

Other unutilised commitments comprises private equity investment commitments and other obligations.

Bond portfolio

(DKK millions) 30 June 2016	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Held-for-trading	82,687	2,483	37,643	44,000	6,263	8,187	181,262
Designated at fair value	43,086	939	97,854	14,879	6,402	1,027	164,186
Available-for-sale	525	-	42,666	-	714	-	43,905
Hold-to-maturity	68,138	1,320	51,195	538	2,055	420	123,666
Total	**194,434**	**4,742**	**229,358**	**59,417**	**15,434**	**9,634**	**513,018**
31 December 2015							
Held-for-trading	90,321	4,506	49,781	30,637	6,633	13,319	195,197
Designated at fair value	41,298	2,207	108,442	16,844	5,008	1,886	175,685
Available-for-sale	150	-	45,534	-	1,085	-	46,770
Hold-to-maturity	68,899	1,325	45,863	545	1,925	645	119,202
Total	**200,668**	**8,038**	**249,620**	**48,027**	**14,651**	**15,850**	**536,854**

At 30 June 2016, the Group had an additional bond portfolio worth DKK 154,047 million (31 December 2015: DKK 145,063 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in the annual report 2015 provides more information. For bonds classified as hold-to-maturity, fair value exceeded amortised cost at the end of 30 June 2016 and 31 December 2015.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions) 30 June 2016	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	24,980	-	229,358	-	-	1,155	255,492
Sweden	31,797	-	-	59,373	-	2,651	93,821
UK	13,180	58	-	-	2,259	734	16,230
Norway	6,292	-	-	-	7,826	773	14,891
USA	6,517	308	-	-	-	603	7,429
Spain	10,756	-	-	-	379	-	11,136
France	21,720	-	-	-	1,204	598	23,522
Luxembourg	-	4,320	-	-	-	3	4,323
Finland	15,492	32	-	44	2,075	943	18,587
Ireland	3,133	-	-	-	7	24	3,164
Italy	5,630	-	-	-	-	-	5,630
Portugal	423	-	-	-	-	-	423
Austria	8,474	-	-	-	228	2	8,703
Netherlands	9,246	-	-	-	436	1,347	11,029
Germany	27,204	-	-	-	625	93	27,922
Belgium	8,949	-	-	-	313	-	9,262
Other	643	24	-	-	81	709	1,457
Total	**194,434**	**4,742**	**229,358**	**59,417**	**15,434**	**9,634**	**513,018**
31 December 2015							
Denmark	22,345	-	249,620	-	-	1,652	273,618
Sweden	27,285	-	-	48,027	-	3,719	79,031
UK	19,548	135	-	-	2,224	1,121	23,027
Norway	5,763	-	-	-	6,914	1,287	13,964
USA	8,081	1,132	-	-	-	771	9,984
Spain	9,502	-	-	-	917	-	10,418
France	20,846	-	-	-	1,123	528	22,497
Luxembourg	-	6,502	-	-	-	11	6,513
Finland	14,593	247	-	-	1,849	1,927	18,616
Ireland	4,618	-	-	-	90	48	4,756
Italy	7,194	-	-	-	-	-	7,194
Portugal	1,506	-	-	-	-	-	1,506
Austria	7,626	-	-	-	224	-	7,850
Netherlands	11,069	-	-	-	86	2,751	13,906
Germany	31,001	-	-	-	589	754	32,344
Belgium	8,873	-	-	-	333	-	9,206
Other	817	23	-	-	302	1,282	2,424
Total	**200,668**	**8,038**	**249,620**	**48,027**	**14,651**	**15,850**	**536,854**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions) 30 June 2016	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	103,676	3,744	229,086	59,417	13,950	322	410,195
AA+	33,470	-	-	-	841	129	34,440
AA	29,725	998	57	-	251	590	31,621
AA-	6,997	-	166	-	-	741	7,905
A+	147	-	-	-	272	1,186	1,605
A	-	-	1	-	-	2,791	2,792
A-	3,133	-	-	-	-	737	3,870
BBB+	1,542	-	-	-	-	1,031	2,573
BBB	15,306	-	47	-	111	864	16,328
BBB-	-	-	-	-	-	402	402
BB+	334	-	-	-	-	248	581
BB	89	-	-	-	-	265	354
BB-	-	-	-	-	-	2	2
Sub-inv. grade or unrated	15	-	-	-	9	325	349
Total	**194,434**	**4,742**	**229,358**	**59,417**	**15,434**	**9,634**	**513,018**
31 December 2015							
AAA	103,778	4,814	249,578	48,027	12,403	849	419,448
AA+	40,696	2,064	-	-	1,249	464	44,474
AA	25,435	1,160	-	-	346	529	27,470
AA-	7,118	-	-	-	-	1,186	8,304
A+	4,769	-	-	-	273	2,602	7,644
A	41	-	-	-	188	4,046	4,275
A-	600	-	-	-	186	1,077	1,863
BBB+	9,288	-	-	-	-	1,709	10,997
BBB	7,412	-	41	-	-	2,136	9,589
BBB-	1	-	-	-	-	346	347
BB+	1,499	-	-	-	-	270	1,769
BB	7	-	-	-	-	366	373
BB-	-	-	-	-	-	33	33
Sub-inv. grade or unrated	25	-	-	-	8	236	269
Total	**200,668**	**8,038**	**249,620**	**48,027**	**14,651**	**15,850**	**536,854**

