Interim report – first half 2018

Danske Bank Group

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Danske Bank first half 2018 at a glance

9.1bn
Net profit

22.3bn
Total income

New partnerships
with fintech companies

2%
Lending growth y/y

Stable
customer satisfaction

Strong CET1 ratio of
15.9%

11.9%
Return on equity

New organisation
implemented

Acquisition of
SEB Pension DK
finalised

Financial highlights – Danske Bank Group

Income statement (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Net interest income	11,824	11,649	102	5,878	5,946	99	5,783	102	23,806
Net fee income	7,547	7,747	97	3,786	3,762	101	3,819	99	15,664
Net trading income	2,502	4,147	60	1,066	1,435	74	1,647	65	7,087
Other income	461	843	55	152	309	49	487	31	1,591
Total income	22,334	24,385	92	10,881	11,452	95	11,736	93	48,149
Operating expenses	11,400	11,484	99	5,788	5,612	103	5,760	100	22,722
Profit before loan impairment charges	10,934	12,901	85	5,094	5,841	87	5,976	85	25,427
Loan impairment charges	-707	-466		-377	-330		-231	163	
Profit before tax, core	11,641	13,368	87	5,471	6,171	89	6,208	88	26,300
Profit before tax, Non-core	48	-45	-	16	32	50	-25	-	-12
Profit before tax	11,689	13,323	88	5,487	6,202	88	6,182	89	26,288
Tax	2,585	3,002	86	1,256	1,329	95	1,392	90	5,388
Net profit	**9,104**	**10,321**	**88**	**4,231**	**4,873**	**87**	**4,790**	**88**	**20,900**
Attributable to additional tier 1 etc.	390	391	100	197	194	102	197	100	786

Balance sheet (end of period) (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Due from credit institutions and central banks	219,213	286,541	77	219,213	259,510	84	286,541	77	277,631
Repo loans	277,778	225,869	123	277,778	267,075	104	225,869	123	228,538
Loans	1,748,393	1,707,291	102	1,748,393	1,736,524	101	1,707,291	102	1,723,025
Trading portfolio assets	523,449	489,463	107	523,449	466,739	112	489,463	107	449,292
Investment securities	274,104	331,817	83	274,104	281,317	97	331,817	83	324,618
Assets under insurance contracts	385,833	290,620	133	385,833	284,603	136	290,620	133	296,867
Total assets in Non-core	16,905	17,492	97	16,905	4,849	-	17,492	97	4,886
Other assets	260,745	223,625	117	260,745	237,939	110	223,625	117	234,672
Total assets	**3,706,419**	**3,572,717**	**104**	**3,706,419**	**3,538,555**	**105**	**3,572,717**	**104**	**3,539,528**
Due to credit institutions and central banks	169,985	147,448	115	169,985	157,088	108	147,448	115	155,528
Repo deposits	213,372	234,219	91	213,372	235,903	90	234,219	91	220,371
Deposits	926,794	913,639	101	926,794	939,988	99	913,639	101	911,852
Bonds issued by Realkredit Danmark	732,106	733,172	100	732,106	753,664	97	733,172	100	758,375
Other issued bonds	387,879	428,134	91	387,879	388,115	100	428,134	91	405,080
Trading portfolio liabilities	447,006	451,663	99	447,006	385,635	116	451,663	99	400,596
Liabilities under insurance contracts	422,586	309,933	136	422,586	314,585	134	309,933	136	322,726
Total liabilities in Non-core	11,230	2,499	-	11,230	3,078	-	2,499	-	3,094
Other liabilities	200,718	159,001	126	200,718	172,021	117	159,001	126	164,531
Subordinated debt	33,847	30,110	112	33,847	28,840	117	30,110	112	29,120
Additional tier 1 etc.	14,340	14,334	100	14,340	14,462	99	14,334	100	14,339
Shareholders' equity	146,557	148,564	98	146,557	145,175	101	148,564	98	153,916
Total liabilities and equity	**3,706,419**	**3,572,717**	**104**	**3,706,419**	**3,538,555**	**105**	**3,572,717**	**104**	**3,539,528**

Ratios and key figures	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Dividend per share (DKK)	-	-		-	-		-	-	10.0
Earnings per share (DKK)	9.8	10.8		4.7	5.3		5.0		22.2
Return on avg. shareholders' equity (% p.a.)	11.9	13.5		11.2	12.6		12.6		13.6
Return on avg. tangible equity (% p.a.)	12.1	14.4		11.5	12.9		13.5		14.6
Net interest income as % p.a. of loans and deposits	0.88	0.87		0.88	0.89		0.87		0.89
Cost/income ratio (%)	51.0	47.1		53.2	49.0		49.1		47.2
Total capital ratio (%)	21.6	21.1		21.6	21.4		21.1		22.6
Common equity tier 1 capital ratio (%)	15.9	16.2		15.9	16.4		16.2		17.6
Share price (end of period) (DKK)	199.8	250.4		199.8	225.4		250.4		241.6
Book value per share (DKK)	168.3	162.5		168.3	164.4		162.5		172.2
Full-time-equivalent staff (end of period)	20,357	19,490	104	20,357	19,709	103	19,490	104	19,768

See note 3 to the financial statements for an explanation of differences in the presentation between IFRS and the Financial highlights, including the difference of DKK 312 million between Net profit in the IFRS income statement and in the Financial highlights. For a definition of ratios, see Definition of Alternative Performance Measures on page 29.

Executive summary

"In the first half of 2018, the positive momentum in our lending activities continued, while developments in the financial markets had an adverse effect as the global uncertainty and investor reticence contributed in particular to a weaker development in net trading income," says Thomas F. Borgen, Chief Executive Officer. "The decline was partially offset by lending growth, rising net interest income and solid credit quality, which made it possible for us to continue to reverse impairments. Our efforts to improve the customer experience continued, and we launched a number of innovations within mobile solutions, sustainable investments and home finance. Overall, we maintain our expectations of a net profit of between DKK 18 and DKK 20 billion for the full year. Due to the developments in the financial markets, we now expect net profit to be at the lower end of the range."

Danske Bank delivered a net profit of DKK 9.1 billion in the first half of 2018, against DKK 10.3 billion in the first half of 2017. The result reflects a continuation of good lending growth but also weak trading income and somewhat lower fee income due to uncertainty in the financial markets.

The return on shareholders' equity after tax was 11.9%, against 13.5% in the first half of 2017, reflecting substantially lower income in trading in 2018.

Despite a slowdown in some of the housing markets, the Nordic economies remained stable in the first half of 2018, which led to lending growth of 2%.

In the first half of 2018, our partnership agreements across Sweden, Norway and Finland continued to provide a good inflow of customers. We also entered into a number of new partnerships with local fintech companies in Denmark and across the Nordic region, which help us to continually provide good products and services to new and existing customers.

Net interest income benefited from loan growth, primarily in Sweden and Norway. In our biggest markets, Denmark and Finland, net interest income remained stable with increasing momentum seen in Business Banking.

Despite stable economic momentum, trading income was substantially lower than the level in the year-earlier period. Geopolitical uncertainty, concerns over potential trade wars and uncertainty regarding interest rates affected both Corporates & Institutions and Wealth Management negatively in terms of fee and trading income.

Expenses were slightly lower than the level in the year-earlier period, reflecting lower activity-based expenses. However, we do continue to see increased costs for compliance and regulatory requirements. We also see some costs related to the recent reorganisation.

Credit quality remained very strong, resulting in net reversals of DKK 707 million.

Developments in the Estonia case

The investigations into the issues related to the now closed down non-resident portfolio at our Estonian branch between 2007 and 2015 continue to progress according to plan. The investigations are comprehensive, covering a period of 9 years and a large quantity of data, including more than 9 million emails, 7,000 documents and millions of transactions.

While it is still too early to conclude as to the extent of suspicious transactions, it is clear that Danske Bank has failed to live up to our own standards and the expectations of society at large in terms of preventing our Estonian branch from being used for potentially illegitimate activities.

As well as being committed to transparency with respect to the findings of the investigations, including a clear account of the issues, causes and accountabilities, the Board of Directors and the Executive Board are also determined that Danske Bank should not benefit financially from such suspicious transactions in the Estonian non-resident portfolio. Consequently, it is Danske Bank's intention to make the gross income generated from such transactions in the period from 2007 to 2015 available for efforts that support the interest of the societies in which we operate, such as combating international financial crime.

As the comprehensive investigations, which are anchored in the Board of Directors, have not been finalised, it is too early to determine the amount to be made available. For reference, the total gross income from the non-resident portfolio between 2007 and 2015 has been estimated at around DKK 1.5 billion. Conclusions from the investigations will be reported by September 2018. The amount and the way in which it will be made available will be decided after we have concluded on the investigations.

On 3 May 2018, Danske Bank received eight orders and eight reprimands from the Danish FSA regarding management and governance in relation to the AML case at our Estonian branch. Danske Bank has taken several steps and initiatives to comply with the orders and will continue the work going forward.

New strategic initiatives and new organisation

On 2 May 2018, our new organisation became effective, helping us to focus on our ambition to become the Nordic Integrator in the financial sector. We continue our journey towards integrating further with our customers, integrating internally in order to ensure that customers experience us as one bank and integrating more with the societies in which we operate. Financial reporting on the new business units will commence in the third quarter of 2018.

Customer satisfaction

Customer satisfaction is a key priority for Danske Bank. In both Denmark and the rest of the Nordics, we saw stable customer satisfaction among both personal and corporate customers.

SEB Pension Danmark
On 7 June 2018, we finalised our purchase of SEB Pension Danmark, and we are now in the process of integrating the 200,000 customers and our new colleagues into the Group. The purchase will add DKK 102 billion to our total Assets under Management and will create even stronger product offerings in Danica Pension.

Capital, funding, liquidity and regulation
The Board of Directors has reassessed Danske Bank's solvency need to ensure adequate capital coverage of compliance and reputational risks following the order from the Danish FSA on 3 May 2018. This has led to an increase in the total capital requirement of 0.7 percentage points to 16.1% and in the CET1 capital requirement of 0.4 percentage points to 11.1%.

The purchase of SEB Pension Danmark has temporarily reduced the CET1 ratio by 0.5%.

Our capital position remains strong, with a total capital ratio of 21.6% and a CET1 capital ratio of 15.9%. Following the reassessment of the solvency need resulting from the orders from the Danish FSA, our target on total capital has been revised from around 19% to above 19% in the short to medium term. Our CET1 capital target of 14-15% in the short to medium term remains unchanged.

At 30 June, DKK 4.1 billion of the DKK 10 billion share buyback programme had been bought back.

At 30 June 2018, our liquidity coverage ratio stood at 142%.

In May 2018, the Danish Parliament passed regulation implementing the amendment to the Bank Recovery and Resolution Directive (BRRD). The new legislation effectively creates a new class of unsubordinated debt, Non-Preferred Senior debt, which is eligible to meet the minimum requirement for own funds and eligible liabilities (MREL). We have successfully issued the new Non-Preferred Senior debt in multiple currencies, equivalent to DKK 24.3 billion.

In June 2018, the Group issued DKK 4.8 billion in the form of a CRR-compliant convertible additional tier 1 capital issue of USD 750 million.

Outlook for 2018
The outlook has been updated.

We expect net interest income to be higher than in 2017, as we will benefit mainly from volume growth.

Net fee income is expected to remain strong, including the effect of the acquisition of SEB Pension Danmark and subject to customer activity.

Expenses are expected to be higher than in 2017, due mainly to the effect of the acquisition of SEB Pension Danmark.

Loan impairments are expected to remain at a low level.

We expect net profit to be in the range of DKK 18-20 billion.* Based on trading income in the first half of 2018, we currently expect net profit to be at the lower end of the range.

The outlook is subject to uncertainty and macroeconomic developments.

We maintain our ambition of being in the top three among major Nordic peers in terms of return on shareholders' equity.

**The net profit outlook for 2018 is excluding any financial effects from waiving income from suspicious transactions in Estonia. The impact will be presented once conclusions from our internal investigations become available.*

Financial review

In the first half of 2018, Danske Bank Group delivered a profit before tax from core activities of DKK 11.6 billion, a decrease of 13% from the level in the first half of 2017, which benefited from strong net trading income.

Income

Total income amounted to DKK 22.3 billion, a decrease of 8% from the level in the first half of 2017. Continued growth in net interest income had a positive effect, which, however, was more than offset by decreases in net fee income and, in particular, net trading income, which were negatively affected by challenging market conditions.

Net interest income totalled DKK 11.8 billion. The increase of 2% was driven by lending and deposit volume growth and lower funding costs, which, however, were partly offset by lower margins on deposits and foreign exchange movements.

Net fee income amounted to DKK 7.5 billion, a decrease of 3% from the level in the first half of 2017. Net fee income was adversely affected by lower customer activity at Wealth Management.

Net trading income totalled DKK 2.5 billion, a decrease of 40% from the level in the first half of 2017. In particular, Corporates & Institutions (FICC and Capital Markets) and Wealth Management were adversely affected. Customer activity at FICC remained on par with the activity level in the same period last year, however, FICC was negatively affected by low volatility in some markets, resulting in lower income from customer transactions. Customer activity at Capital Markets was subdued due to uncertainty in the financial markets. Wealth Management was adversely affected by a lower investment result in the health and accident business.

Other income amounted to DKK 0.5 billion, against DKK 0.8 billion in the first half of 2017. The first half of 2017 included income from Krogseveen, the Norwegian real-estate agency chain, which was sold in the first quarter of 2018. In addition, a lower risk result in the health and accident business at Wealth Management adversely affected Other income.

Expenses

Operating expenses amounted to DKK 11.4 billion, a decrease of 1% from the level in the first half of 2017. Operating expenses benefited from lower activity-related costs and efficiency measures, which, however, were partly offset by higher compliance costs including costs related to Estonia, costs related to the implementation of the new organisation in May 2018, and our continued initiatives to meet our high ambitions within digital transformation.

Loan impairments

Loan impairment charges remained low, with net reversals in the first half of 2018 of DKK 707 million in core activities as credit quality remained solid, supported by stable macroeconomic conditions and higher collateral values in most markets.

At Personal Banking and Business Banking, reversals in the first half of 2018 related primarily to facilities in Denmark, which benefited from improved credit quality. At Corporates & Institutions, we saw net reversals driven by a few single names. In Wealth Management, there were no new significant loan impairment charges, and in Northern Ireland, the loan impairment charges related to a few cases in the first quarter.

Loan impairment charges

(DKK millions)	First half 2018 Charges	First half 2018 % of loans and guarantees	First half 2017 Charges	First half 2017 % of loans and guarantees
Personal Banking	-180	-0.05	3	0.00
Business Banking	-451	-0.13	-545	-0.16
C&I	-85	-0.04	248	0.12
Wealth Management	-33	-0.08	-45	-0.12
Northern Ireland	50	0.22	-130	-0.58
Other Activities	-8	-0.94	3	0.18
Total	**-707**	**-0.07**	**-466**	**-0.05**

Tax

Tax on the profit for the period amounted to DKK 2.6 billion, or 22.1% of profit before tax.

Net profit

Net profit amounted to DKK 9,104 million, a decrease of 12% from the level in the first half of 2017. Net profit in the IFRS income statement amounted to DKK 8,792 million and was thus DKK 312 million lower due to the IFRS 9 implementation effect on loans granted by Realkredit Danmark. See Definition of Alternative Performance Measures on page 29 for more information.

Q2 2018 vs Q1 2018

In the second quarter of 2018, Danske Bank posted a net profit of DKK 4.2 billion, against DKK 4.9 billion in the first quarter.

Net interest income amounted to DKK 5.9 billion, a decrease of 1% from the level in the first quarter. Net interest income was positively affected by deposit margin and lending volume growth as well as more interest days in the second quarter. However, the positive effect was more than offset by a decrease in lending margins due to developments in market rates, foreign exchange movements and the transfer of Baltic customers to the Non-core unit, which adversely affected lending volumes.

Net fee income amounted to DKK 3.8 billion, an increase of 1% from the level in the first quarter.

Net trading income amounted to DKK 1.1 billion, a decrease of 26% from the level in the first quarter. Net trading income was negatively affected by challenging market conditions, in particular in FICC, and the seasonality effect in refinancing of FlexLån® loans in the first quarter, which primarily affected Personal Banking.

Other income decreased from DKK 0.3 billion in the first quarter to DKK 0.2 billion. The second quarter was adversely affected primarily by a lower risk result in the health and accident business at Wealth Management.

Operating expenses amounted to DKK 5.8 billion, an increase of 3% from the level in the first quarter. Part of the increase was caused by a rise in staff-related costs in the second quarter due to holiday pay and severance pay, although this effect was partly offset by lower activity-related costs and by the transfer of additional Baltic activities to the Non-core unit. In addition, the acquisition of SEB Pension Danmark also contributed to the increase.

Loan impairments showed net reversals of DKK 0.4 billion, continuing the stable trend from the level in the first quarter of 2018 and reflecting consistently strong credit quality supported by higher collateral values.

Balance sheet

Lending (end of period) (DKK billions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Full year 2017	Index 18/FY17
Personal Banking	765.5	747.6	102	765.5	758.9	101	757.9	101
Business Banking	697.3	687.4	101	697.3	701.7	99	697.4	100
Corporates & Institutions	180.6	183.0	99	180.6	174.7	103	175.2	103
Wealth Management	77.0	73.7	104	77.0	75.8	102	75.0	103
Northern Ireland	48.9	46.1	106	48.9	49.0	100	46.3	106
Other Activities incl. eliminations	-2.0	-9.9	20	-2.0	-3.9	51	-9.4	21
Allowance account, lending	19.0	20.6	92	19.0	19.7	96	19.4	98
Total lending	**1,748.4**	**1,707.3**	**102**	**1,748.4**	**1,736.5**	**101**	**1,723.0**	**101**

Deposits (end of period) (DKK billions)								
Personal Banking	287.7	275.1	105	287.7	276.7	104	273.5	105
Business Banking	246.3	251.5	98	246.3	247.6	99	248.3	99
Corporates & Institutions	260.2	259.1	100	260.2	290.2	90	267.8	97
Wealth Management	71.1	66.7	107	71.1	67.7	105	65.8	108
Northern Ireland	63.0	59.0	107	63.0	60.5	104	59.0	107
Other Activities incl. eliminations	-1.6	2.2	-	-1.6	-2.8	57	-2.5	64
Total deposits	**926.8**	**913.6**	**101**	**926.8**	**940.0**	**99**	**911.9**	**102**

Covered bonds (DKK billions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Full year 2017	Index 18/FY17
Bonds issued by Realkredit Danmark	732.1	733.2	100	732.1	753.7	97	758.4	97
Own holdings of bonds	65.1	44.2	147	65.1	37.7	173	33.6	194
Total Realkredit Danmark bonds	**797.2**	**777.4**	**103**	**797.2**	**791.4**	**101**	**792.0**	**101**
Other covered bonds issued	171.5	187.5	91	171.5	173.1	99	168.1	102
Own holdings of bonds	42.0	23.1	182	42.0	41.9	100	33.5	125
Total other covered bonds	**213.5**	**210.6**	**101**	**213.5**	**215.1**	**99**	**201.7**	**106**
Total deposits and issued mortgage bonds etc.	**1,937.4**	**1,901.6**	**102**	**1,937.4**	**1,946.4**	**100**	**1,905.5**	**102**
Lending as % of deposits and issued mortgage bonds etc.	90.2	89.8		90.2	89.2		90.4	

Lending

At the end of June 2018, total lending was up 1% from the level at the end of 2017. Lending increased in almost all markets and across almost all geographies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 53.1 billion. Lending to personal customers accounted for DKK 23.6 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, was maintained at 26.6%. In Sweden, our market share of lending rose slightly by 0.1 percentage points. Our market share in Finland was maintained.

Market shares of lending (%)	31 May 2018	31 December 2017
Denmark incl. RD (excl. repo)	26.6	26.6
Finland	9.6	9.6
Sweden (excl. repo)	5.7	5.6
Norway*	N/A	6.1

Source: Market shares are based on data from the central banks.
**As of January 2018, the monthly market share figures issued by Statistics Norway are deferred until the end of 2018 due to major IT system changes. Consequently, Danske Bank has not received updated data, and the market shares for Norway are thus based on data at 31 December 2017.*

Lending equalled 90.2% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.4% at the end of 2017.

Deposits

At the end of June 2018, total deposits were up 2% from the level at the end of 2017. Our market shares in Denmark and Sweden increased, with corporate deposits being the main driver for the increase in Denmark. Our market share in Finland fell from the seasonally high level of public institution deposits at the end of 2017. The Group maintained its strong funding position.

Market shares of deposits (%)	31 May 2018	31 December 2017
Denmark (excl. repo)	28.5	27.9
Finland	12.0	13.5
Sweden (excl. repo)	4.1	4.0
Norway*	N/A	6.6

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

**As of January 2018, the monthly market share figures issued by Statistics Norway are deferred until the end of 2018 due to major IT system changes. Consequently, Danske Bank has not received updated data, and the market shares for Norway are thus based on data at 31 December 2017.*

Credit exposure

Credit exposure from lending activities in core segments totalled DKK 2,471 billion, against DKK 2,688 billion at the end of 2017. The decrease in credit exposure from lending activities was owing primarily to the IFRS 9 reclassification and exclusion of DKK 223 billion of repos and other loans in the trading units of Corporates & Institutions from 1 January 2018 from the credit exposure from lending activities. The decrease was partly offset by including committed loan offers of DKK 76 billion in the credit exposure. Excluding the impact from IFRS 9 and the committed loan offers, the credit exposure decreased DKK 72 billion. The decrease related primarily to exposures to central banks, as the transfer of Baltic customers to the Non-core unit was more than offset by an increase across all markets.

Risk Management 2017, section 4, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remains solid in light of stable macroeconomic conditions. At the end of June 2018, net NPL was DKK 1.0 billion higher and gross NPL was DKK 1.6 billion lower than at the end of 2017. The effect of new non-performing loans at Corporates & Institutions was more than offset by continued work-outs in the legacy portfolio. The increase in net NPL from the end of 2017 was caused by the IFRS 9 implementation, which resulted in an unchanged total gross NPL level, an increase of net NPL by DKK 2.3 billion and a decrease in the NPL coverage ratio. The introduction of the new impairment methodology under IFRS 9 included an improved impairment model setup and thus led to a somewhat lower allowance account amount for non-performing loans than under IAS 39. Adjusting for these changes, both net and gross NPL decreased from the level at the end of 2017.

The risk management notes on pp. 60-75 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 June 2018	31 Dec. 2017
Gross NPL	31,688	33,255
NPL allowance account	13,441	15,965
Net NPL	**18,247**	**17,290**
Collateral (after haircut)	**15,066**	**14,703**
NPL coverage ratio (%)	80.9	86.1
NPL coverage ratio of which is in default (%)	95.2	96.8
NPL as a percentage of total gross exposure (%)	1.3	1.2

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

Accumulated impairments amounted to DKK 21.0 billion, including an IFRS 9 implementation effect of DKK 2.6 billion, or 1.1% of lending and guarantees. The corresponding figure at 31 December 2017 was DKK 20.1 billion.

Allowance account by business units	30 June 2018		31 Dec. 2017	
(DKK millions)	Accum. impairm. charges	% of loans and guarantees	Accum. impairm. charges	% of loans and guarantees
Personal Banking	5,425	0.70	5,200	0.69
Business Banking	11,730	1.62	11,452	1.68
C&I	2,457	0.65	2,189	0.51
Wealth Management	436	0.56	460	0.60
Northern Ireland	905	1.91	764	1.67
Other	3	0.01	3	0.01
Total	**20,956**	**1.05**	**20,069**	**1.01**

** Relating to lending activities in core segments.*

Realised losses amounted to DKK 1.2 billion. Of these losses, DKK 0.3 billion was attributable to facilities not already subject to impairment.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 1,078 billion at 30 June 2018, against DKK 774 billion at 31 December 2017. The increase, which related primarily to repos and other loans in the trading units of Corporates & Institutions, was the result of the implementation of IFRS 9. This credit exposure is now included in credit exposure from trading and investment activities and therefore no longer forms part of credit exposure from lending activities.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 81.4 billion, against DKK 74.7 billion at the end of 2017.

