Interim report – first half 2021

Danske Bank Group

Danske Bank

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Financial highlights – Danske Bank Group

Income statement (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Net interest income	10,965	11,127	99	5,515	5,450	101	5,567	99	22,151
Net fee income*	6,595	5,956	111	3,193	3,402	94	2,715	118	12,217
Net trading income*	2,291	1,897	121	1,025	1,266	81	1,755	58	4,297
Net income from insurance business*	982	897	109	491	491	100	799	61	1,669
Other income	457	309	148	262	195	134	123	213	594
Total income	21,291	20,185	105	10,486	10,805	97	10,959	96	40,928
Operating expenses	12,770	13,022	98	6,497	6,273	104	6,638	98	26,648
Impairment charges, other intangible assets	-	-	-	-	-	-	-	-	379
Profit before loan impairment charges	8,521	7,163	119	3,989	4,531	88	4,321	92	13,901
Loan impairment charges	737	5,269	14	240	497	48	1,018	24	7,001
Profit before tax, core	7,783	1,894	-	3,750	4,034	93	3,304	113	6,900
Profit before tax, Non-core	17	-446	-	-3	20	-	-192	2	-596
Profit before tax	7,801	1,449	-	3,747	4,054	92	3,112	120	6,304
Tax	1,869	413	-	955	914	104	787	121	1,715
Net profit	**5,932**	**1,036**	**-**	**2,792**	**3,139**	**89**	**2,325**	**120**	**4,589**
Attributable to additional tier 1 etc.	231	316	73	117	115	102	121	97	551

Balance sheet (end of period) (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Due from credit institutions and central banks	335,557	257,975	130	335,557	336,606	100	257,975	130	345,938
Repo loans	236,761	336,669	70	236,761	276,908	86	336,669	70	257,883
Loans	1,809,805	1,822,545	99	1,809,805	1,827,873	99	1,822,545	99	1,838,126
Trading portfolio assets	612,527	655,578	93	612,527	652,541	94	655,578	93	682,945
Investment securities	304,812	298,758	102	304,812	302,638	101	298,758	102	296,769
Assets under insurance contracts*	532,154	554,604	96	532,154	532,470	100	554,604	96	545,708
Total assets in Non-core	1,783	4,815	37	1,783	1,913	93	4,815	37	2,797
Other assets*	141,634	130,659	108	141,634	141,952	100	130,659	108	139,064
Total assets	**3,975,032**	**4,061,603**	**98**	**3,975,032**	**4,072,903**	**98**	**4,061,603**	**98**	**4,109,231**
Due to credit institutions and central banks	111,438	94,876	117	111,438	111,284	100	94,876	117	125,267
Repo deposits	267,557	297,949	90	267,557	250,403	107	297,949	90	223,973
Deposits	1,197,910	1,092,735	110	1,197,910	1,229,654	97	1,092,735	110	1,193,173
Bonds issued by Realkredit Danmark	760,452	749,168	102	760,452	771,138	99	749,168	102	775,844
Other issued bonds	338,123	373,196	91	338,123	358,195	94	373,196	91	360,127
Trading portfolio liabilities	373,364	541,912	69	373,364	419,881	89	541,912	69	499,331
Liabilities under insurance contracts*	573,849	591,689	97	573,849	574,696	100	591,689	97	591,930
Total liabilities in Non-core	2,504	2,712	92	2,504	2,538	99	2,712	92	2,975
Other liabilities*	137,838	121,076	114	137,838	146,355	94	121,076	114	135,596
Subordinated debt	38,836	31,790	122	38,836	38,253	102	31,790	122	32,337
Additional tier 1	8,548	8,573	100	8,548	8,615	99	8,573	100	8,508
Shareholders' equity	164,613	155,927	106	164,613	161,890	102	155,927	106	160,171
Total liabilities and equity	**3,975,032**	**4,061,603**	**98**	**3,975,032**	**4,072,903**	**98**	**4,061,603**	**98**	**4,109,231**