Derivatives with positive fair value

(DKK millions)	30 June 2016	31 December 2015
Derivatives with positive fair value before netting	671,727	512,418
Netting (under accounting rules)	284,529	181,403
Carrying amount	387,198	331,015
Netting (under capital adequacy rules)	285,313	237,014
Net current exposure	101,886	94,000
Collateral	55,092	52,624
Net amount	**46,793**	**41,376**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	275,005	225,479
Currency contracts	109,530	102,845
Other contracts	2,663	2,691
Total	**387,198**	**331,015**

Financial statements – Danske Bank A/S

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. as changed in Executive Order No. 707 of 1 June 2016.

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.
- On the implementation of the changes made by the Danish FSA to the executive order on financial reports for insurance companies, the impact from the change of discount yield curve for insurance liabilities is recognised directly in Shareholders' equity 1 January 2016, as required by the executive order. In the IFRS financial statements for Danske Bank Group, the change is treated as a change in accounting estimates and included in the income statement. For further information see note 1(b) in the financial statements for Danske Bank Group.

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		Total equity	
(DKK millions)	First half 2016	First half 2015	30 June 2016	31 December 2015
Consolidated financial statements (IFRSs)	9,363	9,419	158,089	160,830
Domicile property	-258	-7	612	884
Available-for-sale financial assets	184	-37	-	-
Change in discount yield curve	-99	-	-	-
Tax effect	35	34	-117	-172
Non-controlling interests	-	-	-	-
Parent Company financial statements (Danish FSA rules)	**9,224**	**9,409**	**158,584**	**161,542**

Note 35 to the consolidated financial statements 2015 lists the Group's holdings and undertakings.

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2016	First half 2015
	Interest income	12,899	14,546
	Interest expense	4,407	5,789
	Net interest income	8,492	8,757
	Dividends from shares etc.	380	1,083
	Fee and commission income	5,375	6,015
	Fees and commissions paid	1,004	1,276
	Net interest and fee income	13,243	14,578
1	Value adjustments	217	-686
	Other operating income	1,386	929
	Staff costs and administrative expenses	7,620	7,586
	Amortisation, depreciation and impairment charges	914	827
	Other operating expenses	-75	15
	Loan impairment charges etc.	-106	50
	Income from associates and group undertakings	4,220	4,437
	Profit before tax	10,712	10,780
	Tax	1,487	1,371
	Net profit for the period	**9,224**	**9,409**