The value of the bond portfolio was DKK 494 billion. Of the total bond portfolio, 70% was recognised at fair value and 30% at amortised cost.

Bond portfolio (%)	30 June 2018	31 December 2017
Government bonds and bonds guaranteed by central or local governments	39	34
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	44	49
Swedish covered bonds	13	12
Other covered bonds	2	3
Corporate bonds	1	1
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	30	30

The financial highlights on page 4 provide information about our balance sheet.

The net position on repo transactions increased DKK 56.2 billion from an asset of DKK 8.2 billion at the end of 2017 to an asset of DKK 64.4 billion at the end of June 2018. The increase was due to higher customer activity.

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 48.7 billion at the end of 2017 to net assets of DKK 76.4 billion at the end of June 2018 as a result of fluctuations in the market value of the derivatives portfolio and an increase in the market value of the bond portfolio.

Other balance sheet items

Total assets in Non-core amounted to DKK 16.9 billion at the end of June 2018, against DKK 4.9 billion at the end of 2017. The increase relates to the transfer of Baltic customers to the Non-core unit as per 1 April 2018 as a result of the repositioning of the Group's business activities in the Baltic countries.

Other assets is the sum of several small line items. Other assets increased DKK 26.1 billion from the end of 2017.

Capital ratios

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

In order to position the Group for our ambitions and to absorb potentially adverse effects under stress as well as the inherent regulatory uncertainty, we have set prudent capital targets. For the CET1 capital ratio, the target is set in the range of 14-15% in the short to medium term and for the total capital ratio, the target is set to above 19% in the short to medium term. The total capital ratio target has been revised following the Group's reassessment of the solvency need.

We will reassess the capital targets when future regulatory initiatives have been further clarified, especially in relation to the implementation into EU law of the Basel Committee's revised standards for REA calculations published in December 2017.

At the end of June 2018, the total capital ratio was 21.6%, and the CET1 capital ratio was 15.9%, against 22.6% and 17.6%, respectively, at the end of 2017. The decline in the capital ratios was expected and was driven primarily by the DKK 10 billion share buy-back programme initiated on 2 February 2018 and Danica Pension's acquisition of SEB Pension Danmark, which was finalised during the second quarter of 2018. The total capital ratio was supported by the issuance of USD 750 million of additional tier 1 capital.

During the first half of 2018, the REA increased slightly by DKK 0.5 billion to DKK 754 billion at the end of June 2018. The minor movement was attributable primarily to a slightly increased REA for market risk.

At the end of June 2018, the Group's leverage ratio was 4.3% under transitional rules and 4.2% under fully phased-in rules.

Capital requirements

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

At the end of June 2018, the Group's solvency need was 11.2%, an increase of 0.7 percentage points from the level at the end of 2017. The increase was due mainly to a reassessment of capital to cover compliance and reputational risks, which increased the solvency need by DKK 5 billion. The reassessment was done following the Danish FSA's orders on 3 May 2018. The solvency need consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

A combined buffer requirement applies in addition to the solvency need. At the end of June 2018, the Group's combined capital buffer requirement was 4.9%.

In March 2018, the Danish Government introduced a countercyclical buffer requirement in Denmark of 0.5%, effective as of 31 March 2019, which will increase the Group's combined buffer requirement by 0.2 percentage points. Consequently, the buffer requirement will be 6.4% when fully phased-in, bringing the fully phased-in CET1 capital requirement to 12.6% and the fully phased-in total capital requirement to 17.6%.

Capital ratios and requirements

(% of the total REA)	Q2 2018	Fully phased-in*
Capital ratios		
CET 1 capital ratio	15.9	15.7
Total capital ratio	21.6	21.1
Capital requirements (incl. buffers)**		
CET 1 capital requirement	11.1	12.6
- portion from countercyclical buffer	*0.6*	*0.8*
- portion from capital conservation buffer	*1.9*	*2.5*
- portion from SIFI buffer	*2.4*	*3.0*
Total capital requirement	**16.1**	**17.6**
Excess capital		
CET 1 capital	4.8	3.1
Total capital	5.5	3.6

** Based on fully phased-in rules and requirements incl. fully phased-in impact of IFRS 9.*

*** 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 2018.*

The calculation of the solvency need and the combined capital buffer requirement is described in more detail in Risk Management 2017, section 3, which is available at danskebank.com/ir.

Capital distribution policy

Danske Bank's long-term ambition is to provide shareholders with a competitive return through share price appreciation and ordinary dividend payments of 40-60% of net profits.

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 2018, we had bought back 18.2 million shares for a total purchase amount of DKK 4.1 billion (figures at trade date) of our planned DKK 10.0 billion share buy-back programme.

Ratings

On 13 July 2018, S&P Global (S&P) affirmed Danske Bank's debt ratings and revised the outlook for Danica Pension's financial strength rating to positive, while retaining the positive outlook for Danske Bank's issuer credit rating,

The rating action reflects a revision of the outlook for the Danish banking system to positive from stable, while at the same time it included a one-notch uplift due to the expectation that Danske Bank will continue to build up a meaningful and sustainable buffer of non-preferred senior debt. Moreover, S&P applied a negative adjustment to Danske Bank's issuer and senior unsecured debt ratings due to the uncertainty regarding the outcome of ongoing investigations into Danske Bank's Estonian branch.

On 5 April 2018, S&P affirmed Danske Bank's A issuer and senior unsecured debt ratings, while revising the outlook to positive from stable. The outlook revision was the result of S&P's expectation that Danske Bank will build up a meaningful buffer of non-preferred senior debt.

On 4 May 2018, Moody's revised the outlook on Danske Bank's long-term senior unsecured rating to stable from negative due to the expected steady financial performance of Danske Bank and the size of Danske Bank's planned non-preferred senior debt issuance until 2021.

Fitch's senior unsecured debt ratings on Danske Bank remain A/F1 with a stable outlook.

In May 2018, Fitch, S&P and Moody's assigned A, A- and Baa1 ratings, respectively, to the inaugural and subsequent non-preferred senior debt issued by Danske Bank.

On 26 June 2018, Moody's assigned its Aa2 Counterparty Risk Ratings (CRR) to Danske Bank. CRR obligations include unsecured derivative and repo exposures.

On 29 June 2018, S&P assigned its A+ Resolution Counterparty Ratings (RCR) to Danske Bank. RCR liabilities may be protected from default with an effective bail-in resolution process (e.g. derivatives and repos).

Danske Bank's ratings

	Moody's	S&P Global	Fitch Ratings
Counterparty rating	Aa2/P-1	A+/A-1	A(dcr)
Senior debt	A1/Stable/P-1	A/Positive/A-1	A/Stable/F1
Non-preferred senior debt	Baa1	A-	A
Tier 2	Baa2	BBB+	BBB
AT1	-	BBB-	BB+

Mortgage bonds and covered bonds (RO and SDRO) issued by Realkredit Danmark are rated AAA (stable outlook) by S&P, while Fitch rates bonds issued from capital centre S AAA (stable outlook) and rates bonds issued from capital centre T AA+ (stable outlook).

Covered bonds (SDO) issued by Danske Bank A/S are rated AAA (stable outlook) by both S&P and Fitch Ratings, while covered bonds issued by Danske Mortgage Bank Plc are rated Aaa by Moody's and covered bonds issued by Danske Hypotek AB are rated AAA (stable outlook) by S&P.

Funding and liquidity

During the first half of 2018, we issued senior debt of DKK 2.0 billion, non-preferred senior debt of DKK 24.3 billion, covered bonds of DKK 22.6 billion and additional tier 1 debt of DKK 4.8 billion, bringing total new long-term wholesale funding to DKK 53.7 billion by the end of June 2018.

We maintain our funding plan for 2018 of DKK 60-80 billion, and we remain dedicated to our strategy of securing a large part of funding directly in our Nordic lending currencies.

The new legislation covering non-preferred senior issuance has passed the parliamentary process, and a new act came into effect on 1 July 2018. Importantly, the new act is effective retroactively from 1 January 2018, and thus also applicable to the non-preferred senior debt we issued in the second quarter.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of June 2018, our liquidity coverage ratio stood at 142%, with an LCR buffer of DKK 548 billion.

The Basel Committee on Banking Supervision (BCBS) adopted the net stable funding ratio (NSFR) as a standard for internationally active banks in 2014. Implementation in the EU is under way. Adherence to NSFR is a part of our funding planning, and we are already comfortably above the requirement.

At 30 June 2018, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 341 billion, against DKK 327 billion at the end of 2017.

Danske Bank excluding Realkredit Danmark (DKK billions)	30 June 2018	31 December 2017
Covered bonds	171.5	168.1
Senior unsecured debt	135.2	129.9
Subordinated debt	33.8	29.1
Total	**340.5**	**327.1**

The Supervisory Diamond

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

At the end of June 2018, Danske Bank was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

Realkredit Danmark also complies with all threshold values.

New regulation

Beginning on 1 January 2018, the Group implemented IFRS 9, the new accounting standard for financial instruments.

The implementation of IFRS 9 resulted in an increase in the allowance account of DKK 2.6 billion at 1 January 2018 as a result of the introduction of the new expected credit loss impairment model. The total effect of DKK 2.0 billion, including the other changes due to the implementation of IFRS 9 (net of tax) has reduced shareholders' equity at 1 January 2018. Note 2 provides more information. The impact of IFRS 9 on regulatory capital is subject to a five-year phase-in period.

In March 2018, the Danish FSA published their decision to set the minimum requirement for own funds and eligible liabilities (MREL). As expected, the MREL for the Group was set to be equivalent to two times the capital requirement including capital buffer requirements.
Danish mortgage credit institutions are exempt from the MREL. Instead they are subject to a debt buffer requirement of 2% of their loans. Due to this exemption, Realkredit Danmark is not included in the consolidation for the purpose of determining the MREL for the Group. Furthermore, the capital and debt buffer requirements that apply to Realkredit Danmark are deducted from the liabilities and own funds used to fulfil the MREL.

The Danish FSA also imposes the requirement that all MREL eligible liabilities and own funds must bear losses before other senior unsecured claims in case of both resolution and insolvency. However, in a gradual transition to 2022, unsecured senior debt issued before 1 January 2018 can also be used to fulfil the MREL.

In total, the MREL set for Danske Bank Group corresponds to 33% of the REA at 1 January 2018 adjusted for Realkredit Danmark. The requirement is based on the fully phased-in requirements at end-2016 and will become effective from 1 July 2019. Based on end-June 2018 figures, the requirement would be 34.6% of REA adjusted for Realkredit Danmark. Danske Bank Group is well on track to comply with this requirement. At the end of June, the level of MREL eligible liabilities and own funds stood at 35.8% of REA adjusted for Realkredit Danmark.
The Danish FSA updates the MREL requirement annually. We expect the next update in the beginning of 2019.

We expect the Swedish FSA to change the method it currently uses to apply the risk weight floor for Swedish mortgages through Pillar II by replacing the method with a Pillar I requirement that is within the European framework for macroprudential tools. We expect the change to enter into force on 31 December 2018. The impact for the Group will be limited, as we already apply the current risk weight floor in Pillar II.

A more detailed description of the new regulation is provided in Risk Management 2017, section 3, which is available at danskebank.com/ir.

Changes to the Executive Board

Effective from 21 April 2018, Lars Mørch resigned as member of the Executive Board.

Effective from 2 May 2018, Tonny Thierry Andersen resigned as member of the Executive Board.

Effective from 2 May 2018, the Executive Board of the Group consist of: Thomas F. Borgen, Chief Executive Officer, Carsten Rasch Egeriis, Head of Group Risk Management, Frederik Gjessing Vinten, Head of Group Development, Glenn Söderholm, Head of Banking Nordic, Henriette Fenger Ellekrog, Head of Group HR, Jacob Aarup-Andersen, Head of Wealth Management, Jakob Groot, Head of Corporates & Institutions, Jesper Nielsen, Head of Banking DK, and James Ditmore, Head of Group Services & Group IT (COO).

Personal Banking

In the first half of 2018, Personal Banking delivered an increase in profit before tax of 6% relative to the level for the first half of 2017. The result was driven by a continued increase in business volumes in Sweden and Norway, lower operating expenses and net impairment reversals, but was also adversely affected by lower deposit margins.

Personal Banking (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Net interest income	3,886	3,926	99	1,926	1,960	98	1,963	98	7,911
Net fee income	1,716	1,731	99	858	859	100	891	96	3,419
Net trading income	302	310	97	106	195	54	110	96	614
Other income	201	384	52	72	129	56	205	35	736
Total income	6,104	6,351	96	2,962	3,142	94	3,169	93	12,681
Operating expenses	3,580	3,796	94	1,822	1,757	104	1,900	96	7,533
Profit before loan impairment charges	2,525	2,555	99	1,140	1,385	82	1,269	90	5,148
Loan impairment charges	-180	3	-	-80	-100	-	-53	-	-62
Profit before tax	**2,704**	**2,552**	**106**	**1,219**	**1,485**	**82**	**1,322**	**92**	**5,211**
Loans, excluding reverse transactions before impairments	765,528	747,647	102	765,528	758,915	101	747,647	102	757,937
Allowance account, loans	4,748	5,067	94	4,748	4,926	96	5,067	94	4,876
Deposits, excluding repo deposits	287,720	275,137	105	287,720	276,728	104	275,137	105	273,478
Bonds issued by Realkredit Danmark	416,840	405,127	103	416,840	411,102	101	405,127	103	409,363
Allowance account, guarantees	677	376	180	677	672	101	376	180	324
Allocated capital (average)	25,565	23,529	109	25,724	25,403	101	23,224	111	24,450
Net interest income as % p.a. of loans and deposits	0.74	0.77		0.73	0.76		0.77		0.77
Profit before tax as % p.a. of allocated capital (ROAC)	21.2	21.7		19.0	23.4		22.8		21.3
Cost/income ratio (%)	58.7	59.8		61.5	55.9		60.0		59.4
Full-time-equivalent staff	4,294	4,640	93	4,294	4,161	103	4,640	93	4,517

Fact Book Q2 2018 provides financial highlights at country level for Personal Banking. Fact Book Q2 2018 is available at danskebank.com/ir.

First half 2018 vs first half 2017

Profit before tax amounted to DKK 2.7 billion, an increase of 6% from the level recorded in the first half of 2017. The increase reflects good lending growth in Sweden and Norway, lower operating expenses and net loan impairment reversals.

Net interest income was on par with the level in the first half of 2017, as growing lending volumes and good business momentum were offset by pressure on deposit margins from persistently low interest rates as well as adverse exchange rate effects.

We continued to grow our personal banking business in Sweden and Norway on the back of the inflow of new customers from our partnership agreements with SACO, TCO and Akademikerne. In Norway, our new Boligkreditt 45% product, which is a highly flexible and cost-competitive loan for home owners with low LTVs, was well received. In Finland, we continued to roll out initiatives under our partnership agreement with Akava.

In Denmark, good demand for our unique FlexLife® mortgage loan and the launch of Danske Bolig Fri, which is a bank loan aimed at home owners looking for high flexibility and low costs, contributed positively to our business.

Our offering to homeowners and potential homeowners in Denmark also includes our Sunday universe. With Sunday, users can easily match their dreams and finances to find their next home, and they can seamlessly share the data they enter in Sunday with us to get our advice on their budget, financing options as well as fast loan approval.

Overall, lending increased 2%.

Fee income was flat relative to the level recorded in the first half of 2017.

In the first quarter, we sold off Krogsveen, our Norwegian real-estate agency chain. The sale reduced both other income and costs in the first half of 2018.

Operating expenses fell 6%, despite increasing costs for a number of regulatory projects. In addition to the effect from the sale of Krogsveen, cost efficiencies contributed to the decrease.

Credit quality

Credit quality was generally stable. Most of our markets are supported by favourable macroeconomic conditions and the low interest rate level.

Loan impairment charges amounted to a net reversal of DKK 180 million for the first half of 2018, reflecting strong and stable portfolio credit quality and increased collateral values.

The credit quality at Realkredit Danmark remained strong and stable throughout the first half of 2018.
Overall, the loan-to-value (LTV) level fell slightly throughout the period.

Loan-to-value ratio, home loans	30 June 2018		31 Dec. 2017	
	Average LTV (%)	Credit exposure (DKK bn)	Average LTV (%)	Credit exposure (DKK bn)
Denmark	63.2	468	64.2	465
Finland	61.8	85	61.2	85
Sweden	63.2	80	60.6	80
Norway	61.5	98	62.8	93
Total	**62.8**	**731**	**63.3**	**723**

Credit exposure

Credit exposure rose to DKK 826 billion in the first half of 2018. The increase reflects growth in Sweden and Norway stemming from our strategic partnerships as well as loan offers exposure that was not previously included in total credit exposure.

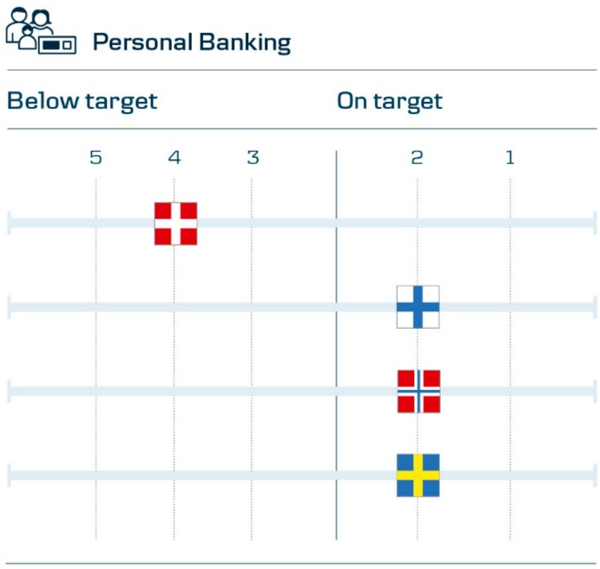
(DKK millions)	Net credit exposure 30 June 2018	Net credit exposure 31 Dec. 2017	Impairments (ann.) (%) 30 June 2018
Denmark	501,273	496,776	-0.07%
Finland	92,293	91,566	0.01%
Sweden	105,410	88,048	0.01%
Norway	127,197	112,678	-0.02%
Other	-	-	-0.07%
Total	**826,173**	**789,068**	**-0.05%**

Customer satisfaction

We continued our cross-Nordic efforts to be an integral part of our customers' lives, create the best customer experience and ensure high customer satisfaction. We do so by offering solutions and services that make daily banking and financial decisions easy.

Our ambition is to rank in the top two on customer satisfaction in our Nordic peer group. At the end of the first half of 2018, we ranked number two in Finland, Norway and Sweden and number four in Denmark. The ranking in Denmark reflects intense competition in the banking sector. This only encourages us to continue our efforts to develop innovative solutions and offer the best proactive advice.

Among other initiatives in the first half of the year, we entered into two new partnerships - one with Danish fin-tech Spiir and one with Swedish fin-tech Minna Technologies to further improve customers' control and overview of their finances. With the technology offered by these platforms, customers will have an easy overview of their accounts across banks and be able to easily track expenses, pay bills and manage budgets and subscriptions. The cross-bank account overview is already available to our customers in Sweden and Finland.



Source: PB Strategy & Insights, Customer Insights

Q2 2018 vs Q1 2018

Profit before tax decreased 18% to DKK 1.2 billion.

The decrease reflects higher operating expenses in the second quarter, while income from mortgage refinancing activity was higher in the first quarter, mainly because of seasonality.

Total lending increased 1% from the level recorded in the first quarter of 2018 despite adverse exchange rate effects.

Net trading income fell 46%. The decrease reflects the higher level of mortgage refinancing activity in the first quarter.

Operating expenses were up 4%, driven by increasing costs for regulatory projects.

The second quarter of 2018 saw a net loan impairment reversal of DKK 80 million, against a net reversal of DKK 100 million in the first quarter of 2018. The continued reversal of loan impairment charges reflects strong and improved credit quality and increased collateral values.

Business Banking

Profit before tax increased 3% from the level in first half of 2017, due primarily to an increase in net interest income. The increase was the result of good business momentum in all our Nordic markets, which led to increasing lending volumes. Operating expenses rose 4%, due primarily to higher IT investments and costs related to compliance and new strategic initiatives. At DKK 451 million, net reversals of loan impairments remained high, although at a slightly lower level than in the same period last year.

Business Banking (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Net interest income	4,686	4,380	107	2,350	2,336	101	2,209	106	8,973
Net fee income	940	948	99	447	494	90	473	95	1,888
Net trading income	310	310	100	133	176	76	136	98	638
Other income	288	274	105	142	146	97	134	106	551
Total income	6,224	5,913	105	3,072	3,152	97	2,952	104	12,051
Operating expenses	2,444	2,342	104	1,231	1,213	101	1,196	103	4,736
Profit before loan impairment charges	3,780	3,572	106	1,841	1,939	95	1,755	105	7,316
Loan impairment charges	-451	-545	-	-179	-272	-	-260	-	-823
Profit before tax	**4,231**	**4,117**	**103**	**2,020**	**2,211**	**91**	**2,015**	**100**	**8,139**
Loans, excluding reverse transactions before impairments	697,334	687,433	101	697,334	701,676	99	687,433	101	697,387
Allowance account, loans	10,696	11,728	91	10,696	11,197	96	11,728	91	11,014
Deposits, excluding repo deposits	246,269	251,513	98	246,269	247,631	99	251,513	98	248,292
Bonds issued by Realkredit Danmark	325,005	318,051	102	325,005	331,338	98	318,051	102	335,944
Allowance account, guarantees	1,032	421	245	1,032	989	104	421	245	437
Allocated capital (average)	43,651	45,844	95	43,426	43,878	99	45,860	95	45,432
Net interest income as % p.a. of loans and deposits	1.00	0.94		1.01	1.00		0.95		0.96
Profit before tax as % p.a. of allocated capital (ROAC)	19.4	18.0		18.6	20.2		17.6		17.5
Cost/income ratio (%)	39.3	39.6		40.1	38.5		40.5		39.3
Full-time-equivalent staff	2,485	2,748	90	2,485	2,773	90	2,748	90	2,760

Fact Book Q2 2018 provides financial highlights at country level for Business Banking. Fact Book Q2 2018 is available at danskebank.com/ir.

As of 1 April 2018, customers in the Baltic countries who do not have business interests in the Nordics were transferred to our Non-core unit. Comparative figures have not been restated.

First half 2018 vs first half 2017

Business Banking continued its good and stable development. We continued to see the results of our focus on strengthening our offerings to business customers, positive business momentum and good activity across the Nordic markets.

The good momentum and activity resulted in an increase in profit before tax of 3% to DKK 4.2 billion. The increase was driven mainly by improvements in income, with a rise in total income of 5% from the level in the same period last year.

The transfer of the portfolio in the Baltic countries to the Non-core unit had a slightly negative effect on the figures for the first half of 2018. The transfer meant that growth in total lending was 1% rather than 3%.

Net interest income grew 7%, owing to rising lending, with bank lending accounting for most of the increase. A continued good business momentum in all the Nordic markets and improved lending margins were the main drivers of the positive trend.

Both net fee income and net trading income were on a par with the level in the first half of 2017. Adjusted for the Baltic portfolio transfer, both income lines rose from the level in the same period last year, reflecting the continued good momentum.

Operating expenses rose 4%, driven mainly by IT investments made to improve the customer experience and meet regulatory requirements as well as new strategic initiatives.

Credit quality

Impairment charges were still at a very low level, amounting to net reversals of DKK 451 million in the first half of 2018, reflecting the current macroeconomic stability and the fact that economic growth in the Nordic markets is expected to continue.

Net reversals were primarily attributable to facilities in Denmark, driven by favourable market conditions.

Impairment reversals were slightly lower than in the same period last year.