Ratios and key figures	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Dividend per share (DKK)	-	-		-	-		-		2.0
Earnings per share (DKK)	6.7	0.8		3.1	3.5		2.6		4.7
Return on avg. shareholders' equity (% p.a.)	7.0	0.9		6.6	7.5		5.7		2.6
Net interest income as % p.a. of loans and deposits	0.72	0.79		0.73	0.72		0.77		0.76
Cost/income ratio (C/I), (%)	60.0	64.5		62.0	58.1		60.6		66.0
C/I, excluding impairment on intangible assets (%)*	60.0	64.5		62.0	58.1		60.6		65.1
Total capital ratio (%)	23.3	22.1		23.3	23.4		22.1		23.0
Common equity tier 1 capital ratio (%)	18.0	17.6		18.0	18.1		17.6		18.3
Share price (end of period) (DKK)	110.4	88.3		110.4	118.7		88.3		100.7
Book value per share (DKK)	193.0	182.9		193.0	189.7	-	182.9	-	187.6
Full-time-equivalent staff (end of period)	21,926	22,191	99	21,926	21,978	100	22,191	99	22,376

**The financial highlights have been restated as explained in note G2(b).*

The financial highlights represent alternative performance measures that are non-IFRS measures. Note G3 provides an explanation of differences in the presentation between IFRS and the financial highlights. For a description of the alternative performance measures used and definition of ratios, see Definition of Alternative Performance Measures on page 23.

Executive summary

In the first half of 2021, we saw a gradual reopening of the Nordic societies as the vaccines were being rolled out. As a result of this, we saw a recovery in the economies, with labour markets improving faster than in previous crises, and consumer spending also approached or even exceeded normal levels. The continuing rebound of economic activity in Denmark as well as in the other Nordic countries is likely to have a positive effect on customer activity and credit demand for the rest of the year, allowing for a favourable operating environment. While there are grounds for optimism regarding the ongoing economic recovery, it is too early to conclude on the macroeconomic implications of the coronavirus pandemic. In particular, it remains to be seen how both the rolling off of government support packages and tapering from the central banks, and the timing of these, might affect businesses in the most impacted sectors and the overall economies.

As a result of economic developments, we saw a more normalised level of impairments than was the case in the first half of 2020. This, combined with higher income and lower expenses, led to Danske Bank posting a net profit of DKK 5.9 billion for the first half of 2021, against DKK 1.0 billion for the same period in 2020.

The return on shareholders' equity was 7.0%, against 0.9% in the first half of 2020. The result is a clear improvement, however, we still need to work determinedly in order to fulfil our financial ambitions.

Better Bank

We have a strong foundation for becoming a better bank for all of our stakeholders and are seeing good momentum with compliance and costs, for instance, but we are also making good progress on further execution on all planned commercial initiatives across our markets.

Part of our work to become a better bank entails a strong focus on simplifying our business and refocusing our efforts on the Nordic markets, where we continue to aim to dedicate more attention and resources to our core segments. As part of these efforts, on 1 July 2021, we announced the sale of our business activities in Luxembourg, which will simplify our footprint and allow us to focus more on serving and developing solutions for the Nordic markets. Moreover, to further strengthen product development and innovation and thereby provide a market-leading customer experience within payment solutions, on 30 June 2021, Dansk Bank announced the merger of MobilePay with mobile payment providers Vipps in Norway and Pivo in Finland.

In our efforts to take our compliance function to the next level, we are making good progress with our Financial Crime Prevention plan and have upgraded our compliance-related IT systems and processes significantly. We recently confirmed to the Danish FSA that we have achieved the milestone of updating our Know Your Customer information for a significant part of our personal, business, large corporate and institutional customer base. We remain focused on completing still outstanding due diligence work for selected subsidiaries. This work is scheduled to be completed between end-2021 and 2023. As part of these compliance IT efforts, Danske Bank successfully developed and deployed a first solution that will allow customers to submit their personal information through a digital channel. Another key achievement was the successful embedding of an automated review capability. Alongside the manual review capabilities that we maintain, this automated solution supports us in assessing customer information and customers' use of our products and services.