Statement of comprehensive income – Danske Bank A/S

(DKK millions)	First half 2016	First half 2015
Net profit for the period	9,224	9,409
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value adjustment of domicile property	-	6
Remeasurement of defined benefit plans	-464	289
Tax	133	-27
Items that will not be reclassified to profit or loss	**-331**	**268**
Items that are or may be reclassified subsequently to profit or loss		
Translation of units outside Denmark	-1,109	1,039
Hedging of units outside Denmark	1,100	-1,166
Tax	-186	225
Items that are or may be reclassified subsequently to profit or loss	**-195**	**98**
Total other comprehensive income	**-526**	**366**
Total comprehensive income for the period	**8,698**	**9,776**
Portion attributable to		
shareholders of Danske Bank A/S (the Parent Company)	8,376	9,498
additional tier 1 capital holders	322	279
Total comprehensive income for the period	**8,698**	**9,776**

Balance sheet – Danske Bank A/S

Note	(DKK millions)	30 June 2016	31 December 2015	30 June 2015
	Assets			
	Cash in hand and demand deposits with central banks	23,466	30,948	77,993
	Due from credit institutions and central banks	202,027	122,470	197,436
2	Loans and other amounts due at amortised costs	943,898	878,321	868,006
	Bonds at fair value	356,727	383,052	443,732
	Bonds at amortised cost	84,736	80,371	77,183
	Shares etc.	9,813	21,657	14,310
	Holdings in associates	777	860	906
	Holdings in group undertakings	97,147	104,529	101,204
	Assets under pooled schemes	49,828	50,658	50,718
	Intangible assets	6,438	6,345	10,309
	Land and buildings	381	375	3,242
	Invesment property	309	301	320
	Domicile property	71	74	2,922
	Other tangible assets	3,417	3,214	2,878
	Current tax assets	1,605	901	2,385
	Deferred tax assets	306	181	281
	Assets held for sale	1,022	5,482	44
	Other assets	412,730	346,425	350,037
	Prepayments	1,230	1,401	1,427
	Total assets	**2,195,549**	**2,037,190**	**2,202,092**
	Liabilities and equity			
	Amounts due			
	Due to credit institutions and central banks	318,033	304,731	363,623
	Deposits and other amounts due	767,632	665,115	771,475
	Deposits under pooled schemes	51,144	51,147	51,775
	Issued bonds at amortised cost	336,237	311,166	289,953
	Current tax liabilities	582	688	413
	Liabillities in disposal groups held for sale	-	1,334	-
	Other liabilities	521,171	497,802	519,080
	Deferred income	1,031	951	993
	Total amounts due	**1,995,831**	**1,832,934**	**1,997,312**
	Provisions for liabilities			
	Provisions and pensions and similar obligations	311	289	332
	Provisions for deferred tax	5,809	5,861	6,344
2	Provisions for losses on guarantees	1,072	1,097	1,147
	Other provisions for liabilities	51	95	126
	Total provisions for liabilities	**7,242**	**7,342**	**7,949**
	Subordinated debt			
	Subordinated debt	33,892	35,372	35,947
	Equity			
	Share capital	9,837	10,086	10,086
	Accumulated value adjustments	-372	-169	-90
	Equity method reserve	30,344	30,475	29,881
	Retained earnings	107,467	101,764	109,666
	Proposed dividends	-	8,069	-
	Shareholders of Danske Bank A/S (the Parent Company)	147,276	150,225	149,543
	Additional tier 1 etc.	11,308	11,317	11,341
	Total equity	**158,584**	**161,542**	**160,884**
	Total liabilities and equity	**2,195,549**	**2,037,190**	**2,202,092**