Credit exposure

Credit exposure decreased from DKK 1,017 billion in the fourth quarter of 2017 to DKK 965 billion in the second quarter of 2018. This includes the transfer of the Baltic portfolio, which had an exposure of DKK 14.6 billion.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2018	31 Dec. 2017	30 June 2018
Denmark	472,372	475,436	-0.19%
Finland	87,989	79,412	-0.12%
Sweden	168,431	162,600	0.02%
Norway	86,175	80,796	0.04%
Baltics	2,402	19,893	-0.58%
Other	147,386	198,675	-
Total	**964,754**	**1,016,812**	**-0.13%**

Customer satisfaction

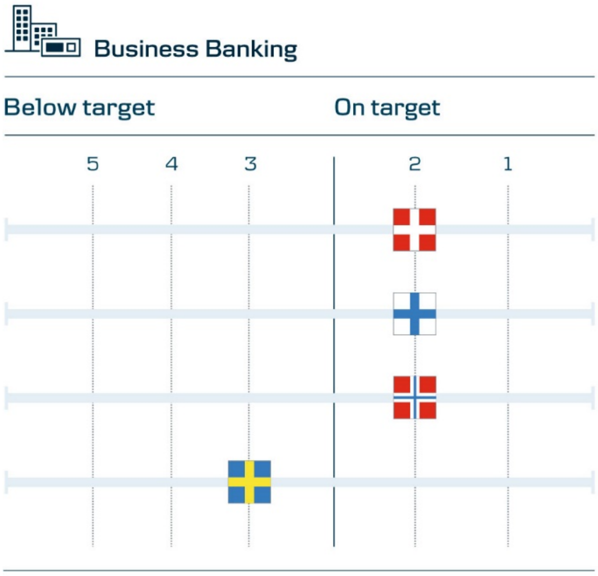
We continued to focus on our goal of delivering the best customer experience by building easy customer journeys and customer-centric solutions.

For customer satisfaction, our ambition is to be in the top two on satisfaction among customers in our prioritised segments in all our Nordic markets. At the end of the first half of 2018, we were on target in Denmark, Finland and Norway. In Sweden, we were number three, as we saw stable customer satisfaction, whereas our peers saw rising satisfaction.

To drive customer satisfaction and raise the bar for the value we want to provide to our customers, we launched several new initiatives. These include +impact, a new digital hub intended to help Nordic entrepreneurs grow their societal impact. The initiative reflects our ambition of helping purpose-driven start-ups maximise their impact.

Among other initiatives, we launched our "Future Financing" tool for small businesses in Sweden, Finland and Norway, and we continued to see good momentum for the tool in Denmark. The aim of Future Financing is to consistently improve the quality and customer experience, and to reduce both the processing time and the time to money from weeks to hours.

We are developing and testing our new financial dashboard among small business owners. The platform is aimed at providing an improved financial overview and making it easier for businesses to handle their finances. It has been well received by our customers.



Source: BD Sales & Customer Engagement, Customer Insights

Q2 2018 vs Q1 2018

The quarterly development was influenced by the transfer of a portfolio in the Baltic countries to the Non-core unit, adversely affecting both income and costs by 2.5% and 4%, respectively.

Profit before tax decreased 9% due to seasonally lower income, higher operating expenses and lower impairment reversals than in the first quarter of 2018.

Total income fell 3%. Adjusted for the Baltic portfolio transfer, it was stable.

Net interest income was stable, whereas net fee income and net trading income decreased, due primarily to seasonality in mortgage refinancing.

Operating expenses increased 1%, primarily as a result of restructuring costs.

Loan impairments remained at a low level, amounting to net reversals of DKK 179 million in the second quarter of 2018, against DKK 272 million in the first quarter.

Corporates & Institutions

In the first half of 2018, Corporates & Institutions generated a profit before tax of DKK 2.6 billion. This was a decline of 28% from the level in the same period last year, when trading income was high due to favourable market conditions and high customer activity fuelled by geopolitical events. Low volatility in rates markets during the first half of 2018 contributed to more challenging market conditions and a decline in trading income. Operating expenses decreased 3% from the level in the same period last year due to lower performance-based compensation and a continuous focus on cost efficiency.

Corporates & Institutions (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Net interest income	1,824	1,692	108	931	893	104	843	110	3,438
Net fee income	1,417	1,467	97	726	690	105	686	106	2,929
Net trading income	1,496	3,002	50	497	999	50	1,161	43	4,842
Other income	9	1	-	6	3	200	1	-	1
Total income	4,746	6,162	77	2,160	2,585	84	2,691	80	11,210
Operating expenses	2,263	2,339	97	1,109	1,154	96	1,155	96	4,664
Profit before loan impairment charges	2,483	3,822	65	1,051	1,431	73	1,536	68	6,546
Loan impairment charges	-85	248	-	-88	3	-	167	-	353
Profit before tax	**2,568**	**3,574**	**72**	**1,139**	**1,429**	**80**	**1,368**	**83**	**6,193**
Loans, excluding reverse trans. before impairments	180,635	183,000	99	180,635	174,724	103	183,000	99	175,161
Allowance account, loans	1,994	2,037	98	1,994	1,917	104	2,037	98	2,044
Allowance account, credit institutions	15	12	125	15	14	107	12	125	10
Deposits, excluding repo deposits	260,202	259,120	100	260,202	290,171	90	259,120	100	267,797
Bonds issued by Realkredit Danmark	18,300	19,455	94	18,300	15,202	120	19,455	94	14,373
Allowance account, guarantees	448	453	99	448	515	87	453	99	134
Allocated capital (average)	32,338	37,186	87	32,440	32,234	101	36,271	89	34,949
Net interest income as % p.a. of loans and deposits	0.83	0.77		0.85	0.77		0.77		0.78
Profit before tax as % p.a. of allocated capital (ROAC)	15.9	19.2		14.0	17.7		15.1		17.7
Cost/income ratio (%)	47.7	38.0		51.3	44.6		42.9		41.6
Full-time-equivalent staff	1.706	1,647	104	1.706	1,708	100	1,647	104	1,673

Total income (DKK millions)									
FICC	1,638	2,982	55	570	1,068	53	1,129	50	4,879
Capital Markets	827	1,045	79	434	393	110	505	86	1,956
General Banking	2,280	2,135	107	1,156	1,124	103	1,057	109	4,375
Total income	4,746	**6,162**	77	2,160	**2,585**	84	**2,691**	80	**11,210**

First half 2018 vs first half 2017

Corporates & Institutions generated a total income of DKK 4.7 billion in the first half of 2018 - a decrease of 23% from the level in the same period last year, which was characterised by more benign market conditions. The decrease in total income was caused mainly by lower trading income.

Low volatility in rates markets contributed to more challenging market conditions and lower trading income in mainly FICC, as income from facilitating customer transactions declined. This was despite customer activity in rates markets remaining close to the same levels as in the first half of 2017.

Expectations in the beginning of the year of rising interest rates and widening credit spreads in the secondary credit market reduced customer activity and resulted in lower trading income in Debt Capital Markets.

Net interest income increased 8% due to refinancing activities in Sweden and increased lending volumes in Denmark and Norway.

Loans excluding reverse transactions before impairments decreased 1%, due mainly to changes in collateral management agreements.

Net fee income decreased 3%, owing to a decline in fee-driven capital markets activities and in Equities.

Operating expenses were down 3% from the level in the same period last year. This was due primarily to lower performance-based compensation and a continuous focus on cost efficiency.

Fixed Income, Currencies & Commodities
Total income in FICC amounted to DKK 1.6 billion, a decrease of 45% from the level in the same period in 2017 when trading income was high due to favourable market conditions. Customer activity remained on par with the activity level in the same period last year, but low volatility in rates markets contributed to a significant decline in income from facilitating customer transactions.

Capital Markets and General Banking
Capital Markets income amounted to DKK 0.8 billion, a decrease of 21% from the level in the same period last year. Debt Capital Markets trading saw a more subdued level of customer activity compared with the level in the same period last year. Primary markets activity in Debt Capital Markets, however, increased from the year-earlier level.

Equities saw a first half-year slightly below the same period last year. The decline was partly mitigated by higher customer activity in equity derivatives, as demand for hedging increased due to more challenging equity markets.

Income from General Banking increased 7%, due mainly to refinancing activities in Sweden and increased lending volumes in Denmark and Norway.

Credit quality
Total loan impairments at Corporates & Institutions amounted to a net reversal of DKK 85 million in the first half of 2018, as the situation for offshore companies active on the Norwegian continental shelf continued to be stable. At the end of the first half of 2018, total credit exposure from lending activities amounted to DKK 497 billion, a decrease of around 30% from the level at the end of 2017. The decrease is explained mainly by a reclassification of reverse transactions (repos), from loans at amortised cost to loans at fair value, as part of the implementation of IFRS 9, thus excluding them from the definition of credit exposure.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2018	31 Dec. 2017	30 June 2018
Sovereign	92,504	171,942	-0.01%
Financial institutions	77,314	179,410	-0.03%
Corporate	327,244	359,073	-0.05%
Other	202	291	-
Total	**497,265**	**710,717**	**-0.04%**

The sovereign and financial institutions portfolios consist primarily of exposures to stable, highly rated Nordic counterparties. The corporate portfolio is diverse and consists mainly of large companies based in the Nordic countries and large international customers with activities in the Nordic region.

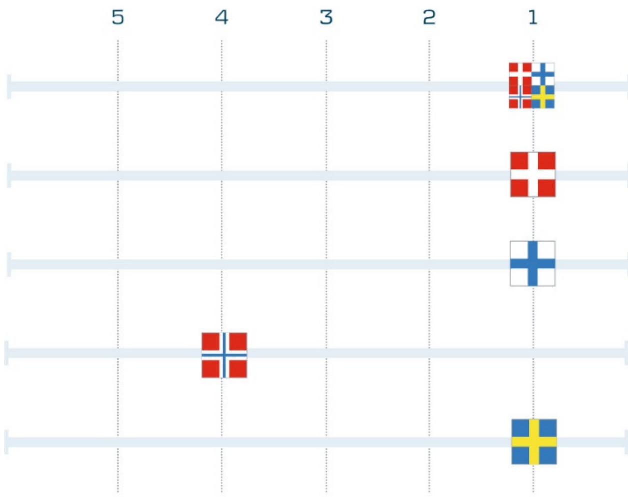
Customer satisfaction
Customer satisfaction remains high. Over the years, we have steadily improved customer satisfaction among our largest customers, and in the two most recent annual summarised Prospera reports, we were ranked number one across the Nordics.

In the first half of 2018, we maintained our longstanding number one ranking as the best Nordic financial provider of Cash Management and Trade Finance in the transaction banking space. Within fixed income, we similarly maintained a number one ranking in Interest Rate Swaps and rose from fourth to third place in the high yield investors category. We also maintained our strong runner up position in Debt Capital Markets issuance.

Within our geographical markets, we maintained our positions or made improvements. We kept our leading market position in Denmark, maintained strong positions in Finland and Sweden, and in Norway, we saw a positive trend, most recently achieving, among others, number one rankings in Cash Management, Trade Finance, FX and Interest Rate Swaps.

Corporates & Institutions

Market position, all (rolling year)



The chart shows current average ranking over a full set of reports for all Prospera surveys to which Corporates & Institutions subscribes in comparison with the main competitors in each geographical market. A number 1 ranking in a market indicates best average ranking in that market.

Q2 2018 vs Q1 2018

Profit before tax decreased 20% from the level in the first quarter of 2018, mainly driven by lower trading income.

In FICC, income decreased 47% due to challenging market conditions.

In Capital Markets, income increased 10%, owing mainly to higher activity in Corporate Finance and slightly improved activity for bond issues in Debt Capital Markets.

Operating expenses were down 4%, owing mainly to seasonality, lower performance-based compensation and cost efficiency gains.

Wealth Management

Profit before tax amounted to DKK 1.6 billion, a decrease of 24% from the level in the first half of 2017. The financial performance was adversely affected by uncertainty in the financial markets, causing a significantly lower investment result in the health and accident business and lower fee income. Operating expenses increased from the level in the first half of 2017, due partly to regulatory costs and costs regarding the acquisition of SEB Pension Danmark.

Wealth Management (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Net interest income	366	356	103	187	179	104	174	107	709
Net fee income	3,423	3,510	98	1,722	1,701	101	1,761	98	7,281
Net trading income	16	204	8	34	-19	-	101	34	403
Other income	-47	97	-	-63	16	-	69	-	174
Total income	3,758	4,168	90	1,880	1,877	100	2,106	89	8,567
Operating expenses	2,144	2,035	105	1,130	1,015	111	1,019	111	4,082
Profit before loan impairment charges	1,613	2,132	76	751	863	87	1,087	69	4,485
Loan impairment charges	-33	-45	-	-17	-16	-	-20	-	-93
Profit before tax	**1,646**	**2,177**	**76**	**768**	**878**	**87**	**1,107**	**69**	**4,579**
Loans, excluding reverse trans. before impairments	77,008	73,652	105	77,008	75,798	102	73,652	105	75,028
Allowance account, loans	405	438	92	405	438	92	438	92	434
Deposits, excluding repo deposits	71,145	66,707	107	71,145	67,696	105	66,707	107	65,849
Bonds issued by Realkredit Danmark	37,018	34,750	107	37,018	33,716	110	34,750	107	32,278
Allowance account, guarantees	31	42	74	31	33	94	42	74	26
Allocated capital (average)	13,520	13,969	97	13,515	13,524	100	14,403	94	13,894
Net interest income as % p.a. of loans and deposits	0.50	0.51		0.51	0.50		0.50		0.50
Profit before tax as % p.a. of allocated capital (ROAC)	24.3	31.2		22.7	26.0		30.7		33.0
Cost/income ratio (%)	57.1	48.8		60.1	54.1		48.4		47.6
Full-time-equivalent staff	2,203	1,906	116	2,203	1,898	116	1,906	116	1,851
Breakdown of Assets under Management* (DKK billions)									
Life conventional	203	155	131	203	151	134	155	131	155
Asset management	951	878	108	951	890	107	878	108	911
Assets under advice	493	460	107	493	472	104	460	107	464
Total assets under management	**1,648**	**1,493**	**110**	**1,648**	**1,513**	**109**	**1,493**	**110**	**1,530**
Breakdown of net fee income (DKK millions)									
Management fees	2,842	2,941	97	1,421	1,421	100	1,475	96	5,737
Performance fees	29	39	74	6	23	26	24	25	415
Risk allowance fees	552	530	104	296	256	116	262	113	1,130
Total net fee income	**3,423**	**3,510**	**98**	**1,722**	**1,701**	**101**	**1,761**	**98**	**7,281**

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

**Assets under Management from the acquired SEB Pension Danmark consist of DKK 53 billion from Life conventional and DKK 49 billion from Asset management (unit-linked products)*

First half 2018 vs first half 2017

Profit before tax amounted to DKK 1.6 billion, a decrease of 24% from the level in the first half of 2017. The financial performance was significantly influenced by uncertainty in the financial markets, leading to a lower investment result in the health and accident business, which is included in net trading income. Danica Pension's acquisition of SEB Pension Danmark, which was announced on 14 December 2017, is now finalised. The financial results of SEB Pension Danmark are included in the financial results as of 7 June 2018.

Net interest income was up 3% to DKK 0.4 billion, driven by an increase in volumes.

Net fee income amounted to DKK 3.4 billion and was 2% below the level in the first half of 2017, including the effect from SEB Pension Danmark. This was due mainly to the fact that more product launches supported net fee income in 2017. However, net fee income benefited from an increase in Assets under Management from the level in the first half of 2017.

Net trading income amounted to DKK 16 million and fell significantly from the level in the first half of 2017, when trading income was DKK 204 million. The reason for the decline was a low investment return in the health and accident business.

Other income amounted to a negative DKK 47 million, against DKK 97 million in the first half of 2017, due to a lower risk result in the health and accident business.

Operating expenses were up 5% from the level in the first half of 2017, due mainly to increased regulatory costs and the ordinary operating expenses of the acquired SEB Pension Danmark being recognised as of 7 June 2018.

Credit quality

Credit quality was generally stable. Our markets are supported by generally favourable macroeconomic conditions and a low level of interest rates.

Loan impairment charges amounted to net reversals of DKK 33 million in the first half of 2018.

Overall, the loan-to-value (LTV) level was stable throughout the first half of 2018.

Loan-to-value ratio, home loans	30 June 2018		31 December 2017	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	60.1	41	60.0	40
Finland	65.2	2	65.5	2
Sweden	59.7	4	58.9	4
Norway	59.8	8	59.3	7
Total	**60.1**	**55**	**60.0**	**53**

Credit exposure

Credit exposure increased to DKK 89 billion in the first half of 2018. The increase was driven by growth in all markets with the exception of Finland as well as loan offers exposure that was not previously included in total credit exposure.

(DKK millions)	Net credit exposure 30 June 2018	Net credit exposure 31 December 2017	Impairments (ann.) (%) 30 June 2018
Denmark	58,508	56,818	-0.02%
Finland	3,234	3,415	-0.06%
Sweden	6,577	6,292	0.07%
Norway	11,783	10,628	0.09%
Luxembourg	8,456	8,028	-0.93%
Total	**88,558**	**85,180**	**-0.08%**

Assets under Management

Assets under Management consist of our life conventional business (*Danica Traditionel*), asset management (Danica unit-linked and Asset Management) as well as assets under advice, where the customer makes the investment decision.

Assets under Management increased DKK 102 billion due to the acquisition of SEB Pension Danmark. At the end of June 2018, Assets under Management totalled DKK 1,648 billion.

Premiums for Danica Pension amounted to DKK 22.9 billion, against DKK 20.4 billion in the first half of 2017. The increase was driven primarily by positive developments in Denmark and Sweden, including DKK 0.9 billion in premiums recognised from the acquired SEB Pension Danmark.

For Asset Management, net sales in the first half of 2018 amounted to a negative DKK 3.5 billion, against DKK 11.1 billion in the same period of 2017. The decline was caused by outflow from a few large customers.

Investment return on customer funds

In the first half of 2018, the financial markets were characterised by geopolitical uncertainty and concerns regarding interest rates. Looking at our funds in total, 50% of investment products generated above–benchmark returns.
On a 3-year horizon, 66% of all investment products generated above-benchmark results.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	2018	3-year
All funds	50	66
Equity funds	36	57
Fixed-income funds	78	81
Balanced funds etc.	21	56

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

Customers with *Danica Balance Mix* achieved returns on investments of -2.4% to 0.3%. The return for customers with a *Danica Balance* medium risk profile with 20 years to retirement was -1.8%.

Customers with the *Markedspension* product (*Danica Pensionsforsikring*) achieved returns on investments of -0.7% to 0.1%. The return for customers with the *Markedspension* product and a medium risk profile with 20 years to retirement was -0.6%.

Customer satisfaction

In April 2018, Wealth Management implemented organisational changes in order to ensure an even stronger customer focus. We have now established a strong value chain organisation with a more integrated approach from development to customer experience – thus ensuring that we can live up the needs of our very diverse customer base.

Private Wealth Management

For two years in a row, Prospera has ranked Private Wealth Management the number one Private Banking supplier in the Nordics. Danske Forvaltning has also been ranked number one by the customers in this area.

Private Wealth Management is one of the market leaders in Denmark, Norway and Sweden and was ranked number two in all three countries.

The next survey will be released in the third quarter of 2018.

Asset Management

According to Prospera's latest survey from June 2018, Asset Management is now ranked number one in the Nordic region. Asset Management in Denmark dropped in ranking and is now ranked number two. However, in Sweden and Norway, customer satisfaction is increasing, and our ranking in Norway rose from number four to number two, and in Sweden from number twelve to number eight. In Finland, we were ranked number five.

Danica Pension

According to Aalund Research's survey on customer satisfaction, which runs every six months, Danica Pension is still number four in Denmark.

Q2 2018 vs Q1 2018

In the second quarter of 2018, profit before tax decreased 13% to DKK 0.8 billion. This was due primarily to the health and accident business posting a low risk result and a lower investment result, which affected trading and other income.

Net fee income rose 1%, including the effect of the SEB Pension Danmark acquisition.

Total income was on the same level as in the first quarter.

Operating expenses were 11% higher in the second quarter, due primarily to the acquisition of SEB Pension Danmark.

Northern Ireland

The underlying business performance was good, despite ongoing macroeconomic uncertainty, including continued growth in lending and deposits. Total income increased 1% to DKK 984 million, and expenses declined 4% to DKK 589 million. However, profit before tax declined to DKK 344 million, as we did not benefit from loan impairment reversals in the first half of 2018, which we did in the first half of 2017.

Northern Ireland (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Net interest income	736	692	106	372	364	102	350	106	1,374
Net fee income	201	228	88	106	95	112	113	94	429
Net trading income	41	44	93	25	15	167	20	125	111
Other income	6	6	100	4	3	133	3	133	48
Total income	984	970	101	507	477	106	486	104	1,961
Operating expenses	589	613	96	300	290	103	304	99	957
Profit before loan impairment charges	394	357	110	207	187	111	181	114	1,004
Loan impairment charges	50	-130	-	-12	62	-	-69	-	-247
Profit before tax	**344**	**487**	**71**	**219**	**125**	**175**	**250**	**88**	**1,251**
Loans, excluding reverse transactions before impairments	48,854	46,078	106	48,854	48,985	100	46,078	106	46,272
Allowance account, loans	862	980	88	862	858	100	980	88	757
Deposits, excluding repo deposits	63,029	58,965	107	63,029	60,529	104	58,965	107	58,971
Allowance account, guarantees	43	9	-	43	101	43	9	-	7
Allocated capital (average)*	6,686	6,044	111	6,673	6,700	100	6,107	109	6,215
Net interest income as % p.a. of loans and deposits	1.33	1.33		1.34	1.34		1.35		1.32
Profit before tax as % p.a. of allocated capital (ROE)	10.3	16.1		13.1	7.5		16.4		20.1
Cost/income ratio (%)	59.9	63.2		59.2	60.8		62.6		48.8
Full-time-equivalent staff	1,289	1,323	97	1,289	1,257	103	1,323	97	1,260

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

First half 2018 vs first half 2017

The underlying performance was good, with profit before loan impairment charges 10% higher than in the first half of 2017 and increasing to DKK 394 million.

Profit before tax decreased 29% to DKK 344 million on the basis of loan impairment charges in the year to date, against net reversals in the year-earlier period.

Total income amounted to DKK 984 million and was 1% higher year on year. The benefit from lending growth, higher customer activity and higher UK interest rates was offset by lower fee income following the sale of our Wealth business in 2017.

While uncertainty remains around Brexit, customer activity levels remained healthy. Our business continued to perform well supported by ongoing improvement to our mortgage customer proposition, including new products and process improvements, and further strengthening of business relationships. Business and personal lending as well as deposit volumes increased.

At DKK 589 million, operating expenses were 4% lower than in the same period last year. Restructuring initiatives completed in 2017 enabled increased investment in new technology and customer solutions, while also supporting a reduction in operating costs.

First half 2018 vs first half 2017 in local currency

In local currency, profit before loan impairments grew 9%, reflecting income growth of 2% and a 2% reduction in operating expenses.

Lending and deposits grew 9% and 11%, respectively, in local currency, with growth across both business and personal customers.

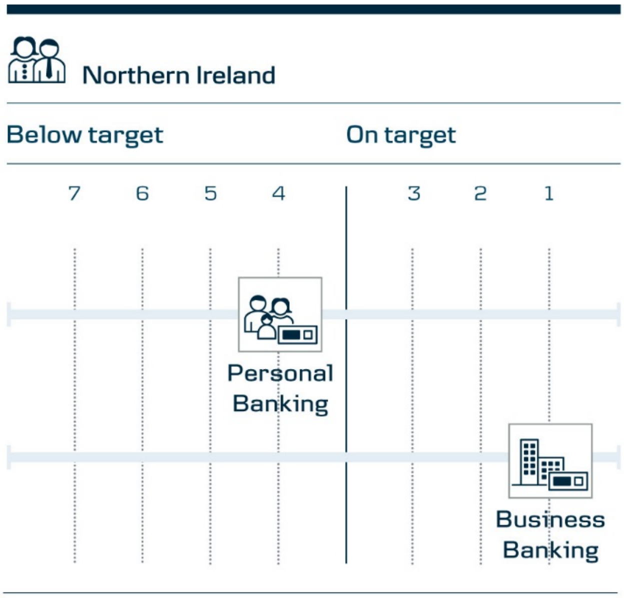
Credit quality

Loan impairment charges showed an expense, owing to negative developments on a few cases in the first quarter, which were partially offset by a net reversal in the second quarter. The majority of the credit exposure continued to show an improvement in credit quality.