On the sustainability journey, we continued to take a leading role within sustainable finance, supported by our customers' strong positioning in the sustainability transition. Strong customer demand led to a new, ambitious 2023 target of providing DKK 300 billion in sustainable finance. During the first half of the year, we supported issuers and investors in a substantial number of transactions, affirming our position as a leading Nordic bank within sustainable finance. Activity was high across business areas, and we are proud to be ranked number one among the Nordic banks within both issuance of sustainability-linked loans and sustainable bonds. In the first half of 2021, we were dedicated to this focus and will remain so. As a part of this, the Danske Bank structuring and arranging of the successful Swedish International Development Agency guaranteed social bond issue is a good example of how banks can contribute to developing the sustainable bond market, as this is the first example in the world of a guarantee being provided to a business issuing social bonds sold to private investors. For Personal & Business Customers, we launched a number of initiatives to promote the sustainable development for the benefit of our customers, including an attractive car loan offer in Denmark for both electric cars and plug-in hybrid cars.

We made good progress with our customer journeys by digitalising processes and ensuring better adoption of already launched digital solutions. For example, in Sweden, 95% of mortgage applications now run through a digital flow, and in Denmark, our recent improvements to our 'Click-to-remortgage' process for personal customers allow for more efficient processes and additional calculation options. In addition, we recently launched a new digital car loan process in Norway, for which we have seen solid results in terms of generating more volume, thus underlining the positive effect of digitalising our customer journeys. These results are important elements in supporting our digital transformation, and we will continue to build on them in our planned further digitalisation initiatives to ensure we capture the full potential.

Customer satisfaction

Our efforts to strengthen customer journeys and offerings at Large Corporates & Institutions continued to support high customer satisfaction in this segment. In Denmark, we are seeing a stable trend, ranking as number one, and we are also ranked number one in the Nordic countries overall. Customer satisfaction in the SME segment also remained strong, as among small businesses, we rank number two in all countries, and saw an increase in satisfaction scores in almost all countries, except in Sweden where levels were stable from the end of 2020. Among medium-sized businesses, we rank number two in Norway and Sweden. The overall development in the personal customer segment continues to have our attention, as we see a slightly decreasing trend.

Financials

In the first half of 2021, total income was up 5% from the same period last year. This was driven mainly by a strong performance of our capital markets offerings, as customer activity increased and we continued to support customers with their capital needs, combined with a rebound in trading income as a result of solid customer activity.

Lending was down in the first half of 2021 from the level at the end of 2020. The decrease was due primarily to a decline in lending at Large Corporates & Institutions as customers are drawing less on credit facilities. At Personal & Business Customers Nordic, we saw an increase in lending, particularly at Personal Customers Norway.

Deposit volumes maintained an elevated level both at Personal & Business Customers and at Large Corporates & Institutions. At Large Corporate & Institutions, deposit volumes increased significantly.

In the first half of 2021, net interest income benefited from the deposit repricing at the beginning of 2021, however, the positive effect was more than offset by the elevated deposit surplus and margin pressure across the Nordic countries.

Net fee income increased in the first half of 2021 from the level in same period last year due to higher customer activity, especially within our capital markets activities, where we continued to support and assist our customers, including with their sustainability transition. This means that our capital markets offerings are delivering, and large corporate customers in particular have raised funding from capital markets instead of bank lending, which is sustaining the strong level of fee income. We are proud to have been chosen for a large number of landmark transactions – ensuring Danske Bank a number one position as the leading Nordic bank in terms of supported volumes in the first half of 2021 across both debt and equity capital markets. Furthermore, Asset Management realised positive net sales in the retail segment for the third consecutive quarter.