Statement of capital – Danske Bank A/S

Changes in equity

(DKK millions)	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 1 January 2016	10,086	-593	424	30,475	101,764	8,069	150,225	11,317	161,542
Changed recognition of insurance liabilities	-	-	-	-131	-	-	-131	-	-131
Restated total equity at 1 January 2016	10,086	-593	424	30,344	101,764	8,069	150,094	11,317	161,411
Net profit for the period	-	-	-	-	8,903	-	8,903	322	9,224
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	-464	-	-464	-	-464
Translation of units outside Denmark	-	-1,109	-	-	-	-	-1,109	-	-1,109
Hedging of units outside Denmark	-	1,100	-	-	-	-	1,100	-	1,100
Fair value adjustment of domicile property	-	-	-	-	-	-	-	-	-
Sale of domicile property	-	-	-249	-	249	-	-	-	-
Tax	-	-	55	-	-108	-	-53	-	-53
Total other comprehensive income	-	-9	-194	-	-323	-	-526	-	-526
Total comprehensive income for the period	**-**	**-9**	**-194**	**-**	**8,579**	**-**	**8,376**	**322**	**8,698**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-	-	-	-	-
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-325	-325
Dividends paid	-	-	-	-	311	-8,069	-7,758	-	-7,758
Dividends proposed	-	-	-	-	-	-	-	-	-
Share capital reduction	-249	-	-	-	249	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-20,004	-	-20,004	-45	-20,049
Sale of own shares and additional tier 1 capital	-	-	-	-	16,483	-	16,483	39	16,522
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-	85	-	85	-	85
Total equity at 30 June 2016	**9,837**	**-602**	**230**	**30,344**	**107,467**	**-**	**147,276**	**11,308**	**158,584**

Statement of capital – Danske Bank A/S

Changes in equity

(DKK millions)	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 1 January 2015	10,086	-469	502	29,881	101,964	5,547	147,511	5,674	153,185
Net profit for the period	-	-	-	-	9,130	-	9,130	279	9,409
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	289	-	289	-	289
Translation of units outside Denmark	-	1,039	-	-	-	-	1,039	-	1,039
Hedging of units outside Denmark	-	-1,166	-	-	-	-	-1,166	-	-1,166
Fair value adjustment of domicile property	-	-	6	-	-	-	6	-	6
Sale of domicile property	-	-	-1	-	1	-	-	-	-
Tax	-	-	-1	-	200	-	199	-	199
Total other comprehensive income	-	-127	4	-	490	-	367	-	367
Total comprehensive income for the period	**-**	**-127**	**4**	**-**	**9,620**	**-**	**9,498**	**279**	**9,776**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-56	-	-56	5,583	5,527
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-161	-161
Dividends paid	-	-	-	-	53	-5,547	-5,495	-	-5,495
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-18,372	-	-18,372	-34	-18,406
Sale of own shares and additional tier 1 capital	-	-	-	-	16,424	-	16,424	-	16,424
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-	33	-	33	-	33
Total equity at 30 June 2015	**10,086**	**-596**	**506**	**29,881**	**109,666**	**-**	**149,543**	**11,341**	**160,884**

Notes – Danske Bank A/S

1. Value adjustments

(DKK millions)	30 June 2016	30 June 2015
Loans at fair value	929	-488
Bonds	440	-2,332
Shares etc.	-798	812
Investment property	-	3
Currency	813	920
Derivatives	758	-2,455
Assets under pooled schemes	1	-91
Deposits under pooled schemes	-	-
Other liabilities	-1,927	2,945
Total	**217**	**-686**

2. Impairment charges for loans and guarantees

(DKK millions)	Loans and guarantees, individual impairment	Loans and guarantees, collective impairment	Other amounts due, individual impairment	Other amounts due, collective impairment	Total
Impairment charges at 1 January 2016	18,803	3,717	7	18	22,545
Impairment charges during the period	2,808	556	25	-	3,389
Reversals of impairment charges from previous periods	2,487	659	-	8	3,154
Other changes	-1,470	124	-	-	-1,346
Impairment charges at 30 June 2016	**17,654**	**3,739**	**32**	**10**	**21,435**
Value adjustment of assets taken over	**-**	**-**	**-**	**-**	**-**
Impairment charges at 1 January 2015	25,671	3,514	92	-	29,277
Impairment charges during the year	4,193	1,464	-	-	5,657
Reversals of impairment charges from previous years	4,422	732	11	2	5,167
Other changes	-6,639	-529	-74	20	-7,222
Impairment charges at 31 December 2015	**18,803**	**3,717**	**7**	**18**	**22,545**
Value adjustment of assets taken over	**-**	**-**	**-**	**-**	**-**