(DKK millions)	Net credit exposure 30 June 2018	Net credit exposure 31 Dec. 2017	Impairments (ann.) (%) 30 June 2018
Personal customers	22,152	19,312	-0.18%
Public institutions	17,087	13,163	-0.07%
Financial customers	128	189	-1.23%
Commercial customers	31,306	30,356	0.56%
Total	**70,673**	**63,019**	**0.22%**

Customer satisfaction

During the first half of 2018, we continued to focus on improving our customer service, and we maintained our position as the overall market leader in the business segment in Northern Ireland. However, in the personal customer segment, despite some progress in recent months, we are currently ranked number four.



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

Q2 2018 vs Q1 2018

Profit before loan impairment charges showed a similar pattern to the performance in the first quarter of 2018, reflecting the underlying positive business momentum. Profit before tax was further boosted by a net loan impairment reversal in the second quarter.

Non-core

Profit before tax for the first half of 2018 was DKK 48 million. Total lending stood at DKK 17.5 billion at the end of June 2018, against DKK 5.4 billion at the end of 2017. The increase relates to the transfer of Baltic customers to the Non-core unit as per 1 April 2018, which was made as a result of the repositioning of the Group's business activities in the Baltic countries. The winding-up of the Non-core portfolios is proceeding according to plan.

Non-core (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Total income	98	86	114	91	7	-	42	217	169
Operating expenses	176	138	128	122	54	226	76	161	890
Profit before loan impairment charges	-78	-52	150	-31	-47	66	-34	91	-722
Loan impairment charges	-126	-7	-	-48	-79	-	-9	-	-710
Profit before tax	**48**	**-45**	**-**	**16**	**32**	**50**	**-25**	**-**	**-12**
Loans, excluding reverse transactions before impairments	17,495	19,517	90	17,495	5,270	-	19,517	90	5,380
Allowance account, loans	749	2,192	34	749	570	131	2,192	34	653
Deposits, excluding repo deposits	10,258	1,978	-	10,258	1,940	-	1,978	-	1,925
Allowance account, guarantees	25	31	81	25	11	227	31	81	27
Allocated capital (average)	1,665	2,745	61	2,012	1,315	153	2,714	74	2,604
Net interest income as % p.a. of loans and deposits	0.62	0.96		1.11	0.54		0.95		2.63
Profit before tax as % p.a. of allocated capital (ROAC)	5.8	-3.3		3.2	9.7		-3.7		-0.5
Cost/income ratio (%)	179.6	160.5		134.1	771.4		181.0		526.6
Full-time-equivalent staff	386	131	295	386	123	-	131	295	122

Loan impairment charges (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Non-core banking*	-120	-7	-	-54	-67	-	-9	-	-796
Non-core conduits etc.	-6	-	-	6	-12	-	-	-	86
Total	**-126**	**-7**	**-**	**-48**	**-79**	**-**	**-9**	**-**	**-710**

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

First half 2018 vs first half 2017

Profit before tax amounted to DKK 48 million, against a loss of DKK 45 million in the first half of 2017. Profit before tax increased primarily as a result of increased net loan impairment reversals.

Operating expenses increased from DKK 138 million to DKK 176 million, due primarily to the transfer of the Baltic activities to the Non-core unit in the second quarter of 2018.

Net credit exposure at the end of June 2018 totalled DKK 22.4 billion, against DKK 8.2 billion at the end of 2017. The increase in Non-core banking related to the Baltic customers transferred to the Non-core unit in the second quarter of 2018. The net credit exposure transferred amounted to DKK 14.6 billion.

Total lending amounted to DKK 17.5 billion and consisted mainly of exposure to commercial and personal customers as well as conduits. The loan book will mature according to contractual terms.

The Non-core conduits portfolio amounted to DKK 4.2 billion, against DKK 4.6 billion at the end of 2017. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio was stable.

	Net credit exposure		Expected Credit Loss	
(DKK millions)	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017
Non-core banking*	18,217	3,610	403	201
-of which Personal customers	5,185	3,610	124	-
-of which Commercial customers	10,706	-	258	-
-of which Public institutions	2,325		22	31
Non-core conduits etc.	4,168	4,583	370	479
Total	**22,385**	**8,193**	**773**	**680**

Total impairments amounted to a net reversal of DKK 126 million, against a net reversal of DKK 7 million in the first half of 2017, primarily reflecting continued reversals and workouts, mainly in Non-core Ireland and, to some extent, Non-core Baltics.

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

Q2 2018 vs Q1 2018

Profit before tax amounted to DKK 16 million, against DKK 32 million in the first quarter of 2018.

Operating expenses amounted to DKK 122 million, an increase from DKK 54 million in the first quarter of 2018, due primarily to the transfer of the Baltic activities to the Non-core unit in the second quarter of 2018.

Loan impairment charges amounted to net reversals of DKK 48 million, against net reversals of DKK 79 million in the first quarter of 2018. Most of the reversals in the first quarter of 2018 were of charges against Non-core banking facilities, primarily the Irish portfolio.

Other Activities

Other Activities includes Group Treasury and Group support functions as well as eliminations. Group Treasury is responsible for the Group's Internal Bank, liquidity management and funding. Net interest income primarily reflects the elimination of the interest expense on additional tier 1 capital, reported as an interest expense in the business segments, differences at Internal Bank between actual and allocated funding costs using the Group's funds transfer pricing model, as well as income related to the Group's liquidity portfolio.

Other Activities (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1	Q2 2017	Index 18/17	Full year 2017
Net interest income	327	603	54	112	214	52	244	46	1,402
Net fee income	-150	-137	109	-73	-76	96	-105	70	-282
Net trading income	338	275	123	270	68	-	118	229	479
Other income	3	81	4	-9	12	-	75	-	80
Total income	518	822	63	300	218	138	334	90	1,678
Operating expenses	379	359	106	196	183	107	185	106	750
Profit before loan impairment charges	139	463	30	104	35	297	149	70	928
Loan impairment charges	-8	3	-	-2	-7	-	3	-	1
Profit before tax	**147**	**460**	**32**	**106**	**42**	**252**	**146**	**73**	**927**

Profit before tax (DKK millions)									
Group Treasury	182	702	26	96	87	110	274	35	1,283
Own shares	131	-155	-	104	28	-	-43	-	-127
Additional tier 1 capital	390	391	100	197	194	102	197	100	786
Group support functions	-556	-478	116	-291	-266	109	-283	103	-1,016
Total Other Activities	**147**	**460**	**32**	**106**	**42**	**252**	**146**	**73**	**927**

First half 2018 vs first half 2017

Other Activities posted a profit before tax of DKK 147 million, against DKK 460 million in the first half of 2017, mainly as a result of lower net interest income.

Net interest income amounted to DKK 327 million, against DKK 603 million in the first half of 2017. The decrease in the first half of 2018 was driven primarily by Internal Bank, where the lower funding costs continued to reduce the allocation of liquidity costs.

Net trading income amounted to DKK 338 million, against DKK 275 million in the first half of 2017. The first half of 2018 was positively affected by the elimination of own shares, which was partly off-set by allocations to the business units of accrued income on lending floors previously retained at Group Treasury, and by lower income on bond portfolios held in Group Treasury.

Q2 2018 vs Q1 2018

Profit before tax was DKK 106 million, against DKK 42 million in the first quarter.

Net interest income amounted to DKK 112 million, against DKK 214 million in the first quarter. The decrease was driven primarily by Internal Bank, where allocated liquidity costs decreased.

Net trading income amounted to DKK 270 million, against DKK 68 million in the first quarter, with the elimination of own shares partly driving the improved result.

New organisation

As stated in company announcement No. 23/2018 dated 6 April 2018, Danske Bank changed its organisation effective from 2 May 2018. The changes concern mainly the banking units, which are now structured to be more country focused. Personal Banking and Business Banking, which previously operated as separate business units, have been merged into country organisations within two new units: Banking Denmark and Banking Nordic (Norway, Sweden and Finland). Corporates & Institutions, Wealth Management and Northern Ireland are largely unchanged. The purpose of the organisational change is to keep up our progress by moving closer to our customers and strengthening our business development activities. High-level preliminary pro forma figures for the new organisation for the first half of 2018 are provided below. From the third quarter of 2018, we will report solely on the new organisation.

New organisation - First half 2018

(DKK millions)	Banking Denmark	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities incl. Eliminations	Total
Net interest income	4,458	3,953	1,983	366	736	-	329	11,824
Net fee income	1,750	815	1,478	3,423	201	-	-119	7,547
Net trading income	450	145	1,528	16	41	-	323	2,502
Other income	114	378	9	-47	6	-	1	461
Total income	6,771	5,289	4,998	3,758	984	-	533	22,334
Operating expenses	3,283	2,479	2,405	2,146	589	-	498	11,400
Profit before loan impairment charges	3,488	2,810	2,593	1,612	394	-	35	10,934
Loan impairment charges	-594	2	-132	-33	50	-	-1	-707
Profit before tax, core	4,082	2,807	2,725	1,644	344	-	36	11,641
Profit before tax, Non-core	-	-	-	-	-	48	-	48
Profit before tax	**4,082**	**2,807**	**2,725**	**1,644**	**344**	**48**	**36**	**11,689**

Old organisation - First half 2018

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities incl. Eliminations	Financial highlights
Net interest income	3,886	4,686	1,824	366	736	-	326	11,824
Net fee income	1,716	940	1,417	3,423	201	-	-150	7,547
Net trading income	302	310	1,496	16	41	-	338	2,502
Other income	201	288	9	-47	6	-	3	461
Total income	6,104	6,224	4,746	3,758	984	-	518	22,334
Operating expenses	3,580	2,444	2,263	2,144	589	-	379	11,400
Profit before loan impairment charges	2,525	3,780	2,483	1,613	394	-	139	10,934
Loan impairment charges	-180	-451	-85	-33	50	-	-8	-707
Profit before tax, core	2,704	4,231	2,568	1,646	344	-	147	11,641
Profit before tax, Non-core	-	-	-	-	-	48	-	48
Profit before tax	**2,704**	**4,231**	**2,568**	**1,646**	**344**	**48**	**147**	**11,689**

New organisation - First half 2018

(DKK millions)	Banking Denmark	Banking Nordic	C&I	Wealth Man.	Northern Ireland
Loans, excluding reverse transactions	864,392	572,497	189,161	76,602	47,993
Deposits, excluding repo deposits	287,496	238,054	268,651	71,145	63,029
Allocated capital (average)	34,635	32,309	34,815	13,570	6,686
Cost/income ratio (%)	48.5%	46.9%	48.1%	57.1%	59.9%
ROAC before imp.	20.1%	17.4%	14.9%	23.8%	11.8%
ROAC before tax	23.6%	17.4%	15.7%	24.2%	10.3%

Definition of alternative performance measures

Danske Bank's management believes that the alternative performance measures (APMs) used in the Management's report provide valuable information to readers of the financial statements. The APMs provide a more consistent basis for comparing the results of financial periods and for assessing the performance of the Group and each individual business unit. They are also an important aspect of the way in which Danske Bank's management defines operating targets and monitors performance.

Throughout the Management's report, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to management. The differences between the financial highlights and the IFRS financial statements relate to certain changes in the presentation. In general, there are no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS income statement. However, in 2018 an adjusting item related to the implementation of IFRS 9 is included. Loans granted by Realkredit Danmark (RD) are measured at fair value (both under IAS 39 and under IFRS 9). After the implementation of IFRS 9, the fair value of the credit risk continues to be based on the same approach as that used for impairment on loans at amortised cost (page 135 in Annual Report 2017 provides more information). The impact from the expected credit loss impairment model in IFRS 9 on these loans at 1 January 2018 is recognised as a change in an accounting estimate in the IFRS income statement. To recognise the changes in RD due to IFRS 9 similarly to all the others IFRS 9 changes in the Group and to better reflect the actual performance in 2018, the impact is recognised as a reduction in shareholders' equity together with the other changes from the implementation of IFRS 9. Therefore, net profit in the financial highlights is DKK 312 million higher than net profit in the IFRS income statement. Note 3 to the financial statements describes the differences between the financial highlights and the IFRS financial statements, and each line item in the financial highlights is reconciled with the consolidated financial statements prepared under IFRS.

Definitions of additional ratios presented on page 4 and in other sections of the Management's report:

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend is the dividend related to net profit for the current year and paid to shareholders the subsequent year. Accordingly, for 2017, it is the dividend paid in 2018.
Dividend per share (DKK)	As IFRS, but with net profit, as disclosed in the financial highlights.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by quarterly average shareholders' equity. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the nominator, net profit is reduced by interest expenses of DKK 304.2 million net of tax (2017: DKK 305 million).
Return on average tangible equity (% p.a.)	As above, but with shareholders' equity reduced by intangible assets and net profit adjusted for amortisation of intangible assets.
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights divided by the sum of loans and deposits. All amounts are from the financial highlights.
Cost/income ratio (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges as % of loans and guarantees	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The nominator is the loan impairment charges of DKK -707 million from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 935.8 billion, Repo loans of DKK 172.2 billion, Loans at fair value of DKK 787.2 billion and guarantees of DKK 84.5 billion at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of loans and guarantees	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The denominator is calculated as in the ratio above plus the allowance account of DKK 20.1 billion.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	First half 2018	First half 2017	Q2 2018	Q2 2017	Full year 2017
4	Interest income	29,270	28,368	13,980	14,271	58,495
	Interest expense	14,491	14,151	6,775	7,098	28,631
	Net interest income	14,779	14,217	7,205	7,172	29,863
4	Fee income	8,734	8,864	4,521	4,368	17,572
	Fee expenses	3,421	3,337	1,889	1,897	6,749
	Net trading income	2,259	10,971	5,159	3,173	19,332
4	Other income	2,155	2,619	1,089	1,323	5,181
4	Income from holdings in associates	182	265	42	143	566
	Net premiums	12,906	13,425	5,945	6,002	25,935
	Net insurance benefits	14,003	21,505	10,527	7,985	41,119
	Operating expenses	12,734	12,669	6,481	6,356	25,877
	Profit before loan impairment charges	10,856	12,849	5,063	5,942	24,705
5	Loan impairment charges	-433	-474	-424	-240	-1,582
	Profit before tax	11,289	13,323	5,487	6,182	26,288
	Tax	2,497	3,002	1,256	1,392	5,388
	Net profit for the period	**8,792**	**10,321**	**4,231**	**4,790**	**20,900**
	Portion attributable to					
	shareholders of Danske Bank A/S (the Parent Company)	8,402	9,930	4,034	4,593	20,114
	additional tier 1 capital holders	390	391	197	197	786
	Net profit for the period	**8,792**	**10,321**	**4,231**	**4,790**	**20,900**
	Earnings per share (DKK)	9.6	10.8	4.7	5.0	22.2
	Diluted earnings per share (DKK)	9.4	10.8	4.5	5.0	22.1
	Proposed dividend per share (DKK)	-	-	-	-	10.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2018	First half 2017	Q2 2018	Q2 2017	Full year 2017
Net profit for the period	8,792	10,321	4,231	4,791	20,900
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	-41	-168	145	86	14
Tax	2	24	-149	9	-92
Items that will not be reclassified to profit or loss	-39	-144	-4	95	-78
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	-361	-290	-355	-379	-473
Hedging of units outside Denmark	277	273	296	366	425
Unrealised value adjustments of bonds at fair value (OCI)	21	83	17	3	17
Realised value adjustments of bonds at fair value (OCI)	-14	-14	-6	-6	-74
Tax	-111	-82	-96	-73	-82
Items that are or may be reclassified subsequently to profit or loss	-188	-30	-144	-89	-187
Total other comprehensive income	-227	-174	-148	6	-265
Total comprehensive income for the period	8,565	10,147	4,083	4,797	20,635
Portion attributable to					
shareholders of Danske Bank A/S (the Parent Company)	8,175	9,756	3,887	4,600	19,849
additional tier 1 capital holders	390	391	196	197	786
Total comprehensive income for the period	8,565	10,147	4,083	4,797	20,635

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 June 2018	31 December 2017	30 June 2017
	Assets			
	Cash in hand and demand deposits with central banks	68,023	82,818	77,364
	Due from credit institutions and central banks	265,433	333,975	327,839
	Trading portfolio assets	523,460	449,292	489,463
	Investment securities	274,104	324,618	331,817
	Loans at amortised cost	971,964	1,112,752	1,136,847
6	Loans at fair value	1,024,751	787,223	772,356
	Assets under pooled schemes and unit-linked investment contracts	144,773	112,065	106,045
	Assets under insurance contracts	385,833	296,867	290,620
	Intangible assets	11,125	7,177	6,963
	Tax assets	3,479	1,419	2,383
9	Other assets	33,472	31,324	31,019
	Total assets	**3,706,419**	**3,539,528**	**3,572,717**
	Liabilities			
	Due to credit institutions and central banks	264,598	242,887	256,566
	Trading portfolio liabilities	447,012	400,596	451,663
7	Deposits	1,056,547	1,046,858	1,040,938
8	Issued bonds at fair value	798,589	758,375	733,172
8	Issued bonds at amortised cost	321,395	405,080	428,134
	Deposits under pooled schemes and unit-linked investment contracts	153,702	119,901	114,537
	Liabilities under insurance contracts	422,586	322,726	309,933
	Tax liabilities	9,022	8,634	8,159
9	Other liabilities	38,223	37,097	36,606
8	Subordinated debt	33,847	29,120	30,110
	Total liabilities	**3,545,522**	**3,371,272**	**3,409,819**
	Equity			
	Share capital	8,960	9,368	9,368
	Foreign currency translation reserve	-766	-681	-650
	Reserve for bonds at fair value through OCI	132	130	256
	Retained earnings	138,232	135,731	139,590
	Proposed dividends	-	9,368	-
	Shareholders of Danske Bank A/S (the Parent Company)	146,557	153,916	148,564
	Additional tier 1 capital holders	14,340	14,339	14,334
	Total equity	**160,897**	**168,256**	**162,898**
	Total liabilities and equity	**3,706,419**	**3,539,528**	**3,572,717**

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 bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 31 December 2017	9,368	-681	130	135,731	9,368	153,916	14,339	168,256
Effect from changed accounting policy (IFRS 9)	-	-	-	-1,655	-	-1,655	-	-1,655
Restated total equity at 1 January 2018	9,368	-681	130	134,077	9,368	152,262	14,339	166,601
Net profit for the period	-	-	-	8,402	-	8,402	390	8,792
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-41	-	-41	-	-41
Tax effect from remeasurement of defined benefit pension plans				2		2		2
Translation of units outside Denmark	-	-361	-	-	-	-361	-	-361
Hedging of units outside Denmark	-	277	-	-	-	277	-	277
Unrealised value adjustments	-	-	21	-	-	21	-	21
Realised value adjustments	-	-	-14	-	-	-14	-	-14
Tax	-	-	-	-111	-	-111	-	-111
Total other comprehensive income	**-**	**-84**	**7**	**-151**	**-**	**-227**	**-**	**-227**
Total comprehensive income for the period	**-**	**-84**	**7**	**8,251**	**-**	**8,175**	**390**	**8,565**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-392	-392
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,852
Reduction of share capital	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-25,852	-	-25,852	3	-25,849
Sale of own shares and additional tier 1 capital	-	-	-	20,667	-	20,667	-	20,667
Tax	-	-2	-5	164	-	157	-	157
Total equity at 30 June 2018	**8,960**	**-766**	**132**	**138,232**	**-**	**146,557**	**14,340**	**160,897**

On 5 February 2018, the Group initiated a share buy-back programme of DKK 10 billion, which may run until 1 February 2019. At the end of June 2018, the Group had acquired 18,194,000 shares for a total amount of DKK 4,096 million under the 2018 share buy-back programme based on trade date.

On 18 April 2018 the share capital was reduced by DKK 408,741,010 by cancelling 40,874,101 shares from Danske Bank's holding of own shares acquired under the 2017 share buy-back programme.

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	Total
Total equity at 1 January 2017	9,837	-633	187	134,028	8,853	152,272	14,343	166,615
Net profit for the period	-	-	-	9,930	-	9,930	391	10,321
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-168	-	-168	-	-168
Translation of units outside Denmark	-	-290	-	-	-	-290	-	-290
Hedging of units outside Denmark	-	273	-	-	-	273	-	273
Unrealised value adjustments	-	-	83	-	-	83	-	83
Realised value adjustments	-	-	-14	-	-	-14	-	-14
Tax	-	-	-	-58	-	-58	-	-58
Total other comprehensive income	**-**	**-17**	**69**	**-226**	**-**	**-174**	**-**	**-174**
Total comprehensive income for the period	**-**	**-17**	**69**	**9,704**	**-**	**9,756**	**391**	**10,147**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-393	-393
Dividends paid	-	-	-	521	-8,853	-8,332	-	-8,332
Share capital reduction	-469	-	-	469	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-29,633	-	-29,633	-113	-29,746
Sale of own shares and additional tier 1 capital	-	-	-	24,427	-	24,427	106	24,533
Tax	-	-	-	74	-	74	-	74
Total equity at 30 June 2017	**9,368**	**-650**	**256**	**139,590**	**-**	**148,564**	**14,334**	**162,898**

Statement of capital – Danske Bank Group

(DKK millions)	30 June 2018	31 December 2017
Share capital (DKK)	8,959,536,210	9,368,277,220
Number of shares	895,953,621	936,827,722
Number of shares outstanding	870,966,253	894,050,822
Average number of shares outstanding for the period	860,746,978	915,423,922
Average number of shares outstanding, including dilutive shares, for the period	861,319,157	915,981,212

(DKK millions) Total capital and total capital ratio	30 June 2018	31 December 2017
Total equity	160,897	168,256
Revaluation of domicile property at fair value	267	267
Tax effect of revaluation of domicile property at fair value	-39	-32
Total equity calculated in accordance with the rules of the Danish FSA	161,125	168,491
Additional tier 1 capital instruments included in total equity	-14,355	-14,158
Accrued interest on additional tier 1 capital instruments	-168	-169
Tax on accrued interest on additional tier 1 capital instruments	37	37
Common equity tier 1 capital instruments	146,640	154,202
Adjustment to eligible capital instruments	-6,026	-1,060
IFRS 9 reversal due to transitional rules	1,599	-
Prudent valuation	-974	-759
Prudential filters	-270	-211
Expected/proposed dividends	-5,275	-9,368
Intangible assets of banking operations	-7,186	-7,100
Deferred tax on intangible assets	377	377
Deferred tax assets that rely on future profitability excluding temporary differences	-308	-335
Defined benefit pension fund assets	-1,696	-1,343
Statutory deduction for insurance subsidiaries	-6,391	-1,349
Other statutory deductions	-271	-308
Common equity tier 1 capital	120,221	**132,744**
Additional tier 1 capital instruments	23,524	18,574
Statutory deduction for insurance subsidiaries	-	-169
Tier 1 capital	143,745	**151,150**
Tier 2 capital instruments	18,988	19,343
Statutory deduction for insurance subsidiaries	-	-169
Total capital	162,733	**170,324**
Total risk exposure amount	753,986	**753,409**
Common equity tier 1 capital ratio (%)	15.9	17.6
Tier 1 capital ratio (%)	19.1	20.1
Total capital ratio (%)	21.6	22.6

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.

In terms of the transitional arrangements for the impact of IFRS 9 on regulatory capital, the Group applies the so-called dynamic approach in accordance with the CRR.

The Internal Capital Adequacy Assessment report provides more details about Danske Bank's solvency need. The report is available at danskebank.com/investorrelations/reports. The Internal Capital Adequacy Assessment report is not covered by the independent auditors' review.