Net trading income performed better than in the same period last year due to improving market conditions for Large Corporates & Institutions.

In our insurance business, we saw a significant growth in premiums as well as an inflow of new large customers, which shows that we have a strong position in the market. Furthermore, more normalised market conditions have given customers good returns and strengthened the result, despite a tax-related one-off item in the period.

We saw lower expenses in the first half of 2021 than in the same period last year, driven by lower transformation costs. Costs continue the downward trend driven by cost initiatives launched during the past year, and the level of underlying expenses is improving, despite primarily tax-related one-off items in the period.

Credit quality remained strong, as we saw a low level of actual credit deterioration and have made sufficient impairment charges against key exposures impacted by the coronavirus pandemic. We continue to see more normalised impairment levels than in the first half of 2020, and on a quarterly basis, impairments were further down due to model-driven reversals as a result of better-than-expected macroeconomic developments.

Capital, funding and regulation

Our capital position remained strong with a total capital ratio of 23.3% and a CET1 capital ratio of 18.0%.

On 22 June 2021, the Danish Systemic Risk Council recommended an increase in the counter-cyclical buffer in Denmark from the current 0% to 1% effective from 30 September 2022 as per the normal one-year transition period. The Danish Ministry of Industry, Business and Financial Affairs has announced that the recommendation will be followed.

In the first half of 2021, the Group issued covered bonds in the amount of DKK 18.1 billion, senior debt of DKK 2 billion, non-preferred (green) senior debt of DKK 3.7 billion, tier 2 capital of DKK 5.6 billion and additional tier 1 capital of DKK 4.5 billion, bringing total long-term wholesale funding to DKK 33.9 billion.

Credit ratings

On 11 June 2021, Fitch Ratings revised their outlook on Danske Bank A/S's long-term issuer rating to Stable from Negative. On 13 July 2021, Moody's upgraded Danske Bank's non-preferred senior debt rating to Baa2 from Baa3 and revised the outlook on Danske Bank's A2 deposit rating to Stable from Negative.

Outlook for 2021

The outlook has been updated. As stated in company announcement no. 7 of 8 July 2021, we now expect a net profit of more than DKK 12 billion. The upward revision is based on lower-than-expected loan impairment charges due to a faster-than-anticipated macroeconomic recovery as well as higher customer activity. In addition, we expect a gain from the sale of the business activities in Luxembourg that will, however, be offset by a number of provisions for additional tax-related one-off items in the second half of the year.

We expect total income in 2021 to be higher, including the gain from the sale of the business activities in Luxembourg and higher customer activity.

Underlying operating expenses are expected to be lower than DKK 24.5 billion. Total expenses are expected to be no more than DKK 25 billion, including additional tax-related one-off items in the second half of the year of around DKK 0.2 billion.

Impairment charges are now expected to be no more than DKK 1.5 billion, due primarily to lower model-driven impairment charges as a result of a better-than-expected macroeconomic recovery and overall improved credit quality.

We maintain our ambition for a return on shareholders' equity of 9-10% in 2023.

The outlook is subject to uncertainty and depends on economic conditions, including government support packages.

Financial review

First half 2021 vs first half 2020

Net profit increased to DKK 5,932 million (H1 2020: DKK 1,036 million) due to significantly lower loan impairment charges and a 5% increase in income driven by higher net fee income and net trading income.

Income

Net interest income stood at DKK 10,965 million (H1 2020: DKK 11,127 million). Net interest income was positively impacted by the deposit repricing initiatives at Personal & Business Customers Denmark that were implemented at the beginning of 2021. The positive effect was, however, more than offset by an elevated deposit surplus and overall margin pressure across the Nordic countries as well as a lower funding value of deposits across all markets.