Notes – Danske Bank A/S

	First half 2016	Full year 2015	First half 2015
Ratios and key figures			
Total capital ratio (%)	26.3	25.5	23.2
Tier 1 capital ratio (%)	22.9	22.5	20.5
Return on equity before tax (%)	6.7	9.6	6.8
Return on equity after tax (%)	5.8	8.2	6.0
Income/cost ratio (%)	228.20	171.5	227.1
Interest rate risk (%)	1.6	1.5	2.1
Foreign exchange position (%)	0.9	1.2	4.3
Foreign exchange risk (%)	-	-	-
Loans plus impairment charges as % of deposits	117.8	125.6	108.5
Gearing of loans	6.0	5.4	5.4
Growth in loans (%)	5.6	4.7	5.1
Surplus liquidity in relation to statutory liquidity requirement (%)	162.4	192.8	165.6
Sum of large exposures as % of total capital	10.9	-	-
Funding ratio	0.6	0.6	0.6
Real property exposure	12	12	13
Impairment ratio (%)	-	-	-
Return on assets (%)	0.4	0.6	0.4
Earnings per share (DKK)	10.8	12.8	9.3
Book value per share (DKK)	165.2	165.2	162.1
Proposed dividend per share (DKK)	-	8.00	-
Share price end of period/earnings per share (DKK)	16.3	14.4	21.2
Share price end of period/book value per share (DKK)	1.06	1.12	1.21

The ratios are defined by the Danish FSA in, for example, 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 2016 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 listed financial companies.

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 2016 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting 1 January 2016 and ending on 30 June 2016. 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, 21 July 2016
Executive Board

Thomas F. Borgen
CEO

Tonny Thierry Andersen

Jacob Aarup-Andersen

James Ditmore

Gilbert Kohnke

Lars Mørch

Glenn Söderholm

Board of Directors

Ole Andersen
Chairman

Trond Ø. Westlie
Vice Chairman

Urban Bäckström

Lars-Erik Brenøe

Jørn P. Jensen

Rolv Erik Ryssdal

Carol Sergeant

Hilde Merete Tonne

Kirsten Ebbe Brich
Elected by the employees

Carsten Eilertsen
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Steen Lund Olsen
Elected by the employees

Independent Auditors' Report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the interim financial statements
We have reviewed the interim financial statements of Danske Bank A/S for the financial period 1 January to 30 June 2016, pp. 27-65 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and selected notes for the Group and the Parent Company, respectively, as well as the consolidated cash flow statement.

Management's responsibility for the interim financial statements
Management is responsible for the preparation of consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies and for the preparation of the Parent Company's interim financial statements in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies, and for such internal control as Management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the interim financial statements. We conducted our review in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires that we express a conclusion about whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, have not been prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with the International Standard on Engagements to review interim financial information performed by the independent auditor of the entity is a limited assurance engagement. The auditor performs procedures primarily consisting of inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim financial statements.

Conclusion
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 companies and that the parent interim financial statements have not been prepared, in all material respects, in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies.

Copenhagen, 21July 2016

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State-Authorised
Public Accountant

Jens Ringbæk
State-Authorised
Public Accountant

Supplementary information

Conference call

Danske Bank will hold a conference call on 21 July 2016 upon the presentation of its interim report for the first half of 2016. The conference call is scheduled for 2.30pm CET and will be webcast live at danskebank.com.

Financial calendar

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

Contacts

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Links

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

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