Cash flow statement – Danske Bank Group

(DKK millions)	First half 2018	First half 2017	Full year 2017
Cash flow from operations			
Profit before tax	11,289	13,323	26,288
Tax paid	-4,059	-3,869	-5,482
Adjustment for non-cash operating items	-1,133	-3,317	-1,093
Total	6,097	6,137	19,713
Changes in operating capital			
Amounts due to/from credit institutions and central banks	23,344	-15,732	-31,337
Trading portfolio	-27,752	-6,422	-17,318
Acquisition/sale of own shares and additional tier 1 capital	-672	-264	-241
Other financial instruments	32,860	16,022	26,854
Loans at amortised cost and fair value	-96,307	-1,160	9,177
Deposits	9,690	97,073	102,993
Issued bonds at amortised cost and fair value	-43,470	6,440	31,643
Assets/liabilities under insurance contracts	13,895	-10,266	-3,720
Other assets/liabilities	15,310	38,741	10,628
Cash flow from operations	**-67,005**	**130,569**	**148,392**
Cash flow from investing activities			
Acquisition/sale of businesses	-5,000	314	291
Acquisition of intangible assets	-430	-432	-1,022
Acquisition of tangible assets	-218	-285	-623
Sale of tangible assets	4	69	74
Cash flow from investing activities	**-5,644**	**-334**	**-1,280**
Cash flow from financing activities			
Issues of subordinated debt	4,748	5,139	5,087
Redemption of subordinated debt	-	-12,071	-12,577
Dividends	-8,851	-8,332	-8,332
Share buy back programme*	-4,836	-4,949	-9,958
Paid interest on additional tier 1 capital	-392	-393	-786
Cash flow from financing activities	**-9,331**	**-20,606**	**-26,566**
Cash and cash equivalents at 1 January	413,593	297,078	297,078
Foreign currency translation	277	-2,776	-4,031
Change in cash and cash equivalents	-81,982	109,629	120,546
Cash and cash equivalents, end of period	**331,888**	**403,930**	**413,593**
Cash and cash equivalents, end of period			
Cash in hand	8,146	8,624	9,051
Demand deposits with central banks	59,877	68,741	73,766
Amounts due from credit institutions and central banks within three months	263,865	326,565	330,776
Total	**331,888**	**403,930**	**413,593**

* 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 the EU, and additional Danish disclosure requirements for listed financial companies. The report is condensed and should be read in conjunction with the Group's Annual Report 2017.

At 1 January 2018, the Group implemented IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. Annual Report 2017 provides a full description of the significant accounting policies, including the description in note 39 of changes to the significant accounting policies due to IFRS 9 and IFRS 15.

The impact from changes in accounting policies on the opening balance sheet at 1 January 2018 is disclosed in note 2.

For changes in the segment reporting, see note 3.

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.

(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.

Measurement of expected credit losses on loans, financial guarantees and loan commitments and debt instruments measured at amortised cost

At 1 January 2018, the Group implemented the three-stage expected credit loss impairment model in IFRS 9. The impairment charge for expected credit losses depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses (stage 2 and 3).

The expected credit loss is calculated for all individual facilities as a function of PD, EAD and LGD and incorporates forward-looking information. The forward-looking elements reflect the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. Based on these assessments, the allowance account at 30 June 2018 amounted to DKK 21.7 billion. Forward-looking information is a key judgement. The allowance account would increase DKK 0.5 billion, if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 0.5 billion.

Note 39 in Annual Report 2017 and the risk management notes provide more details on expected credit losses. At 30 June 2018, loans accounted for about 54% of total assets (31 December 2017: 54%).

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 216 million (31 December 2017: DKK 80 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 2018, the adjustments totalled DKK 1.0 billion (31 December 2017: DKK 0.9 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note 30 in Annual Report 2017 provides more details.

Measurement of goodwill and customer rights

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. At 30 June 2018, goodwill amounted to DKK 9.2 billion (31 December 2017: DKK 5.3 billion). In June 2018, the Group acquired SEB Pension Danmark. The acquisition lead to an increase in goodwill in Wealth Management of DKK 2.5 billion and in customer relations of DKK 1.3 billion. For further information, see note 13. The total carrying amount of goodwill in Wealth Management is DKK 4.4 billion (31 December 2017: DKK 1.8 billion) of which DKK 1.8 billion relates to Danske Capital's activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the latest annual impairment test for Wealth Management (Danske Capital) which was performed in the fourth quarter of 2017, amounted to DKK 0.3 billion. The goodwill related to SEB Pension Danmark will be tested before the end of 2018. The remaining goodwill relates to Corporates & Institutions, for which the excess value in the latest test is significant. It has been assessed that no indication of impairment exists at 30 June 2018. Note 18 in Annual Report 2017 provides more information about impairment testing and sensitivity to changes in assumptions.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

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 about 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. In 2018, the Danish FSA has changed the assumptions about future mortality rates to be calculated based on the last 20 years (previously the last 30 years). The adjustment has reduced net profit before tax by DKK 54 million. Note 17 and the risk management notes in Annual Report 2017 provide more information about the accounting for insurance liabilities and sensitivity to changes in assumptions.

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 expected future profit over the next five years. At 30 June 2018 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.3 billion (31 December 2017: 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 2.9 billion (31 December 2017: DKK 2.9 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.8 billion (31 December 2017: DKK 5.8 billion). Note 20 in Annual Report 2017 provides more information about deferred tax.

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2018

At 1 January 2018, the Group implemented IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contract with Customers. Annual Report 2017 provides a full description of the significant accounting policies, including the description in note 39 of changes to the significant accounting policies due to IFRS 9 and IFRS 15. The implementation of IFRS 15 had no impact on shareholders' equity, assets or liabilities.

The key impact of the implementation of IFRS 9 is:

- The implementation of IFRS 9 resulted in an increase in the allowance account of DKK 2,572 million as a result of the introduction of the new expected credit loss impairment model. Of this, DKK 2,172 million relates to financial instruments at amortised cost and DKK 400 million to loans at fair value (loans granted by Realkredit Danmark).
- The business model assessment resulted in loans, including reverse transactions, in FICC and Capital Markets being measured at fair value through profit or loss instead of as previously at amortised cost. If only the financial assets are measured at fair value through profit or loss, an accounting mismatch exists. Therefore, deposits, including repo transactions, and issued bonds in these business units are designated at fair value through profit or loss instead of as previously at amortised cost. The remeasurement has reduced financial assets by DKK 68 million and financial liabilities by DKK 171 million at 1 January 2018.
- The effect of DKK 1,967 million, net of tax, has reduced shareholders' equity at 1 January 2018. The impact from expected credit loss impairment on loans at amortised cost and remeasurement due to reclassifications, net of tax, of DKK 1,655 million is recognised as a reduction in shareholders' equity at 1 January 2018, while the impact on the fair value of the credit risk on loans at fair value, net of tax, of DKK 312 million is recognised as a change in an accounting estimate in the IFRS income statement in the first quarter of 2018. However, in the segment reporting, financial highlights and throughout the Management's report, the total impact from IFRS 9, including the impact on loans at fair value, is recognised as a reduction in shareholders' equity at 1 January 2018.
- The implementation of the ECL impairment model (for loans at amortised cost), will be phased-in in the capital statement from 2018 to 2022 in accordance with EU capital requirements regulation adopted in 2017. This phasing in of IFRS 9 has reduced the CET1 capital ratio at 1 January 2018 by 0.1 percentage points. The fully phased-in impact will be a reduction of the CET1 capital ratio of 0.2 percentage points.

The impact from changes in accounting policies on the opening IFRS balance sheet at 1 January 2018 is shown in the table below. The reclassifications of financial instruments between measurement categories in IFRS 9 and the impact from the expected credit loss impairment model are shown separately. The latter excludes the impact on loans granted by Realkredit Danmark. All other changes, i.e. remeasurement from amortised cost to fair value, the tax impact and minor adjustments in Danica Pension, are presented together.

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2018 continued

(DKK millions)	31 December 2017	Reclassification	Remeasure-ment (ECL)	Other remeasure-ments	1 January 2018 IFRS
Assets					
Cash in hand and demand deposits with central banks	82,818	-	-	-	82,818
Due from credit institutions and central banks at amortised cost[1]	333,975	-48,941	-33	-	285,001
Due from credit institutions and central banks at fair value[1]	-	48,941	-	-12	48,929
Trading portfolio assets	449,292	-	-	-	449,292
Investment securities	324,618	-	-2	-	324,616
Loans at amortised cost	1,112,752	-173,255	-717	-	938,780
Loans at fair value	787,223	173,255	-	-56	960,422
Assets under pooled schemes and unit-linked investment contracts	112,065	-	-	-	112,065
Assets under insurance contract	296,867	-	-	-	296,867
Intangible assets	7,177	-	-	-	7,177
Tax assets	1,419	-	-	208	1,627
Other assets	31,324	-	-	-	31,324
Total assets	**3,539,528**	**-**	**-752**	**140**	**3,538,916**
Liabilities					
Due to credit institutions and central banks at amortised cost[2]	242,887	-156,505	-	-	86,382
Due to credit institutions and central banks at fair value[2]	-	156,505	-	-69	156,436
Trading portfolio liabilities	400,596	-	-	-	400,596
Deposits at amortised cost[3]	1,046,858	-149,820	-	-	897,038
Deposits at fair value[3]	-	149,820	-	-50	149,770
Issued bonds at fair value	758,375	66,052	-	-52	824,375
Issued bonds at amortised cost	405,080	-66,052	-	-	339,028
Deposits under pooled schemes and unit-linked investment contracts	119,901	-	-	-	119,901
Liabilities under insurance contracts	322,726	-	-	-	322,726
Tax liabilities	8,634	-	-	-206	8,428
Other liabilities	37,097	-	1,420	-	38,517
Subordinated debt	29,120	-	-	-	29,120
Total liabilities	**3,371,272**	**-**	**1,420**	**-377**	**3,372,315**
Equity					
Share capital	9,368	-	-	-	9,368
Foreign currency translation reserve	-681	-	-	-	-681
Reserve for available-for-sale financial assets	130	-	-	-	130
Retained earnings	135,731	-	-2,172	517	134,076
Proposed dividends	9,368	-	-	-	9,368
Shareholders of Danske Bank A/S (the Parent Company)	153,916	-	-2,172	517	152,261
Additional tier 1 capital holders	14,339	-	-	-	14,339
Total equity	**168,256**	**-**	**-2,172**	**517**	**166,601**
Total liabilities and equity	**3,539,528**	**-**	**-752**	**140**	**3,538,916**

[1] Presented in the balance sheet as Due from credit institutions and central banks
[2] Presented in the balance sheet as Due to credit institutions and central banks
[3] Presented in the balance sheet as Deposits

Notes – Danske Bank Group

3. Business model and business segmentation

(a) Business model and business segmentation

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

The Group consists of a number of business units and support functions. The business units are segmented according to customers, products and services characteristics. The Group has five business units, a Non-core unit and Other Activities, and these constitute the Group's reportable segments under IFRS 8.

As of 2 May 2018, the Group consists of the business segments Banking DK, Banking Nordic, Corporates & Institutions, Wealth Management, Northern Ireland, the Non-core unit and Other Activities. The new business segments will be reflected in the Group's internal and external financial reporting from the third quarter of 2018.

Personal Banking serves personal customers. The unit offers advice that is based on the individual customer's needs as well as a broad range of solutions for day-to-day banking, home financing, retirement planning and other aspects of personal finance.

Business Banking serves small and medium-sized businesses. The unit provides advice and targeted solutions to business customers based on the individual business' situation and size, and provides specialised advice where needed, for instance during international expansion, acquisitions or a change of ownership. The unit offers innovative digital solutions to make the customer's daily operations easier.

Corporates & Institutions serves the most complex financing and transaction needs of large corporate and institutional customers. This wholesale division carries out banking activities in General Banking and provides funding, risk management, investment services, corporate finance advisory services and comprehensive transaction banking solutions in Capital Markets, Fixed Income, Currencies and Commodities (FICC), and Transaction Banking. Each customer of Corporates & Institutions is served by a key relationship manager supported by product specialists to ensure proactive advice on the various wholesale banking services offered.

Wealth Management serves private individuals, companies and institutional investors in the markets in which the Group operates. The unit offers a broad range of products and services within wealth and asset management, investments, pension savings and insurance. The unit encompasses expertise from Danica Pension, Danske Invest, Asset Management and Private Banking.

Northern Ireland serves personal and business customers through a network of branches in Northern Ireland and 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 primarily of loans to 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 and interest on additional tier 1 capital, which is reported as an interest expense in the business units. 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.

An explanation of the items making up the Reclassification column, reconciling the financial highlights and segment reporting presentation to the IFRS financial statements is provided further on in this note.

Notes – Danske Bank Group

3. Business model and business segmentation

Changes to financial highlights and segment reporting in 2018

The presentation in the financial highlights and segment reporting has been changed to reflect the following changes:

- We have decided to integrate International banking into the business units in order to further ensure a seamless and value-creating experience for our international customers. In this process, we have transferred our business activities in Germany, Poland and Russia from Corporates & Institutions to Business Banking effective from 1 January 2018.
- Income on derivatives with customers is split between the business segment to which the customer belongs and FICC (part of Corporates & Institutions) as payment for performing the trade. Historically, this income has been presented as Net trading income in FICC, and as Net interest income, Net fee income or Net trading income, depending on the type of derivative, in all other business segments. Effective from 1 January 2018, the presentation of customer income on derivatives in FICC has been aligned with the presentation in the other business segments as this better reflects the type of income and the fact that the income is customer-driven.

Comparative figures for 2017 have been restated to reflect the change in presentation. These changes do not affect the presentation in the IFRS income statement.

	Highlights First half	Transfer of Russia, Poland and Germany to Business Banking		Profit share of derivatives in FICC (C&I)	Adjusted highlights First half
(DKK millions)	2017	Business Banking	C&I		2017
Net interest income	11,431	69	-69	218	11,649
Net fee income	7,593	42	-42	154	7,747
Net trading income	4,519	49	-49	-372	4,147
Other income	843	0	0		843
Total income	24,385	160	-160	0	24,385
Operating expenses	11,484	65	-65		11,484
Profit before loan impairment charges	12,901	95	-95	0	12,901
Loan impairment charges	-466	0			-466
Profit before tax, core	13,367	95	-95	0	13,367
Profit before tax, non-core	-45	0			-45
Profit before tax	**13,323**	**95**	**-95**	**0**	**13,323**

As of 1 April 2018, Baltic customers who do not have business interests in the Nordics were transferred to the Non-core unit. The transfer affects primarily the Business Banking unit. Comparative information has not been restated.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments First half 2018

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	3,886	4,686	1,824	366	736	-	274	52	11,824	2,954	14,779
Net fee income	1,716	940	1,417	3,423	201	-	-147	-3	7,547	-2,235	5,312
Net trading income	302	310	1,496	16	41	-	166	172	2,502	-242	2,259
Other income	201	288	9	-47	6	-	82	-79	461	1,876	2,337
Net premiums	-	-	-	-	-	-	-	-	-	12,906	12,906
Net insurance benefits	-	-	-	-	-	-	-	-	-	14,003	14,003
Total income	6,104	6,224	4,746	3,758	984	-	374	144	22,334	1,257	23,590
Operating expenses	3,580	2,444	2,263	2,144	589	-	460	-81	11,400	1,335	12,734
Profit before loan impairment charges	2,525	3,780	2,483	1,613	394	-	-85	224	10,934	-78	10,856
Loan impairment charges	-180	-451	-85	-33	50	-	-8	-	-707	274	-433
Profit before tax, core	2,704	4,231	2,568	1,646	344	-	-77	224	11,641	-352	11,289
Profit before tax, Non-core	-	-	-	-	-	48	-	-	48	-48	-
Profit before tax	**2,704**	**4,231**	**2,568**	**1,646**	**344**	**48**	**-77**	**224**	**11,689**	**-400**	**11,289**
Tax	-	-	-	-	-	-	2,585	-	2,585	-88	2,497
Net profit for the period	**2,704**	**4,231**	**2,568**	**1,646**	**344**	**48**	**-2,662**	**224**	**9,104**	**-312**	**8,792**
Loans, excluding reverse transactions	760,780	686,637	178,641	76,602	47,993	-	32,421	-34,682	1,748,393	247,585	1,995,978
Other assets	207,163	275,892	2,935,669	614,517	31,409	-	3,188,155	-5,311,683	1,941,122	-230,680	1,710,441
Total assets in Non-core	-	-	-	-	-	16,905	-	-	16,905	-16,905	-
Total assets	**967,942**	**962,530**	**3,114,310**	**691,119**	**79,401**	**16,905**	**3,220,576**	**-5,346,365**	**3,706,419**	**-**	**3,706,419**
Deposits, excluding repo deposits	287,720	246,269	260,202	71,145	63,029	-	10,072	-11,643	926,794	10,258	937,052
Other liabilities	654,529	673,313	2,821,758	606,209	9,782	-	3,190,969	-5,334,721	2,621,839	971	2,622,810
Allocated capital	25,694	42,947	32,350	13,766	6,590	-	25,210	-	146,557	-	146,557
Total liabilities in Non-core	-	-	-	-	-	11,230	-	-	11,230	-11,230	-
Total liabilities and equity	**967,942**	**962,530**	**3,114,310**	**691,119**	**79,401**	**11,230**	**3,226,251**	**-5,346,365**	**3,706,419**	**-**	**3,706,419**
Profit before tax as % of allocated capital (avg.)	21.2	19.4	15.9	24.4	10.3	-	-0.5	-	15.6	-	15.0
Cost/income ratio (%)	58.7	39.3	47.7	57.1	59.9	-	123.0	-	51.0	-	54.0
Full-time-equivalent staff, end of period	4,294	2,485	1,706	2,203	1,289	386	7,994	-	20,357	-	20,357

Our internal reporting on business segments does not include tax. Tax is therefore not allocated to the business units, but solely presented within the total amount.

The difference between the financial highlights and the IFRS financial statements regarding profit before tax and tax corresponds to the IFRS 9 implementation effect on loans granted by Realkredit Danmark.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments First half 2017

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	3,926	4,380	1,692	356	692	-	584	19	11,649	2,568	14,217
Net fee income	1,731	948	1,467	3,510	228	-	-136	-2	7,747	-2,220	5,527
Net trading income	310	310	3,002	204	44	-	468	-192	4,147	6,824	10,971
Other income	384	274	1	97	6	-	133	-52	843	2,041	2,884
Net premiums	-	-	-	-	-	-	-	-	-	13,425	13,425
Net insurance benefits	-	-	-	-	-	-	-	-	-	21,505	21,505
Total income	6,351	5,913	6,162	4,168	970	-	1,049	-227	24,385	1,133	25,518
Operating expenses	3,796	2,342	2,339	2,035	613	-	431	-73	11,484	1,185	12,669
Profit before loan impairment charges	2,555	3,571	3,823	2,132	357	-	618	-155	12,901	-52	12,849
Loan impairment charges	3	-545	247	-45	-130	-	3	-	-466	-7	-474
Profit before tax, core	2,552	4,116	3,576	2,177	487	-	615	-155	13,368	-45	13,323
Profit before tax, Non-core	-	-	-	-	-	-45	-	-	-45	45	-
Profit before tax	**2,552**	**4,116**	**3,576**	**2,177**	**487**	**-45**	**615**	**-155**	**13,323**	**-**	**13,323**
Loans, excluding reverse transactions	742,579	675,704	180,964	73,214	45,099	-	30,235	-40,505	1,707,291	17,326	1,724,616
Other assets	191,092	350,644	2,914,390	468,399	26,030	-	2,636,865	-4,739,486	1,847,934	166	1,848,101
Total assets in Non-core	-	-	-	-	-	17,492	-	-	17,492	-17,492	-
Total assets	**933,671**	**1,026,348**	**3,095,354**	**541,613**	**71,129**	**17,492**	**2,667,100**	**-4,779,990**	**3,572,717**	**-**	**3,572,717**
Deposits, excluding repo deposits	275,137	251,513	259,120	66,707	58,965	-	13,133	-10,936	913,639	1,978	915,617
Other liabilities	635,338	730,281	2,800,691	460,202	6,165	-	2,644,392	-4,769,054	2,508,015	521	2,508,536
Allocated capital	23,197	45,396	34,700	14,705	5,998	-	24,569	-	148,564	-	148,564
Total liabilities in Non-core	-	-	-	-	-	2,499	-	-	2,499	-2,499	-
Total liabilities and equity	**933,671**	**1,027,190**	**3,094,512**	**541,613**	**71,129**	**2,499**	**2,682,094**	**-4,779,990**	**3,572,717**	**-**	**3,572,717**
Profit before tax as % of allocated capital (avg.)	21.7	17.9	19.3	31.2	16.1	-	5.2	-	17.7	-	17.7
Cost/income ratio (%)	59.8	39.6	38.0	48.8	63.2	-	41.1	-	47.1	-	49.6
Full-time-equivalent staff, end of period	4,640	2,748	1,647	1,906	1,323	131	7,095	-	19,490	-	19,490

Comparative figures have been restated, as described above.

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the IFRS 9 implementation effect on loans granted by Realkredit Danmark. The line items 'Tax' and 'Net profit for the period' are therefore included for 2018, but as there are no differences in 2017, they are not included in 2017.

Notes – Danske Bank Group

3. Business model and business segmentation continued

(b) Reconciliation of the financial highlights and segment reporting to the IFRS financial statements

The ‘Reclassification’ column in the tables above shows the reconciliation between the presentation in the financial highlights and segment reporting and the presentation in the IFRS financial statements. The policies for the reclassifications between the financial highlights and the IFRS financial statements are as follow:

Sale of operating lease assets where the Group act as a lessor;

In the IFRS income statement, gains or losses on the sale of operating lease assets, excluding properties, at the end of the lease agreement are presented on a gross basis. This means that the proceeds from the sale of the assets are recognised under Other income, whereas the carrying amount of the lease assets is recognised under Operating expenses.

In the financial highlights, the gains or losses on the sale of the lease asset are presented on a net basis under Other income to better reflect the development in the cost base.

FICC and Capital Markets (both part of Corporates & Institutions) and Group Treasury (part of Other Activities)

In the IFRS income statement, income from FICC, Capital Markets and Group Treasury is presented as Net interest income, Net fee income, Net trading income and Other income, depending on the type of income.

The distribution of income between the various income line items can vary considerably from one year to the next, depending on the underlying transactions and market conditions. To better reflect income in those areas, the following reclassifications are made in the financial highlights;

- All income contributed by FICC, excluding FICC’s share of margins on customer derivatives, is presented as Net trading income
- Trading-related income at Capital Markets is presented as Net trading income. However, income contributed by Equity Finance (also part of Corporates & Institutions, Capital Markets) is presented as Net fee income
- All income in Group Treasury, except income at Internal Bank, income on bonds held to collect and bonds held to collect and sell, are presented as Net trading income

Danica Pension

In the IFRS income statement, income and expenses in Danica Pension (part of Wealth Management) is consolidated on a line-by-line basis.

In the financial highlights, the following reclassifications are made to better reflect income from the services provided to customers;

- The risk allowance and 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.
- The risk and guarantee result, net income from the health and accident business and the income from recharge to customers of certain expenses are presented as Other income.
- All costs, except external investment costs, are presented under Operating expenses.

Non-core

In the IFRS income statement, income and expense items from the Non-core segment are included in the various income and expense lines, as the segment does not fulfil the requirements in IFRS 5 on discontinued operations.

The Non-core segment includes certain customer segments that are no longer considered part of the Group’s core business. To better reflect activities from our core and non-core business, the profit or loss of the Non-core segment is presented as one amount in a separate line item ‘Profit before tax, Non-core’ in the financial highlights.

The impact of the IFRS 9 expected credit loss impairment model on loans granted by Realkredit Danmark

The Group has implemented IFRS 9 at 1 January 2018. Loans granted by Realkredit Danmark (RD) are measured at fair value (both under IAS 39 and under IFRS 9). After the implementation of IFRS 9, the fair value of the credit risk continues to be based on the same approach as that used for impairment on loans at amortised cost (further information is provided on page 135 in Annual Report 2017). The impact from the expected credit loss impairment model in IFRS 9 on these loans at 1 January 2018 is recognised as a change in an accounting estimate in the IFRS income statement in the first quarter of 2018. To recognise the changes in Realkredit Danmark due to IFRS 9 similarly to all other IFRS 9 changes in the Group and to better reflect the actual performance in 2018, the impact is recognised as a reduction in shareholders’ equity in the financial highlights together with the other changes from the implementation of IFRS 9. For 2018, reclassification will therefore include this adjusting item, and therefore profit before tax, tax and net profit for the period will not be the same in the financial highlights and the IFRS income statement.