Net fee income rose 11% to DKK 6,595 million (H1 2020: DKK 5,956 million), driven by high customer activity in the capital markets, as particularly our large corporate customers raised funding from capital markets instead of via bank lending, which is sustaining the strong level of fee income. Assets under management increased from the level in the first half of 2020, which also had a positive impact on net fee income.

Net trading income increased to DKK 2,291 million (H1 2020: DKK 1,897 million). The increase was due to improved market conditions for Large Corporates & Institutions and positive value adjustments of the derivatives portfolio. A gain of DKK 227 million on the sale of VISA shares in the Group's private equity portfolio also contributed to the increase in net trading income.

Net income from insurance business amounted to DKK 982 million (H1 2020: DKK 897 million). The increase was due to positive market conditions, which also benefited our customers. The increase in income also reflects significant growth in premiums as well as an inflow of new large customers, which shows that we have a strong position in the market. Additionally, the underlying business within health and accident insurance is improving, however, some of this effect was offset by a provision of DKK 200 million related to pension yield tax.

Other income amounted to DKK 457 million (H1 2020: DKK 309 million) due to our real estate agency *home* seeing high activity on the housing market.

Expenses

Operating expenses decreased to DKK 12,770 million (H1 2020: DKK 13,022 million) and thus continued the downward trend into the first half of 2021. The decrease mainly reflects lower costs for transformation and consultancy but also our constant focus on lowering the cost base. Provisions totalling DKK 500 million related to the VAT case in Sweden, following a ruling by the European Court of Justice, and a one-off investment of DKK 122 million to ensure good working-from-home conditions had a partly offsetting effect.

Loan impairments

Loan impairment charges in core activities were low in the first half of 2021 and amounted to DKK 737 million (H1 2020: DKK 5,269 million).

Impairments mainly reflected a credit deterioration of individual customer exposures of DKK 450 million, relating primarily to segments hit by the lockdown of societies in most of 2021. The full effect of the corona crisis is, however, still uncertain and depends on the phase-out of government support packages, the finalisation of the roll-out of vaccinations and the risk of virus variants causing further lockdowns. Impairments were still at a significantly lower level than in the first half of 2020.

At 30 June 2021, Danske Bank had ensured compliance with the Danish FSA orders regarding impairments received on 13 April 2021 in light of the corona crisis. Danske Bank now complies with all Danish FSA orders regarding impairments.

In May 2021, the Danish FSA conducted an inspection of the impairment charges made by Danske Bank's branch in Sweden against loans to its business customers. The FSA assessed that our guidelines for staging of loans were generally satisfactory. Furthermore, the FSA assessed that the impairment charges made against the loans with objective evidence of credit impairment that were reviewed by the FSA, including the management overlays, were adequate.

Personal & Business Customers accounted for the main part of the loan impairment charges made in the first half of 2021, which were made against individual customer exposures as a result of the corona crisis, for instance in the hotel, restaurants and leisure segments. We continue to see more normalised impairment levels than in the first half of 2020, and on a quarterly basis, impairments were further down due to model-driven reversals as a result of better-than-expected macroeconomic developments.

At Large Corporates & Institutions, loan impairment charges fell significantly in the first half of 2021 from the level in the first half of 2020 owing to a decline in charges against exposures to customers in the oil and gas industry. Charges against exposures to customers outside the oil and gas industry were limited.

Loan impairment charges

	First half 2021		First half 2020	
(DKK millions)	Charges	% of net credit exposure[1]	Charges	% of net credit exposure[1]
Personal & Business Customers	550	0.07	1,470	0.19
Large Corporates & Institutions	252	0.16	3,517	2.57
Northern Ireland	-65	-0.25	252	0.93
Group Functions	-	-	30	1.07
Total core	**737**	**0.08**	**5,269**	**0.56**

[1] *Defined as net credit exposure from lending activities in core segments, excluding exposures related to credit institutions and central banks and loan commitments.*

Second quarter 2021 vs first quarter 2021

Net profit decreased to DKK 2,792 million (Q1 2021: DKK 3,139 million), due mainly to lower income and higher operating expenses in the second quarter.