Each of the reclassifications explained above are presented in the table below.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Reclassifications First half 2018

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FICC, Capital Markets and Group Treasury	Danica Pension	Non-core	IFRS 9 impact	Reclassifi-cation	Financial highlights
Net interest income	14,779	-	-443	-2,427	-84	-	-2,954	11,824
Net fee income	5,312	-	112	2,133	-10	-	2,235	7,547
Net trading income	2,259	-	352	-107	-3	-	242	2,502
Other income	2,337	-1,418	-21	-436	-1	-	-1,876	461
Net premiums	12,906	-	-	-12,906	-	-	-12,906	-
Net insurance benefits	14,003	-	-	-14,003	-	-	-14,003	-
Total income	23,590	-1,418	-	259	-98	-	-1,257	22,334
Operating expenses	12,734	-1,418	-	259	-176	-	-1,335	11,400
Profit before loan impairment charges	10,856	-	-	-	78	-	78	10,934
Loan impairment charges	-433	-	-	-	126	-400	-274	-707
Profit before tax, core	11,289	-	-	-	-48	400	352	11,641
Profit before tax, Non-core	-	-	-	-	48	-	48	48
Profit before tax	11,289	-	-	-	-	400	400	11,689
Tax	2,497	-	-	-	-	88	88	2,585
Net profit for the period	8,792	-	-	-	-	312	312	9,104

Reclassification First half 2017

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FICC, Capital Markets and Group Treasury	Danica Pension	Non-core	Reclassifi-cation	Financial highlights
Net interest income	14,217	-	-642	-1,832	-93	-2,567	11,649
Net fee income	5,527	-	157	2,056	7	2,220	7,747
Net trading income	10,971	-	541	-7,365	-	-6,824	4,147
Other income	2,884	-1,256	-56	-729	-	-2,041	843
Net premiums	13,425	-	-	-13,425	-	-13,425	-
Net insurance benefits	21,505	-	-	-21,505	-	-21,505	-
Total income	25,518	-1,256	-	210	-86	-1,132	24,386
Operating expenses	12,669	-1,256	-	210	-138	-1,184	11,484
Profit before loan impairment charges	12,849	-	-	-	52	52	12,902
Loan impairment charges	-474	-	-	-	7	7	-466
Profit before tax, core	13,323	-	-	-	45	45	13,368
Profit before tax, Non-core	-	-	-	-	-45	-45	-45
Profit before tax	**13,323**	**-**	**-**	**-**	**-**	**-**	**13,323**

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the IFRS 9 implementation effect on loans granted by Realkredit Danmark. The line items ‘Tax’ and ‘Net profit for the period’ are therefore included for 2018, but as there are no differences in 2017, they are not included in 2017.

Notes – Danske Bank Group

4. Income

Interest income

Interest income calculated using the effective interest method amounted to DKK 12.3 billion in the first half of 2018.

Fee income

Note 39 in Annual Report 2017 provides additional information on the Group's accounting policy under IFRS 15, Revenue from Contracts with Customers.

Fee income is presented and managed internally by management on a net basis, i.e. net of fee expenses, as presented in note 3, Business model and business segmentation, which provides quantitative information on fee income. Net fee income is managed on the basis of the underlying activity, i.e.

- Investment
- Pension and insurance
- Money transfers, account fees, cash management
- Lending and guarantees
- Capital markets

A description of earnings from each activity is described below:

Banking units

Fee income in the banking units relates to Personal Banking, Business Banking, General Banking in Corporates & Institutions, Private Banking in Wealth Management and Northern Ireland, and primarily relates to the provision of general banking services to customers, i.e.:

- Fee income from investment activities, for example for executing customer security purchase orders, is recognised at the time of the transaction. Where the service is provided over time, for example fee income for managed accounts, fee income is recognised over time.
- Fee income from providing services, e.g. money transfers, account fees and cash management activities, is generally recognised when the service is provided. For transactions such as money transfers and card transaction, fee income is recognised at the time of the transaction. Fee income charged for services provided over time, for example subscription fees, account packages and cash deposit services, is recognised over time as the service is provided to the customer.
- Fee income from lending and guarantee activities, such as services provided relating to mortgage loans recognised at fair value, and the provision of trade finance guarantees, is recognised when the service has been provided to the customer at a point in time. Fee income in connection with the establishment of loans recognised at amortised costs is recognised over the expected maturity of the loan and classified as interest income.
- For income derived from the provision of agency services, consideration is presented on a net basis.

Corporates & Institutions

Net fee income in Corporates & Institutions relates to income derived from General Banking (see above) and from FICC and Capital Markets. Fee income derived from FICC is reclassified to net trading income in the segment reporting, however, FICC's share of margins on customer derivatives is presented as part of fee income (note 3 provides further information). Except for margins on customer derivatives, fee income consists mainly of fees received for services provided at a point in time.

Fee income in Capital Markets primarily consist of:

- Fee income from investment activity, for example executing share trades on behalf of customers and securities lending, is recognised when the service is provided at a point in time.
- Fee income from lending and guarantee activity is primarily derived from coordinating and arranging syndicated loan transactions, and issuing bonds on behalf of customers. Such income is recognised at a point in time, once the agreed performance obligation has been fulfilled.
- Fee income from capital markets activity is primarily derived from arranging transactions on behalf of customers. Such income is recognised when the individual performance obligation has been fulfilled.

Wealth Management

Fee income in Wealth Management relates to Asset Management, Danica Pension and Private Banking (see above). Fee income for asset management services is recognised over time when the service is provided to the customer provided that it is probable that a significant reversal of the consideration will not occur. Such income relates to investment, pension and insurance activities.

Performance fee income is variable, and the consideration is based on the accumulated return of the underlying asset, determined at a specific date, such as the end of the year. The accumulated return is highly susceptible to external factors, such as the development in the financial markets. Fee income is recognised when the fee to be received is known. The fee income relates to investment activity.

Other types of fee income relates to pension and insurance activities and are recognised in accordance with IFRS 4, Insurance contracts.

Other income

Other income amounted to DKK 2,155 million at 30 June 2018 (30 June 2017: DKK 2,619 million). Other income primarily consists of income from lease assets, investment property and real estate brokerage.

Notes – Danske Bank Group

5. 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 2018	30 June 2017
IFRS 9 impact on loans granted by Realkredit Danmark 1 January 2018	400	
ECL on new assets	1,942	
ECL on assets derecognised	-2,462	
Impact of net remeasurement of ECL (incl. changes in models)	-158	
New and increased impairment charges		3,333
Reversals of impairment charges		-3,487
Write-offs charges directly to income statement	308	168
Received on claims previously written off	-316	-370
Interest income, effective interest method	-148	-118
Total	-433	-474

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Collective and individual impairment charges under IAS 39, 31 December 2017				20,749
Transition effect (ECL at 1 January 2018), including impact on loans granted by Realkredit Danmark	1,499	5,578	16,242	2,570
Transferred to Stage 1 during the period	665	-614	-51	-
Transferred to Stage 2 during the period	-28	331	-303	-
Transferred to Stage 3 during the period	-23	-188	211	-
ECL on new assets	266	619	1,058	1,942
ECL on assets derecognised	-227	-708	-1,526	-2,462
Impact of net remeasurement of ECL (incl. changes in models)	-607	401	49	-158
Write-offs debited to the allowance account	-3	-7	-981	-991
Foreign exchange adjustments	-8	8	35	35
Other changes	-2	-3	48	43
Balance at 30 June 2018	1,533	5,415	14,781	21,729

The table above excludes the allowance account of DKK 4 million on bonds at amortised cost or fair value through profit or loss (all in stage 1).

For further information on the decomposition of the allowance account on facilities in stages 1-3 in IFRS 9, see the notes on credit risk.

Reconciliation of total allowance account

(DKK millions)	31 December 2017
Balance at 1 January 2017	26,156
New and increased impairment charges	4,745
Reversals of impairment charges	5,654
Write offs debited to the allowance account	3,589
Foreign currency translation	-390
Other items	-519
Balance at 31 December 2017	**20,749**

Notes – Danske Bank Group

6. Loans at fair value

Loans at fair value consists of loans granted by the subsidiary Realkredit Danmark and from 1 January 2018 loans in FICC and Capital Markets (part of Corporates & Institutions). The latter is a consequence of the implementation of IFRS 9. The loans in FICC and Capital Markets consist primarily of reverse transactions and short-term loans. At 30 June 2018, these loans amounted to DKK 232,145 million.

7. Deposits

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

(DKK millions)	30 June 2018	31 December 2017
Deposits from other credit institutions	264,598	242,887
hereof repo transactions	93,876	87,291
Other deposits	1,056,547	1,046,858
hereof repo transactions	119,495	133,081
Total deposits excluding repo transactions	**1,107,774**	**1,069,373**

Of total deposits excluding repo transactions at 30 June 2018, 34% (31 December 2017: 34%) represents wholesale deposits ranking pari passu with senior creditors. These wholesale deposits exclude deposits from other credit institutions with an original maturity of less than 7 days. If deposits from other credit institutions are excluded, the percentage is at 30 June 2018 28% (31 December 2017: 27%).

8. Issued bonds, subordinated debt and additional tier 1 capital

Issued bonds

In general, issued bonds are measured at amortised cost. However, bonds issued by Realkredit Danmark and from 1 January 2018 and due to the implementation of IFRS 9, commercial papers and certificates of deposits issued by FICC and Capital Markets (part of Corporates & Institutions) are measured at fair value through profit or loss.

The Group issues perpetual bonds with discretionary interest payments that fulfil the requirements for additional tier 1 capital under the Capital Requirements Regulation. If a trigger event occurs, those issued bonds must either be written down temporarily or converted into a variable number of ordinary shares, depending on the terms of the bond issue. Bonds that will be temporarily written down are accounted for as equity while bonds that convert into a variable number of ordinary shares are accounted for as liabilities.

Issued bonds at fair value

(DKK millions)	30 June 2018	31 December 2017
Bonds issued by Realkredit Danmark	732,106	758,375
Commercial papers and certificates of deposits	66,483	-
Total	**798,589**	**758,375**

Issued bonds at amortised cost

(DKK millions)	30 June 2018	31 December 2017
Commercial papers and certificate of deposits	8,508	101,326
Other unsecured bonds	131,482	123,457
Covered bonds	181,405	180,297
Total	**321,395**	**405,080**

Other unsecured bonds includes non-preferred senior bonds issued during the second quarter of 2018, with a nominal value of DKK 24,367 million and a carrying amount of DKK 24,329 million. The law implementing the non-preferred senior bonds (to meet MREL requirements) into Danish law was passed by the Danish parliament on 29 May 2018 and came into force on 1 July 2018 from which date the bonds will rank senior to subordinated debt and junior to other debt.

Nominal value

(DKK millions)	1 January 2018	Issued	Redeemed	Foreign currency translation	30 June 2018
Commercial papers and certificate of deposits	101,319	109,700	137,120	1,095	74,994
Other unsecured bonds	127,630	26,313	17,031	-1,075	135,836
Covered bonds	222,748	22,692	25,488	-530	219,421
Other issued bonds	**451,696**	**158,704**	**179,639**	**-510**	**430,252**

Notes – Danske Bank Group

8. Issued bonds and subordinated debt continued

Nominal value	1 January 2017	Issued	Redeemed	Foreign translation	30 June 2018
Commercial papers and certificate of deposits	75,036	287,057	252,945	-7,829	101,319
Other unsecured bonds	142,270	29,320	37,345	-6,615	127,630
Covered bonds	234,683	31,946	41,994	-1,887	222,748
Other issued bonds	**451,989**	**348,323**	**332,284**	**-16,332**	**451,696**

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 6.0 billion (31 December 2017: DKK 6.6 billion) are excluded. Further, retained and repurchased bonds held by Group Treasury amounting to DKK 42.6 billion (31 December 2017: 47.8 billion) have been excluded.

Subordinated debt and additional tier 1 capital.

During the first half of 2018, the Group did not redeem any subordinated debt accounted for as liabilities, but issued DKK 4,797 million of subordinated debt accounted for as liabilities.

At 30 June 2018, the total nominal value of issued additional tier 1 capital amounted to DKK 23,772 million (31 December 2017: DKK 18,823 million) of which DKK 14,179 million (31 December 2017: 14,168 million) is accounted for as equity. Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 3.4.3 of Risk Management 2017 for further information). At 30 June 2018, distributable items for Danske Bank A/S amounted to DKK 113.9 billion (31 December 2017: DKK 117.5 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. The ratios at the end of June 2018 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.

9. Other assets and other liabilities

Other assets amounted to DKK 33,472 million (31 December 2017: DKK 31,324 million), including holdings in associates of DKK 450 million (31 December 2017: DKK 455 million), investment property of DKK 3,314 million (31 December 2017: DKK 4,461 million), tangible assets of DKK 7,378 million (31 December 2017: DKK 7,047 million) and assets held for sale of DKK 382 million (31 December 2017: DKK 426 million). Other liabilities amounted to DKK 38,223 million (31 December 2017: DKK 37,097 million), including accrued interest and commissions due of DKK 5,837 million (31 December 2017: DKK 8,520 million) and other staff commitments of DKK 2,761 million (31 December 2017: DKK 3,077 million).

Notes – Danske Bank Group

10. 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 2018	31 December 2017
Financial guarantees	7,143	8,534
Mortgage finance guarantees	579	1,050
Other guarantees	73,992	74,902
Total	**81,715**	**84,487**

Other contingent liabilities (DKK millions)	30 June 2018	31 December 2017
Loan commitments shorter than 1 year	206,890	142,147
Loan commitments longer than 1 year	162,928	161,824
Other unutilised loan commitments	483	351
Total	**370,301**	**304,322**

Following the extensive data analysis etc. performed during the implementation of IFRS 9, a further DKK 75.6 billion has been included as loan commitments in the table above. The commitments consist of loan offers that previously were included as uncommitted lines. The comparative information has not been restated.

In addition to credit exposure from lending activities, uncommitted loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 215 billion (31 December 2017: DKK 269 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Regulation.

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 addition, the supervisory authorities conduct inspections of Danske Bank's compliance with anti-money laundering legislation. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes, its dialogue with public authorities or the inspections of compliance with anti-money laundering legislation to have any material effect on its financial position.

In connection with the acquisition of Sampo Bank in 2007, Danske Bank and Sampo Life (now Mandatum Life) signed an agency agreement that guaranteed Mandatum Life the exclusive right to sell life and pension insurance products through Danske Bank's branch network in Finland. The agency agreement expired at the end of 2016. As part of the agreement, Mandatum Life had a right to sell all or part of the insurance portfolio sold under the agreement to Danske Bank Group. In October 2016, Mandatum Life exercised this right and the parties agreed on a fair value of the insurance portfolio of DKK 2.5 billion. However, in April 2018, Mandatum Life and Danske Bank agreed to continue the cooperation and that the transfer of the insurance portfolio will not take place. The agreed transaction closed in June 2018.

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

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

Notes – Danske Bank Group

10. Contingent liabilities continued

The Group is a member of deposit guarantee schemes and other compensation schemes in Norway, the UK and Luxembourg. As in Denmark, the contributions to the schemes in the other countries are annual contributions combined with extraordinary contributions if the means of the schemes are not sufficient to cover the required payments.

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.

11. Assets provided or received as collateral

At 30 June 2018, Danske Bank A/S had deposited securities worth DKK 13.3 billion as collateral with Danish and international clearing centres and other institutions (31 December 2017: DKK 11.4 billion).

At 30 June 2018, Danske Bank A/S had provided cash and securities worth DKK 68.5 billion as collateral for derivatives transactions (31 December 2017: DKK 71.7 billion).

At 30 June 2018, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 548.2 billion (31 December 2017: DKK 449.0 billion) as collateral for policyholders' savings of DKK 470.9 billion (31 December 2017: DKK 363.8 billion).

At 30 June 2018, the Group had registered loans at fair value and securities worth a total of DKK 793.4 billion (31 December 2017: DKK 788.1 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 798.6 billion (31 December 2017: DKK 758.4 billion). Similarly, the Group had registered loans and other assets worth DKK 249.5 billion (31 December 2017: DKK 268.7 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 2018			31 December 2017		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	36,010	36,010	-	24,832	24,832
Trading portfolio securities	186,812	52,828	239,639	206,227	69,614	275,841
Loans at fair value	-	792,605	792,605	-	787,223	787,223
Loans at amortised cost	-	254,391	254,391	-	269,162	269,162
Assets under insurance contracts	-	401,798	401,798	-	323,289	323,289
Other assets	-	81	81	-	90	90
Total	186,812	1,537,713	1,724,524	206,227	1,474,210	1,680,437
Own issued bonds	25,549	96,074	121,623	12,675	81,102	93,777
Total, including own issued bonds	**212,361**	**1,633,787**	**1,846,148**	**218,902**	**1,555,312**	**1,774,214**

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 186.8 billion at 30 June 2018 (31 December 2017: DKK 206.2 billion).

At 30 June 2018, the Group had received securities worth DKK 297.6 billion (31 December 2017: DKK 252.5 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 most 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 2018, the Group had sold securities or provided securities as collateral worth DKK 170.0 billion (31 December 2017: DKK 155.9 billion).

The Group also receives many other types of assets as collateral in connection with its ordinary lending activities. The Group has not received the ownership of these assets. The risk management notes in Annual report 2017 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

12. Fair value information for financial instruments

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

	30 June 2018		31 December 2017	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	68,023	-	82,818
Due from credit institutions and central banks	47,741	217,692	-	333,975
Trading portfolio assets	523,460	-	449,292	-
Investment securities	124,903	149,201	177,921	146,697
Loans at amortised cost	-	971,964	-	1,112,752
Loans at fair value	1,024,751	-	787,223	-
Assets under pooled schemes and unit-linked investment contracts	144,773	-	112,065	-
Assets under insurance contracts	360,062	-	273,425	-
Total	**2,225,690**	**1,406,880**	**1,799,925**	**1,676,242**
Financial liabilities				
Due to credit institutions and central banks	194,295	70,303	-	242,887
Trading portfolio liabilities	447,012	-	400,596	-
Deposits	138,920	917,627	-	1,046,858
Issued bonds at fair value	798,589	-	758,375	-
Issued bonds at amortised cost	-	321,395	4,549	400,531
Deposits under pooled schemes and unit-linked investment contracts	153,702	-	119,901	-
Subordinated debt	-	33,847	-	29,120
Other liabilities (loan commitments and guarantees)	-	1,914	-	647
Total	**1,732,518**	**1,345,087**	**1,283,421**	**1,720,042**

Investment securities at fair value includes bonds measured at fair value through other comprehensive income, see the table on bonds in the Risk management notes. All other financial assets in the column 'Fair value' are mandatorily measured at fair value through profit or loss under IFRS 9. Except for the held for trading portfolio, all other financial liabilities are measured at fair value through profit or loss using the fair value option.

Negative interest income during the first half of 2018 amounted to DKK 1,431 million (30 June 2017: DKK 1,324 million). Negative interest expenses amounted to DKK 1,619 million (30 June 2017: DKK 1,213 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

Financial instruments at fair value

Note 30 in Annual Report 2017 provides more information about fair value calculation methods for financial instruments.

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

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

Financial instruments at amortised cost

Note 30 in Annual Report 2017 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. As was the case at 31 December 2017, the estimated fair value of the loans is slightly lower than the carrying amount.

Notes – Danske Bank Group

12. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 June 2018				
Financial assets				
Due from credit institutions and central banks	-	47,741	-	47,741
Derivatives				
Interest rate contracts	4,101	157,264	3,705	165,070
Currency contracts etc.	1,782	126,469	650	128,901
Trading portfolio bonds	193,905	27,583	-	221,488
Trading portfolio shares	7,781	-	219	8,000
Investment securities, bonds	98,840	24,832	-	123,672
Investment securities, shares	69	-	1,162	1,231
Loans at fair value	-	1,024,751	-	1,024,751
Assets under pooled schemes and unit-linked investment contracts	144,773	-	-	144,773
Assets under insurance contracts, bonds				
Danish mortgage bonds	67,843	9,414	-	77,257
Other bonds	123,283	10,589	4,676	138,548
Assets under insurance contracts, shares	82,432	3,174	23,584	109,190
Assets under insurance contracts, derivatives	18,862	14,757	1,448	35,067
Total	**743,671**	**1,446,574**	**35,444**	**2,225,690**
Financial liabilities				
Due to credit institutions and central banks	-	194,295	-	194,295
Derivatives				
Interest rate contracts	4,324	138,561	4,062	146,947
Currency contracts etc.	1,439	128,102	495	130,036
Obligations to repurchase securities	167,674	2,230	126	170,030
Deposits	-	138,920	-	138,920
Issued bonds at fair value	723,838	74,751	-	798,589
Deposits under pooled schemes and unit-linked investment contracts	-	153,702	-	153,702
Total	**897,275**	**830,561**	**4,683**	**1,732,518**

Notes – Danske Bank Group

12. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2017				
Financial assets				
Derivatives				
Interest rate contracts	5,431	157,871	4,203	167,505
Currency contracts etc.	800	87,330	1,255	89,385
Trading portfolio bonds	159,333	14,248	-	173,581
Trading portfolio shares	18,624	-	197	18,821
Investment securities, bonds	156,298	20,164	-	176,462
Investment securities, shares	63	-	1,396	1,459
Loans at fair value	-	787,223	-	787,223
Assets under pooled schemes and unit-linked investment contracts	112,065	-	-	112,065
Assets under insurance contracts, bonds				
Danish mortgage bonds	37,251	6,264	-	43,515
Other bonds	114,191	1,989	4,016	120,196
Assets under insurance contracts, shares	81,496	-	17,842	99,338
Assets under insurance contracts, derivatives	428	9,944	4	10,376
Total	**685,980**	**1,085,033**	**28,913**	**1,799,925**
Financial liabilities				
Derivatives				
Interest rate contracts	5,606	142,724	4,798	153,128
Currency contracts etc.	732	89,773	1,054	91,559
Obligations to repurchase securities	153,975	1,858	76	155,909
Bonds issued by Realkredit Danmark	758,375	-	-	758,375
Deposits under pooled schemes and unit-linked investment contracts	-	119,901	-	119,901
Other issued bonds	-	4,549	-	4,549
Total	**918,688**	**358,805**	**5,928**	**1,283,420**

Notes – Danske Bank Group

12. Fair value information for financial instruments continued

At 30 June 2018, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 24,839 million (31 December 2017: DKK 19,359 million), illiquid bonds of DKK 4,676 million (31 December 2017: DKK 4,016 million) and derivatives with a net market value of DKK 1,246 million (31 December 2017: DKK -390 million).

Unlisted shares of DKK 23,584 million (31 December 2017: DKK 17,842 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 1,255 million (31 December 2017: DKK 1,517 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 126 million (31 December 2017: DKK 152 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 2018, the Group recognised DKK 192 million in unrealised losses (30 June 2017: DKK 96 million) and DKK 13 million in realised gains (30 June 2017: DKK 40 million) on those shares. The unrealised adjustments in the first half of 2018 and in 2017 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised losses in the first half of 2018 amounted to DKK 612 million (30 June 2017: DKK 135 million) and the realised gains to DKK 441 million (30 June 2017: DKK 486 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 216 million (31 December 2017: DKK 80 million). If the credit spread narrows 50bp, fair value will increase DKK 216 million (31 December 2017: DKK 83 million).

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

Shares, bonds and derivatives valued on the basis of non-observable input

	30 June 2018			31 December 2017		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	19,359	4,016	-389	20,943	4,803	-1,993
Value adjustment through profit or loss	1,198	2	128	1,556	-85	-345
Acquisitions	4,815	1,420	82	3,073	1,445	251
Sale and redemption	-407	-762	1,425	-6,213	-2,147	1,196
Transferred from quoted prices and observable input	-	-	-	-	-	-
Transferred to quoted prices and observable input	-	-	-	-	-	502
Fair value end of period	**24,965**	**4,676**	**1,246**	**19,359**	**4,016**	**-389**

The valuation of derivatives includes amortisation of the value of initial margins over the remaining term to maturity. The initial margins relate to elements not covered by CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. At 30 June 2018, the value of unamortised initial margins was DKK 1,168 million (31 December 2017: DKK 1,054 million).

Notes – Danske Bank Group

13. Acquisition of subsidiary undertaking

In December 2017, the Group entered into an agreement to purchase all shares of the Danish companies SEB Pensionforsikring A/S (including the property subsidiaries SEB Ejendomme I A/S and SEB Ejendomme II A/S) and SEB Administration A/S (the acquired companies are referred to as SEB Pension Danmark below). Regulatory approvals were received on 30 May 2018, and the transaction was finalised on 7 June 2018. The financial statements of SEB Pension Danmark were consolidated in the financial statements of Danske Bank Group with effect from 7 June 2018. The companies have subsequently been renamed Danica Pensionsforsikring A/S and Danica Administration A/S.

SEB Pensionsforsikring is a major player in the Danish pension and commercial market. The principal activity of SEB Administration is to provide administrative and agency services to the companies of the SEB Pension Danmark and other support function services.

Through the acquisition of SEB Pension Danmark, the Group will increase its presence in the Danish pension market, strengthen its innovation capacity and be able to offer its customers even better pension and insurance solutions.

The fair value of net assets acquired and recognised in the balance sheet of Danica Group at the time of acquisition is shown in the table below. Due to the short time since the acquisition, it has not yet been possible to complete the initial accounting for the acquisition of SEB Pension Danmark. Hence, the amounts are provisional and can be adjusted in subsequent periods within one year, including the value of the acquired goodwill, to reflect information obtained about facts and circumstances that existed on 7 June 2018. This includes a potential reallocation between goodwill and customer relations or to other identifiable intangible assets.

Recognised amounts of identifiable assets acquired and liabilities assumed

DKK millions	Fair value at 7 June 2018
Assets under unit-linked investment contracts	30,902
Assets under insurance contracts	97,487
Customer relations	1,332
Tax assets	36
Other assets	3,103
Total assets	**132,860**
Deposits under unit-linked investment contracts	30,902
Liabilities under insurance contracts	72,542
Tax liabilities	584
Other liabilities	26,371
Total liabilities	**130,399**
Total identifiable net assets	2,461
Goodwill	2,539
Consideration paid in cash	**5,000**

No significant contingent liabilities exists at the acquisition date.

The fair value of liabilities under insurance contracts is calculated according to principles similar to those used in the Group's measurement of other liabilities under insurance contracts and is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability, and on the discount rate as at 7 June 2018.

Customer relations acquired in connection with the business combination is recognised as a separate identifiable intangible asset. The fair value of the customer relations at the acquisition date represents the net present value of expected future earnings related to the existing customer base in SEB Pension Danmark and is calculated based on the estimated future profit margin in the acquired companies at the acquisition date. Customer rights will be amortised over 10 years, which represents management's expectations to the period over which the majority of the future earnings on existing customer relations/contracts will be earned. If indications of objective evidence of impairment exists, the customer relations is tested for impairment and written down to the estimated value in use if the value is impaired.

Goodwill represents the value of the expected profit of SEB Pension Danmark which cannot be attributed reliably to individually identifiable assets, including the value of staff, know-how and innovation capacity as well as expected synergies, such as expense savings and ancillary business from the integration into Danske Bank Group. Goodwill will be tested for impairment before the end of 2018 based on earnings estimates for the coming five financial years, which have been approved by the Board of Directors. For subsequent financial years, cash flows are extrapolated and adjusted for expected growth rates. A number of factors affect the net present value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour, competition and actuarial assumptions. Expected cash flows are discounted by a post-tax rate of 9%, equalling 12% before tax, and the principal assumption applied in the cash flow terminal period is a growth rate of 0%.

Notes – Danske Bank Group

13. Acquisition of subsidiary undertaking continued

The consolidation of SEB Pension Danmark has increased net premiums by DKK 947 million and net profit by DKK -19 million. Assuming that the Group had taken over SEB Pension Danmark with effect from 1 January 2018, the estimated impact on net premiums and net profit would have amounted to increases of DKK 5.9 billion and DKK 250 million, respectively.

Subsequent to the acquisition of SEB Pension Danmark, intangible assets in Danske Bank Group consist of the following items:

(DKK millions)	30 June 2018	31 December 2017
Goodwill	7,860	5,347
Customer relations	1,321	0
Software, acquired or internally developed	1,944	1,830
Total	**11,125**	**7,177**

(DKK millions)	1 January 2017 Goodwill	Foreign currency translation	31 December 2017 Goodwill	Addition/sale	Foreign currency translation	30 June 2018 Goodwill
C&I, General Banking	507	1	508			508
C&I, FICC and Capital Markets	2,893	4	2,897		3	2,900
Wealth Management, Danske Capital	1,806	3	1,809		2	1,811
Wealth Management, Danica Pension				2,539		2,539
Others	143	-10	133	-34	3	102
Total	**5,349**	**-2**	**5,347**	**2,505**	**8**	**7,860**

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2017 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions) 30 June 2018	Total	Lending activities Core	Lending activities Non-core	Counter-party credit risk	Trading and in-vestment securi-ties	Customer-funded invest-ments
Balance sheet items						
Demand deposits with central banks	59.9	59.9	-	-	-	-
Due from credit institutions and central banks	265.4	217.7	-	47.7	-	-
Trading portfolio assets	523.5	-	-	294.0	229.5	-
Investment securities	274.1	-	-	-	274.1	-
Loans at amortised cost	972.0	955.2	16.7	-	-	-
Loans at fair value	1,024.8	792.6	-	232.1	-	-
Assets under pooled schemes and unit-linked investment contracts	144.8	-	-	-	-	144.8
Assets under insurance contracts	385.8	-	-	-	-	385.8
Off-balance-sheet items						
Guarantees	81.7	80.2	0.9	-	-	-
Loan commitments shorter than 1 year	206.9	203.8	3.1	-	-	-
Loan commitments longer than 1 year	162.9	161.4	1.6	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	**4,102.2**	**2,470.7**	**22.4**	**573.8**	**504.1**	**530.6**

31 December 2017	Total	Core	Non-core	Counter-party credit risk	Trading and in-vestment securi-ties	Customer-funded invest-ments
Balance sheet items						
Demand deposits with central banks	73.8	73.8	-	-	-	-
Due from credit institutions and central banks	277.7	277.6	-	-	-	-
Repo loans with credit institutions and central banks	56.3	56.3	-	-	-	-
Trading portfolio assets	449.3	-	-	256.9	192.4	-
Investment securities	324.6	-	-	-	324.6	-
Loans at amortised cost	940.5	935.8	4.7	-	-	-
Repo loans	172.2	172.2	-	-	-	-
Loans at fair value	787.2	787.2	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	112.1	-	-	-	-	112.1
Assets under insurance contracts	296.9	-	-	-	-	296.9
Off-balance-sheet items						
Guarantees	84.5	84.5	-	-	-	-
Loan commitments shorter than 1 year	142.1	139.4	2.8	-	-	-
Loan commitments longer than 1 year	161.8	161.2	0.6	-	-	-
Other unutilised commitments	0.4	-	-	-	0.4	-
Total	**3,879.4**	**2,688.0**	**8.2**	**256.9**	**517.4**	**408.9**

Following the extensive data analysis etc performed during the implementation of IFRS 9, a further DKK 75.6 billion has been included as loan commitments in the table above. The commitments consist of loan offers that previously were included as uncommitted lines. The comparative information has not been restated.

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 215 billion at 30 June 2018 (31 December 2017: DKK 269 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Regulation.

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 at amortised cost. 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.

At 1 January 2018, the Group implemented IFRS 9. The business model assessment in IFRS 9 resulted in loans in the trading units of Corporates & Institutions being measured at fair value through profit or loss. These loans are covered by the section in the risk management notes on Counterparty credit risk. The comparative information has not been restated, and the comparative information on credit risk is based on the information provided under IAS 39.

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 within the next 12 months 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.

Customers with credit-impaired loans are placed in rating category 10 or 11. This includes customers with loans for which no impairment charges have been recognised, for example because adequate collateral has been provided.

The classification of facilities between stage 1 and 2 for the purpose of calculating expected credit loss impairments under IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. The assessment of whether the credit risk has increased significantly since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the facility and incorporate forward-looking information. A facility is transferred from stage 1 to stage 2 based on observed increases in the probability of default:

- For facilities originated below 1% in PD: An increase in the facility's 12-month PD of at least 0.5 percentage points since initial recognition and a doubling in the facility's lifetime PD since origination
- For facilities originated above 1% in PD: An increase in the facility's 12-month PD of 2 percentage points since origination or a doubling of the facility's lifetime PD since origination

Further, facilities that are more than 30 days past due are moved to stage 2. Finally, customers subject to forbearance measures are placed in stage 2, if the Group, in the most likely outcome, expects no loss or the customers are in the two-year probation period for performing forborne exposures.

Exposures which are considered to be in default for regulatory purposes will always be considered stage 3 under IFRS 9. This applies both to 90-days-past-due considerations and unlikely-to-pay factors leading to regulatory default.

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by rating category and stages in IFRS 9

30 June 2018	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	216.7	0.0	0.0	0.0	0.0	0.0	216.7	0.0	0.0	207.2	0.0	0.0
2	0.01	0.03	203.5	0.4	0.0	0.0	0.0	0.0	203.5	0.4	0.0	116.0	0.3	1.6
3	0.03	0.06	444.1	0.9	0.0	0.0	0.0	0.0	444.1	0.9	0.0	158.6	0.2	1.2
4	0.06	0.14	602.3	2.4	0.1	0.1	0.0	0.0	602.2	2.4	0.0	235.9	0.8	0.9
5	0.14	0.31	445.4	10.8	0.1	0.2	0.1	0.0	445.3	10.7	0.1	147.1	4.1	0.4
6	0.31	0.63	243.0	17.1	0.1	0.3	0.3	0.0	242.7	16.8	0.1	81.6	6.4	0.2
7	0.63	1.90	132.3	46.2	0.1	0.2	1.4	0.0	132.1	44.8	0.1	42.0	15.3	0.0
8	1.90	7.98	18.7	33.7	0.2	0.6	2.2	0.0	18.1	31.5	0.2	5.0	7.8	0.0
9	7.98	25.70	1.3	9.0	0.4	0.1	1.3	0.0	1.2	7.7	0.4	0.4	1.5	0.0
10	25.70	99.99	4.9	3.1	30.8	0.0	0.0	5.4	4.9	3.1	25.3	3.3	0.9	7.3
11 (default)	100.00	100.00	1.8	0.7	21.4	-	-	8.6	1.8	0.7	12.8	0.5	0.2	1.6
Total			**2,314.1**	**124.3**	**53.2**	**1.5**	**5.4**	**14.1**	**2,312.6**	**118.9**	**39.1**	**997.5**	**37.5**	**13.2**

Credit portfolio in core activities broken down by rating category

31 December 2017	PD level		Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
(DKK billions)	Upper	Lower	a	b	=a-b	
1	-	0.01	323.8	-	323.8	291.1
2	0.01	0.03	268.6	-	268.6	124.2
3	0.03	0.06	436.6	-	436.6	139.3
4	0.06	0.14	586.7	-	586.7	227.6
5	0.14	0.31	489.1	-	489.1	157.6
6	0.31	0.63	297.7	-	297.7	82.2
7	0.63	1.90	170.3	-	170.3	44.7
8	1.90	7.98	56.5	-	56.5	15.9
9	7.98	25.70	11.2	-	11.2	3.7
10	25.70	99.99	37.2	6.0	31.3	9.2
11 (default)	100.00	100.00	26.1	10.0	16.1	2.1
Total before collective impairment charges			**2,703.9**	**16.0**	**2,688.0**	**1,097.5**
Collective impairment charges			4.1			
Total gross exposure			**2,708.0**			

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by industry (NACE) and stages in IFRS 9

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 2018	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public Institutions	271.5	1.1	0.0	0.0	0.0	0.0	271.5	1.1	0.0	266.0	1.1	0.0
Banks	59.0	0.4	0.0	0.0	0.0	0.1	58.9	0.4	-0.1	41.9	0.4	-0.1
Credit Institutes	5.0	0.0	-	0.0	0.0	0.0	5.0	0.0	-0.0	5.0	0.0	-0.0
Insurance	9.9	0.0	0.0	0.0	0.0	0.0	9.9	0.0	0.0	7.5	0.0	-0.0
Investment funds	24.1	0.4	0.7	0.0	0.0	0.1	24.1	0.4	0.5	12.6	0.2	0.2
Other financials	6.2	0.1	-	0.0	0.0	0.0	6.2	0.0	-0.0	5.9	0.0	-0.0
Agriculture	56.5	11.6	7.5	0.3	1.2	2.1	56.2	10.5	5.4	10.4	3.1	0.8
Commercial property	285.0	17.0	8.1	0.2	0.7	2.0	284.8	16.3	6.1	56.4	5.1	0.4
Construction & building products	34.2	3.8	1.0	0.0	0.1	0.3	34.2	3.7	0.7	25.3	1.9	0.4
Consumer discretionary	102.1	7.1	3.0	0.0	0.3	1.2	102.1	6.9	1.9	58.6	3.7	0.9
Consumer staples	57.3	2.8	0.6	0.0	0.1	0.1	57.2	2.7	0.5	38.9	1.7	0.3
Energy & Utilities	48.0	1.5	3.9	0.0	0.0	0.9	48.0	1.4	3.1	37.6	1.3	1.8
Health care	38.5	0.6	0.2	0.0	0.0	0.0	38.5	0.6	0.1	31.1	0.4	1.5
Industrial Services, Supplies & Machinery	108.5	4.6	3.1	0.0	0.1	1.1	108.5	4.5	2.0	89.9	2.4	2.6
IT & telecom	29.6	1.5	0.2	0.0	0.0	0.1	29.6	1.5	0.1	26.9	1.1	0.0
Materials	45.7	2.5	0.7	0.0	0.1	0.4	45.7	2.4	0.3	34.2	0.9	0.9
Non-profit & Associations	175.2	4.0	2.6	0.1	0.1	0.6	175.1	3.9	2.0	46.4	0.9	0.4
Other commercials	37.5	0.7	0.1	0.1	0.0	0.1	37.5	0.7	0.0	28.2	0.3	-0.0
Shipping	27.9	5.8	5.9	0.0	0.8	0.9	27.9	5.0	5.0	13.7	0.5	0.9
Transportation	26.5	2.2	0.3	0.0	0.1	0.1	26.5	2.1	0.1	17.6	0.7	0.1
Personal customers	865.8	56.7	15.2	0.6	1.8	3.8	865.1	54.9	11.4	143.8	11.8	2.2
Total	**2,314.1**	**124.3**	**53.2**	**1.5**	**5.4**	**14.1**	**2,312.6**	**118.9**	**39.1**	**997.5**	**37.5**	**13.2**

Notes – Danske Bank Group

Credit exposure continued

31 December 2017 (DKK billions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Public institutions	414.4	-	414.4	369.3
Banks	53.2	0.1	53.1	40.4
Credit institutions	9.4	-	9.4	3.9
Insurance	38.2	-	38.2	4.8
Investment funds	24.9	0.2	24.7	10.7
Other financials	92.8	-	92.8	19.6
Agriculture	65.1	2.5	62.5	11.3
Commercial property	299.4	2.5	296.9	55.3
Construction, engineering and building products	45.1	0.5	44.6	33.4
Consumer discretionary	107.1	1.3	105.8	59.5
Consumer staples	57.8	0.2	57.6	41.0
Energy and utilities	51.1	0.4	50.7	41.0
Health care	34.9	0.1	34.8	29.0
Industrial services, supplies and machinery	96.7	1.1	95.6	77.6
IT and telecommunication services	30.6	0.1	30.5	28.1
Materials	50.5	0.5	49.9	38.1
Non-profits and other associations	170.3	0.7	169.6	39.4
Other commercials	85.8	0.2	85.6	37.9
Shipping	36.7	0.7	36.0	13.1
Transportation	24.6	0.1	24.5	13.1
Personal customers	915.5	4.8	910.6	131.1
Total before collective impairment charges	**2,703.9**	**16.0**	**2,688.0**	**1,097.5**
Collective impairment charges	4.1			
Total gross exposure	**2,708.0**			

Notes – Danske Bank Group

Credit exposure continued

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

Credit portfolio in core activities broken down by business unit and stages in IFRS 9

30 June 2018	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Denmark	472.3	24.8	8.6	0.5	1.1	2.7	471.8	23.7	5.8	54.5	5.1	1.5
Finland	82.4	7.3	3.1	0.0	0.1	0.4	82.4	7.2	2.7	5.7	0.9	0.2
Sweden	97.4	7.9	0.4	0.0	0.2	0.1	97.4	7.7	0.3	31.3	1.8	0.0
Norway	119.3	7.1	1.1	0.0	0.1	0.1	119.2	7.0	1.0	31.2	2.0	0.1
Other												
Personal Banking	**771.4**	**47.1**	**13.1**	**0.6**	**1.5**	**3.3**	**770.8**	**45.5**	**9.8**	**122.8**	**9.8**	**1.9**
Denmark	427.3	32.3	21.4	0.5	2.1	6.1	426.8	30.2	15.3	113.8	10.5	2.4
Finland	76.5	10.8	1.6	0.0	0.2	0.6	76.5	10.5	1.0	38.4	3.5	0.2
Sweden	158.6	9.5	1.0	0.1	0.3	0.3	158.5	9.2	0.7	69.7	3.7	0.4
Norway	78.0	7.0	2.6	0.0	0.3	1.1	78.0	6.7	1.5	33.8	2.9	0.9
Other	147.1	0.2	0.1	0.0	0.0	0.0	147.1	0.2	0.1	146.1	0.2	0.0
Business Banking	**889.5**	**60.2**	**26.8**	**0.7**	**2.9**	**8.2**	**888.8**	**57.3**	**18.6**	**403.5**	**21.1**	**4.1**
C&I*	**481.2**	**9.3**	**9.2**	**0.1**	**0.8**	**1.5**	**481.1**	**8.4**	**7.7**	**411.9**	**3.7**	**6.4**
Wealth Management	**84.2**	**3.2**	**1.6**	**0.0**	**0.1**	**0.3**	**84.2**	**3.1**	**1.3**	**19.9**	**0.8**	**0.4**
Northern Ireland	**65.5**	**3.5**	**2.5**	**0.0**	**0.1**	**0.8**	**65.5**	**3.4**	**1.8**	**34.2**	**1.0**	**0.4**
Other	22.2	1.1	0.0	0.0	0.0	0.0	22.2	1.1	0.0	5.1	1.1	0.0
Total	**2,314.1**	**124.3**	**53.2**	**1.5**	**5.4**	**14.1**	**2,312.6**	**118.9**	**39.1**	**997.5**	**37.5**	**13.2**

*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.

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by business unit

31 December 2017 (DKK billions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Denmark	500.2	3.4	496.8	62.1
Finland	92.1	0.5	91.6	6.1
Sweden	88.2	0.1	88.0	14.6
Norway	112.8	0.1	112.7	24.4
Personal Banking	**793.2**	**4.2**	**789.1**	**107.2**
Denmark	482.7	7.3	475.4	134.2
Finland	80.1	0.7	79.4	35.6
Sweden	163.0	0.4	162.6	68.4
Norway	81.9	1.1	80.8	35.4
Baltics	20.1	0.2	19.9	9.8
Other	198.7	-	198.7	1.3
Business Banking	**1,026.4**	**9.6**	**1,016.8**	**284.6**
C&I*	**711.8**	**1.1**	**710.7**	**633.4**
Wealth Management	**85.6**	**0.4**	**85.2**	**21.9**
Northern Ireland	**63.7**	**0.7**	**63.0**	**29.5**
Other	**23.2**	**-**	**23.2**	**21.0**
Total before collective impairment charges	**2,703.9**	**16.0**	**2,688.0**	**1,097.6**
Collective impairment charges	4.1			
Total gross exposure	**2,708.0**			

*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.

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. Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to retain long-term business relationships during economic downturns if there is a realistic possibility that the customer will be able to meet obligations again, or are used for minimising losses in the event of default.

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 of 2018, the Group recognised properties taken over in Denmark at a carrying amount of DKK 26 million (31 December 2017: DKK 38 million) and there were no properties taken over in other countries (31 December 2017: DKK 44 million). The properties are held for sale and included under Other assets in the balance sheet.

The table below shows the exposures that are subject to forbearance measures and is based on the EBA's definition as described in Annual Report 2017.

Exposures subject to forbearance measures

	30 June 2018		31 December 2017	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active forbearance	10,495	9,247	8,255	12,718
Under probation	6,464	-	6,472	-
Total	16,959	9,247	**14,727**	**12,718**

*These loans are part of the total non-performing loan amount. For more details, see the section "Non-performing loans" on the next page.

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

The Group defines non-performing loans as facilities in stage 3 and for which impairment charges have been booked. For non-retail exposures with one or more 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. Furthermore, we exclude exposures in stage 3 where the allowance account is considered immaterial to the gross exposure.

Non-performing loans in core activities

(DKK millions)	30 June 2018	31 December 2017
Total non-performing loans	18,247	17,290
- Portion from customers in default*	6,515	6,049
Coverage ratio (default) (%)	95	97
Coverage ratio (non-default) (%)	65	73
Coverage ratio (total non-performing loans) (%)	81	86
Non-performing loans as a percentage of total gross exposure (%)	1.3	1.2

*Part of which is also shown in the "Exposures subject to forbearance measures" table.

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Collective and individual impairment charges under IAS 39				20,069
Transition effect (ECL at 1 January 2018), including impact on loans granted by Realkredit Danmark	1,498	5,530	15,602	2,562
Transferred to Stage 1 during the period	630	-580	-50	-
Transferred to Stage 2 during the period	-17	319	-302	-
Transferred to Stage 3 during the period	-23	-187	210	-
ECL on new assets	215	618	1,057	1,890
ECL on assets derecognised	-193	-696	-1,476	-2,365
Impact of net remeasurement of ECL (incl. changes in models)	-605	393	57	-154
Write-offs debited to the allowance account	-3	-7	-917	-927
Foreign exchange adjustments	-8	8	26	26
Other changes	-30	-16	-98	-144
ECL allowance 30 June 2018	1,464	5,382	14,109	20,956

Notes – Danske Bank Group

Credit exposure continued

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
1 January 2017	5,584	13,324	2,762	534	1,273	1	23,479
New and increased impairment charges	1,295	2,227	759	83	95	4	4,462
Reversals of impairment charges from previous periods	1,098	2,803	345	152	334	-	4,732
Write-offs debited to allowance account	535	1,321	763	4	207	-	2,831
Foreign currency translation	-16	-98	-205	-3	-38	-	-361
Other items	-29	123	-18	2	-25	-2	51
31 December 2017	5,200	11,452	2,189	460	764	2	20,069
Transition effect (ECL at 1 January 2018), including impact on loans granted by Realkredit Danmark	5,866	12,899	2,484	468	902	12	2,562
ECL on new assets	190	1,221	424	33	21	1	1,890
ECL on assets derecognised	-440	-1,557	-253	-64	-45	-8	-2,365
Impact on remeasurement of ECL (incl. change in models)	121	-133	-233	25	66	-1	-154
Write-offs debited to allowance account	-313	-558	2	-18	-41	-	-927
Foreign currency translation	-10	5	29	-	2	-	26
Other items	11	-148	3	-10	-	-	-144
30 June 2018	5,425	11,730	2,457	436	905	3	20,956

The expected credit loss is calculated for all individual facilities as a function of PD, EAD and LGD and incorporates forward-looking information. The forward-looking elements reflect the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. Based on these assessments, the allowance account at 30 June 2018 amounted to DKK 21.0 billion. The allowance account would increase DKK 0.5 billion, if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assign a probability of 100%, the allowance account would decrease DKK 0.5 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 the Baltics, conduits etc., and Ireland.

With effect from 1 April 2018, the Group repositioned its activities in the Baltic countries to focus exclusively on customers and global corporates with a significant Nordic footprint. As a result, net credit exposure of DKK 14.6 billion was transferred to the Non-core unit in the second quarter of 2018.

Credit portfolio in Non-core activities broken down by industry (NACE) and stages in IFRS 9

30 June 2018	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	13,939	3,703	978	68	33	302	13,871	3,670	676	6,569	1,475	254
Personal customers	3,223	1,734	352	10	21	93	3,213	1,713	260	1,310	687	99
Commercial customers	8,403	1,935	626	37	11	209	8,366	1,924	416	3,307	760	155
Public Institutions	2,313	34	-	21	1	-	2,292	33	-	1,952	28	-
Non-core conduits etc.	3,705	5	827	-	-	370	3,705	5	457	626	-	178
Total	17,644	3,709	1,806	68	33	672	17,576	3,675	1,133	7,195	1,475	432

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

31 December 2017 (DKK millions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Non-core banking	3,890	280	3,610	70
Non-core conduits etc.	4,882	299	4,583	1,262
Total Non-core before collective impairment charges	**8,772**	**579**	**8,193**	**1,332**
Collective impairment charges	101			
Total gross Non-core exposure	**8,873**			

Credit portfolio in Non-core activities broken down by rating category and stages in IFRS 9

30 June 2018	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	137	-	-	-	-	-	137	-	-	-	-	-
2	0.01	0.03	1,106	-	-	-	-	-	1,106	-	-	-	-	-
3	0.03	0.06	2,141	76	13	-	-	-	2,141	76	13	742	76	13
4	0.06	0.14	3,266	770	128	52	-	-	3,214	770	128	1,100	175	28
5	0.14	0.31	3,209	828	137	2	-	-	3,207	828	137	1,598	368	60
6	0.31	0.63	2,929	753	125	4	-	-	2,924	753	125	1,539	361	60
7	0.63	1.90	3,113	798	126	8	8	-	3,106	790	126	1,316	295	48
8	1.90	7.98	1,086	301	59	2	17	13	1,084	284	46	593	136	22
9	7.98	25.70	287	83	12	-	8	-	287	75	12	268	65	11
10	25.70	99.99	103	27	876	-	-	405	103	27	471	31	6	182
11 (default)	100.00	100.00	268	71	329	-	-	254	268	71	75	9	-8	9
Total			17,644	3,709	1,806	68	33	672	17,576	3,675	1,133	7,195	1,475	432

Notes – Danske Bank Group

Credit exposure continued

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

31 December 2017 (DKK millions)	PD level Upper	Lower	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
1	-	0.01	287	-	287	-
2	0.01	0.03	1,054	-	1,054	-
3	0.03	0.06	1,762	-	1,762	461
4	0.06	0.14	639	-	639	298
5	0.14	0.31	61	-	61	-
6	0.31	0.63	339	-	339	17
7	0.63	1.90	2,177	-	2,177	5
8	1.90	7.98	765	-	765	105
9	7.98	25.70	315	-	315	25
10	25.70	99.99	832	303	530	418
11 (default)	100.00	100.00	539	277	262	-
Total Non-core before collective impairment charges			**8,771**	**579**	**8,192**	**1,331**
Collective impairment charges			101			
Total Non-core exposure			**8,872**			

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 924 million at 30 June 2018 (31 December 2017: DKK 645 million), of which the average unsecured portion of non-performing loans was 18.4% at the end of June 2018 (31 December 2017: 79.4%).

Notes – Danske Bank Group

Credit exposure continued

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 June 2018	31 December 2017
Counterparty credit risk		
Derivatives with positive fair value	294.0	256.9
Reverse transactions and other loans at fair value	279.9	-
Credit exposure from other trading and investment securities		
Bonds	494.4	496.7
Shares	9.2	20.3
Other unutilised commitments	0.5	0.4
Total	**1,077.9**	**774.3**

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

Loans included as counterparty credit risk are loans in the trading units of Corporates & Institutions and consist of reverse transactions (DKK 230,838 million) and other primarily short-term loans (DKK 1,307 million).

Derivatives with positive fair value

(DKK millions)	30 June 2018	31 December 2017
Derivatives with positive fair value before netting	429,708	399,452
Netting (under accounting rules)	135,736	142,561
Carrying amount	293,972	256,891
Netting (under capital adequacy rules)	212,578	182,071
Net current exposure	81,394	74,821
Collateral	51,376	45,032
Net amount	30,018	**29,788**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	165,071	167,506
Currency contracts	125,310	86,076
Other contracts	3,591	3,309
Total	293,972	**256,891**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2018							
Held-for-trading (FVPL)	112,808	2,200	45,061	51,757	3,931	5,732	221,488
Managed at fair value (FVPL)	16,308	490	40,559	3,764	1,262	79	62,462
Held to collect and sell (FVOCI)	5,355	1,162	51,580	818	2,295	-	61,210
Held to collect (AMC)	59,272	1,200	78,183	6,967	3,158	421	149,201
Total	**193,743**	**5,052**	**215,383**	**63,305**	**10,646**	**6,232**	**494,361**
31 December 2017							
Held-for-trading	74,424	1,499	40,195	47,825	3,696	5,941	173,581
Designated at fair value	31,029	649	54,585	5,240	5,819	276	97,598
Available-for-sale	2,858	939	73,490	473	1,103	-	78,863
Hold-to-maturity	62,414	1,319	73,260	6,822	2,462	420	146,697
Total	**170,725**	**4,406**	**241,530**	**60,360**	**13,080**	**6,637**	**496,739**

At 30 June 2018, the Group had an additional bond portfolio worth DKK 215,805 million (31 December 2017: DKK 163,711 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2017 provides more information. For bonds classified as hold-to-maturity, fair value exceeded amortised cost at the end of 30 June 2018 and 31 December 2017.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2018							
Denmark	30,967	-	215,383	-	402	651	247,404
Sweden	26,606	-	-	63,305	-	2,457	92,368
UK	7,477	1	-	-	1,843	146	9,467
Norway	11,581	143	-	-	4,701	1,479	17,904
USA	9,737	215	-	-	-	5	9,957
Spain	13,629	-	-	-	63	-	13,692
France	18,499	-	-	-	961	478	19,938
Luxembourg	-	3,818	-	-	-	6	3,824
Finland	15,082	875	-	-	1,137	479	17,573
Ireland	6,629	-	-	-	6	14	6,649
Italy	8,581	-	-	-	-	1	8,582
Portugal	414	-	-	-	-	-	414
Austria	6,987	-	-	-	-	12	6,999
Netherlands	9,644	-	-	-	130	234	10,008
Germany	20,410	-	-	-	1,088	24	21,522
Belgium	7,489	-	-	-	64	42	7,595
Other	11	-	-	-	251	203	465
Total	**193,743**	**5,052**	**215,383**	**63,305**	**10,646**	**6,232**	**494,361**
31 December 2017							
Denmark	22,830	-	241,527	-	406	2,220	266,983
Sweden	25,882	-	-	60,360	-	1,855	88,097
UK	5,899	-	-	-	1,787	196	7,883
Norway	4,577	-	3	-	5,781	495	10,855
USA	11,014	158	-	-	-	12	11,184
Spain	12,387	-	-	-	132	-	12,519
France	20,234	-	-	-	955	613	21,802
Luxembourg	-	3,194	-	-	-	4	3,198
Finland	16,390	1,054	-	-	1,685	698	19,827
Ireland	3,252	-	-	-	3	7	3,262
Italy	8,194	-	-	-	-	7	8,201
Portugal	256	-	-	-	-	-	256
Austria	9,070	-	-	-	227	3	9,299
Netherlands	7,457	-	-	-	224	342	8,024
Germany	15,752	-	-	-	1,351	62	17,165
Belgium	7,297	-	-	-	116	4	7,418
Other	234	-	-	-	414	119	768
Total	**170,725**	**4,406**	**241,530**	**60,360**	**13,080**	**6,637**	**496,739**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2018							
AAA	107,262	2,633	215,187	63,305	9,603	47	398,038
AA+	17,655	510	-	-	71	124	18,360
AA	33,841	1,909	10	-	900	1,247	37,907
AA-	5,552	-	39	-	60	128	5,779
A+	-	-	-	-	-	255	255
A	6,629	-	21	-	7	2,185	8,842
A-	9	-	94	-	-	293	396
BBB+	13,620	-	-	-	-	426	14,046
BBB	8,596	-	32	-	-	688	9,316
BBB-	-	-	-	-	-	299	299
BB+	399	-	-	-	-	140	539
BB	-	-	-	-	-	145	145
BB-	-	-	-	-	-	16	16
Sub-inv. grade or unrated	180	-	-	-	5	238	423
Total	**193,743**	**5,052**	**215,383**	**63,305**	**10,646**	**6,232**	**494,361**
31 December 2017							
AAA	84,721	2,699	241,350	60,360	11,561	1,693	402,384
AA+	21,127	343	-	-	336	126	21,932
AA	32,258	1,365	57	-	192	782	34,653
AA-	8,362	-	100	-	-	92	8,554
A+	138	-	-	-	130	256	524
A	3,252	-	14	-	857	1,481	5,604
A-	-	-	-	-	-	427	427
BBB+	85	-	-	-	-	391	476
BBB	20,496	-	6	-	-	486	20,989
BBB-	-	-	-	-	-	197	197
BB+	256	-	-	-	-	141	397
BB	-	-	-	-	-	353	353
BB-	-	-	-	-	-	39	39
Sub-inv. grade or unrated	31	-	3	-	4	172	209
Total	**170,725**	**4,406**	**241,530**	**60,360**	**13,080**	**6,637**	**496,739**

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 amended by the Executive Order No. 707of 1 June 2016 and the Executive Order No. 1043 of 5 September 2017.

The amendments to the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. included in the Executive Order No. 1043 of 5 September 2017 incorporates changes due to IFRS 9 Financial Instruments.

The implementation of the amendment had the following key impact on the financial statements of Danske Bank A/S:

- The allowance account in Danske Bank A/S has increased by DKK 1,826 million at 1 January 2018 due to the introduction of the new expected credit loss impairment model. Further, the allowance account in subsidiaries has increased by DKK 346 million and is recognised in Danske Bank A/S using the equity method for holdings in subsidiaries.
- Amounts due from credit institutions of DKK 48,941 million, loans of DKK 173,255 million, amounts due to credit institutions and central banks of DKK 156,505 million, deposits of DKK 149,820 million and issued bonds of DKK 66,052 million in the trading units of Danske Bank A/S have been reclassified from amortised cost to fair value through profit or loss.
- A bond portfolio of DKK 75,754 million in Group Treasury was recognised as available for sale in Danske Bank Group and at fair value through profit or loss in Danske Bank A/S at 31 December 2017. After the implementation of the amendments to the Danish FSA's Executive order on Financial Reports for Credit Institutions and Investment Companies etc. this bond portfolio has been classified as 'held to collect and sell' and is therefore recognised at fair value through other comprehensive income in both Danske Bank Group and Danske Bank A/S. This change had no impact on shareholders' equity in Danske Bank A/S.
- The total impact, net of tax, is a reduction in Shareholders' equity at 1 January 2018 of DKK 1,655 million.

Note 2 to the financial statements of Danske Bank Group provides further information on the impact from the implementation of IFRS 9.

The accounting policies applied are identical to the Group's IFRS accounting policies with the following exceptions:

- Domicile property is measured (revalued) at its estimated fair value through Other comprehensive income.
- Prior to the implementation of IFRS 9, i.e. in 2017 and prior years, the available-for-sale portfolio was not used. However, this difference no longer applies.

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.

Holdings in subsidiaries are measured on the basis of the equity method. Net profit from these undertakings is recognised under Income from associates and group undertakings.

Group internal reorganisations (including business combinations under joint control) are generally accounted for according to the book value method. The acquirer accounts for the assets and liabilities of the acquirer at the carrying amounts at the acquisition date. Comparative information is not restated. As of 31 December 2017, Danske Bank Plc in Helsinki has been merged with Danske Bank A/S. For 2017, net profit after tax in Danske Bank Plc is included in the income statement in the line item 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 IFRS.

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.

(DKK millions)	Net profit First half 2018	Net profit First half 2017	Total equity 30 June 2018	Total equity 31 December 2017
Consolidated financial statement (IFRS)	8,792	10,321	160,897	168,256
Domicile properties	-	-41	267	267
Financial assets available for sale	-	71	-	-
Tax effect	-	2	-39	-32
Consolidated financial statements (Danish FSA rules)	**8,792**	**10,353**	**161,125**	**168,491**

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2018	First half 2017
	Interest income	13,473	12,199
	Interest expense	6,075	5,219
	Net interest income	7,398	6,980
	Dividends from shares etc.	71	219
	Fee and commission income	6,951	6,135
	Fees and commissions paid	1,303	1,154
	Net interest and fee income	13,117	12,180
1	Value adjustments	1,870	3,077
	Other operating income	869	829
	Staff costs and administrative expenses	8,905	7,870
	Amortisation, depreciation and impairment charges	1,085	984
	Loan impairment charges etc.	-667	-469
	Income from associates and group undertakings	3,661	4,457
	Profit before tax	10,195	12,157
	Tax	1,403	1,804
	Net profit for the period	**8,792**	**10,353**

Statement of comprehensive income – Danske Bank A/S

(DKK millions)	First half 2018	First half 2017
Net profit for the period	8,792	10,353
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	-41	-168
Tax	2	24
Items that will not be reclassified to profit or loss	**-39**	**-144**
Items that are or may be reclassified subsequently to profit or loss		
Translation of units outside Denmark	-361	-291
Hedging of units outside Denmark	277	273
Unrealised value adjustments of bonds at fair value (OCI)	21	-
Realised value adjustments of bonds at fair value (OCI)	-14	-
Tax	-111	-64
Items that are or may be reclassified subsequently to profit or loss	**-188**	**-82**
Total other comprehensive income	**-227**	**-226**
Total comprehensive income for the period	**8,565**	**10,127**
Portion attributable to		
Shareholders of Danske Bank A/S (the Parent Company)	8,175	9,736
Additional tier 1 capital holders	390	391
Total comprehensive income for the period	**8,565**	**10,127**

Balance sheet – Danske Bank A/S

Note	(DKK millions)	30 June 2018	31 December 2017	30 June 2017
	Assets			
	Cash in hand and demand deposits with central banks	46,713	64,574	41,088
	Due from credit institutions and central banks	285,392	335,404	341,254
	Loans and other amounts due at fair value	232,145	-	-
2	Loans and other amounts due at amortised costs	838,296	1,001,711	939,843
	Bonds at fair value	328,450	332,211	339,541
	Bonds at amortised cost	112,745	110,128	103,451
	Shares etc.	9,188	20,062	8,460
	Holdings in associates	446	451	333
	Holdings in group undertakings	86,189	88,021	97,843
	Assets under pooled schemes	53,498	54,207	52,585
	Intangible assets	6,937	6,943	6,832
	Land and buildings	305	308	335
	Investment property	230	232	260
	Domicile property	75	76	74
	Other tangible assets	3,854	3,765	3,600
	Current tax assets	1,808	960	1,052
	Deferred tax assets	602	613	282
	Assets held for sale	155	131	131
	Other assets	312,736	272,856	298,753
	Prepayments	1,342	1,278	1,368
	Total assets	**2,320,801**	**2,293,624**	**2,236,750**
	Liabilities and equity			
	Amounts due			
	Due to credit institutions and central banks	266,174	252,924	268,026
	Deposits and other amounts due	993,539	992,544	850,281
	Deposits under pooled schemes	54,172	55,016	54,220
	Issued bonds at fair value	66,478	-	-
	Issued bonds at amortised cost	266,229	361,568	387,906
	Current tax liabilities	644	878	598
	Other liabilities	473,436	429,041	477,982
	Deferred income	774	858	965
	Total amounts due	**2,121,446**	**2,092,828**	**2,039,978**
	Provisions for liabilities			
	Provisions and pensions and similar obligations	150	201	216
	Provisions for deferred tax	5,837	5,845	5,874
2	Provisions for losses on guarantees	2,169	915	1,153
	Other provisions for liabilities	46	26	40
	Total provisions for liabilities	**8,201**	**6,986**	**7,282**
	Subordinated debt			
	Subordinated debt	30,029	25,319	26,345
	Equity			
	Share capital	8,960	9,368	9,368
	Accumulated value adjustments	-761	-677	-647
	Equity method reserve	24,115	24,115	25,455
	Retained earnings	114,472	111,978	114,636
	Proposed dividends	-	9,368	-
	Shareholders of Danske Bank A/S (the Parent Company)	146,785	154,152	148,812
	Additional tier 1 etc.	14,340	14,339	14,334
	Total equity	**161,125**	**168,491**	**163,145**
	Total liabilities and equity	**2,320,801**	**2,293,624**	**2,236,750**

Statement of capital – Danske Bank A/S

Change in equity

(DKK millions)	Share capital	Foreign currency translation reserve *	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 31 December 2017	9,368	-677	24,115	111,978	9,368	154,152	14,339	168,491
Effect from changed accounting policy (IFRS 9)		-	-274	-1,381		-1,655		-1,655
Total equity at 1 January 2018	9,368	-677	23,841	110,597	9,368	152,498	14,339	166,836
Net profit for the period	-	-	274	8,120	-	8,394	390	8,785
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	-41	-	-41	-	-41
Tax on remeasurement of defined benefit plans	-	-	-	2		2	-	2
Translation of units outside Denmark	-	-361	-	-	-	-361	-	-361
Hedging of units outside Denmark	-	277	-	-	-	277	-	277
Unrealised value adjustments of bonds at fair value (OCI)	-	-	-	21	-	21	-	21
Realised value adjustments of bonds at fair value (OCI)	-	-	-	-14	-	-14	-	-14
Tax	-	-	-	-111	-	-111	-	-111
Total other comprehensive income	**-**	**-84**	**-**	**-144**	**-**	**-227**	**-**	**-227**
Total comprehensive income for the period	**-**	**-84**	**274**	**7,977**	**-**	**8,167**	**390**	**8,557**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-392	-392
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Share capital reduction	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-25,852	-	-25,852	3	-25,849
Sale of own shares and additional tier 1 capital	-	-	-	20,667	-	20,667	-	20,667
Tax and other changes	-	-	-	157	-	157	-	157
Total equity at 30 June 2018	**8,960**	**-761**	**24,115**	**114,472**	**-**	**146,785**	**14,340**	**161,125**

* The revaluation reserve (31 December 2017: DKK 2 million) has been included in the foreign currency translation reserve. No changes occurred in the revaluation reserve during the first half of 2018.

Statement of capital – Danske Bank A/S

Change in equity	Share capital	Foreign currency translation reserve *	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 1 January 2017	9,837	-629	28,013	106,469	8,853	152,543	14,343	166,885
Net profit for the period	-	-	-2,558	12,519	-	9,961	391	10,353
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	-168	-	-168	-	-168
Translation of units outside Denmark	-	-291	-	-	-	-291	-	-291
Hedging of units outside Denmark	-	273	-	-	-	273	-	273
Tax	-	-	-	-40	-	-40	-	-40
Total other comprehensive income	**-**	**-18**	**-**	**-208**	**-**	**-226**	**-**	**-226**
Total comprehensive income for the period	**-**	**-18**	**-2,558**	**12,311**	**-**	**9,736**	**391**	**10,127**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-393	-393
Dividends paid	-	-	-	521	-8,853	-8,332	-	-8,332
Share capital reduction	-469	-	-	469	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-29,633	-	-29,633	-113	-29,746
Sale of own shares and additional tier 1 capital	-	-	-	24,427	-	24,427	106	24,533
Tax	-	-	-	71	-	71	-	71
Total equity at 30 June 2017	**9,368**	**-647**	**25,455**	**114,636**	**-**	**148,812**	**14,334**	**163,145**

* The revaluation reserve (30 June 2017: DKK 2 million) has been included in the foreign currency translation reserve. No changes have occurred in the revaluation reserve since the first half of 2017.

Notes – Danske Bank A/S

1. Value adjustments

(DKK millions)	30 June 2018	30 June 2017
Loans at fair value	-510	-246
Bonds	-292	1,218
Shares etc.	-231	848
Currency	1,396	19
Derivatives	686	-611
Assets under pooled schemes	55	-81
Other liabilities	769	1,930
Total	**1,872**	**3,077**

2. Impairment charges for loans and guarantees

	Due to credit institutions and central banks			Loans and other amounts due at AMC			Loan commitments and guarantees			Total
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Collective and individual impairment charges under IAS 39										16,398
Transition effect (ECL at 1 January 2018)	6	1	2	288	3,730	11,754	606	976	957	18,320
Transferred to Stage 1	-	-	-	479	-455	-24	86	-84	-2	-
Transferred to Stage 2	-	-	-	-13	208	-194	-4	29	-25	-
Transferred to Stage 3	-	-	-	-3	-109	112	-18	-69	87	-
ECL on new assets	10	1	-	139	419	915	32	118	101	1,736
ECL on assets derecognised	-2	-1	-	-143	-505	-1,057	-66	-149	-243	-2,165
Impact of net remeasurement of ECL (incl. changes in models)	-2	-	-	-376	338	207	-119	135	-165	18
Write offs debited to the allowance account	-	-	-	-	-	-624	-	-	-	-624
Foreing exchange adjustments	-	-	-	-8	2	-36	-	6	6	-30
Other changes	-	-	-	-	-	-87	-	-	-	-87
ECL allowance 30 June	12	1	2	363	3,628	10,966	518	961	716	17,168

(DKK millions)	Loans, advances and guarantees, individual impairment	Loans, advances and guarantees, collective impairment	Other amounts due, individual impairment	Other amounts due, collective impairment	Total
Impairment charges at 1 January 2017	15,362	4,163	7	8	19,540
Impairment charges during the year	3,695	121	-	-	3,816
Reversals of impairment charges from previous years	3,284	1,336	24	3	4,646
Addition from merger	1,116	108	12	5	1,241
Other changes	-3,673	115	10	-5	-3,553
Impairment charges at 31 December 2017	**13,216**	**3,171**	**5**	**6**	**16,398**
Value adjustment of assets taken over	**-**	**-**	**-**	**-**	**-**

Notes – Danske Bank A/S

Nøgletal - Danske Bank A/S Ratios and key figures	First half 2018	Full Year 2017	First half 2017
Total capital ratio (%)	25.2	25.9	26.9
Tier 1 capital ratio (%)	22.3	23.0	23.7
Return on equity before tax (%)	6.2	14.2	7.4
Return on equity after tax (%)	5.3	12.4	6.3
Income/cost ratio (%)	209.4	242.9	245
Interest rate risk (%)	3.4	3.2	4.4
Foreign exchange position (%)	4.2	0.5	4.0
Foreign exchange risk (%)	0.0	0.0	-
Loans plus impairment charges as % of deposits	81.1	97.1	105.7
Gearing of loans	5.2	5.9	5.8
Growth in loans (%)*	12.3	-2.6	0.8
Liquidity indicator (%) **	124.3	213.4	224.3
Sum of large exposures as % of CET1 capital **	109.3	12.5	11.7
Funding ratio	0.6	0.6	0.6
Real property exposure	17.2	14	12
Impairment ratio (%)	-0.1	-0.1	0.0
Return on assets (%)	0.4	0.9	0.5
Earnings per share (DKK)	10.0	21.7	10.8
Book value per share (DKK)	182.6	188.0	178.1
Proposed dividend per share (DKK)	-	10.0	-
Share price end of period/earnings per share (DKK)	20.1	11.1	23.2
Share price end of period/book value per share (DKK)	1.09	1.30	1.41

*As of 31 December 2017, Danske Bank plc in Helsinki has been merged with Danske Bank A/S contributing to the increase in Growth in loans.

** In 2018, changes have been made to the limit values and calculation method according to the guidelines for the Supervisory Diamond. No comparative figures are restated.

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim report – first half 2018 of Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 30 June 2018 and of the results of the Group's operations and the consolidated cash flows for the period starting 1 January 2018 and ending 30 June 2018. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 18 July 2018

Executive Board

Thomas F. Borgen
CEO

Jacob Aarup-Andersen

James Ditmore

Carsten Rasch Egeriis

Henriette Fenger Ellekrog

Jakob Groot

Jesper Nielsen

Glenn Söderholm

Frederik Gjessing Vinten

Board of Directors

Ole Andersen
Chairman

Carol Sergeant
Vice Chairman

Ingrid Bonde

Lars-Erik Brenøe

Jørn P. Jensen

Jens Due Olsen

Rolv Erik Ryssdal

Hilde Tonne

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Thorbjørn Lundholm Dahl
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Independent auditors' review 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 2018, pp. 31-82 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and 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 Engagements to Review 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, 18 July 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 95 35 56

Erik Holst Jørgensen	Jens Ringbæk
State-Authorised	State-Authorised
Public Accountant	Public Accountant
Identification No	Identification No
(MNE) mne9943	(MNE) mne27735

Supplementary information

Financial calendar

1 November 2018	Interim report – first nine months 2018
1 February 2019	Annual Report 2018
18 March 2019	Annual general meeting
30 April 2019	Interim report – first quarter 2019
18 July 2019	Interim report – first half 2019
1 November 2019	Interim report – first nine months 2019

Contacts

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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.