Net interest income increased DKK 65 million to DKK 5,515 million from the level in the first quarter. An improved interest rate environment and an increase in the number of interest days was partly offset by margin pressure in the personal customer segment.

Net fee income decreased to DKK 3,193 million (Q1 2021: DKK 3,402 million). The decline was due mainly to seasonality in the refinancing activity at Realkredit Danmark, against high activity in the first quarter.

Net trading income decreased to DKK 1,025 million from DKK 1,266 million in the first quarter. The first quarter benefited from seasonal increases in income at Markets and higher net trading income in Equities. Further, a gain of DKK 227 million from the sale of VISA shares was recognised in the first quarter.

Net income from insurance business amounted to DKK 491 million (Q1 2021: DKK 491 million). However, the second quarter saw lower income from the life insurance business, while income from the health and accident business remained stable when taking the provision for pension yield tax of DKK 200 million that was recognised in the first quarter of 2021 into account.

Other income amounted to DKK 262 million (Q1 2021: DKK 195 million).

Operating expenses amounted to DKK 6,497 million, an increase of 4% from the level in the first quarter. The increase was due mainly to a provision of DKK 350 million related to the VAT case in Sweden following a ruling by the European Court of Justice, higher staff costs and higher consultancy costs due to our Better Ways of Working transformation project. In the first quarter, we recognised a provision of DKK 122 million to ensure good working-from-home conditions and DKK 150 million related to the VAT case in Sweden.

Loan impairment charges were further down due to model-driven reversals as a result of better-than-expected macroeconomic developments. Loan impairments amounted to DKK 240 million (Q1 2021: DKK 497 million). Impairments relating to individual customer exposures subject to credit deterioration amounted to DKK 50 million. Personal & Business Customers accounted for DKK 116 million (Q1 2021: DKK 435 million), with the decrease being due to overall improvements in credit quality. Large Corporates & Institutions customers accounted for DKK 183 million (Q1 2021: DKK 69 million), an increase from the first quarter that was due to model changes and individual customer exposures, but impairments were still at a significantly lower level than in the second quarter of 2020.

Lending and deposits

Lending amounted to DKK 1,810 billion, a decrease of 2% from the level at the end of 2020. The decrease was due primarily to a decline in lending at Large Corporates & Institutions. A substantial amount of credit facilities was comitted last year in order to support customers in managing the impact of the corona crisis. As the economic outlook has improved, customers are drawing less on these facilities. At Personal & Business Customers, an increase in lending at Personal Customers Nordic was offset by a decrease in lending at Personal Customers Denmark, as customers repaid bank loans faster and switched to mortgage loans.

Deposits amounted to DKK 1,198 billion, on par with the level at the end of 2020. Deposits continued to be affected by low consumer spending, direct government support to customers and business customers having secured backup liquidity.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 41.9 billion. Lending to personal customers accounted for DKK 28.7 billion of this amount.

Our market share of lending (at end-May 2021) decreased in Denmark, Finland and Sweden, while it was stable in Norway. In Denmark, our market share of lending, excluding repo loans, decreased to 25.0% at the end of May 2021 (end-2020: 25.6%).

The momentum in our personal banking activities is not at the desired level, but we are confident that we have the ability to implement initiatives that will enable us to work more efficiently and simply, thereby improving our market position.

In Denmark, our market share of deposits increased to 30.7% at the end of May 2021 (end-2020: 30.2%), due primarily to a higher market share in the personal customers segment. Our market share of deposits was lower in Finland, Sweden and Norway than at the end of 2020.

Credit exposure and credit quality

Credit exposure from lending activities in core segments decreased to DKK 2,691 billion (end-2020: DKK 2,728 billion), as lower bank and mortgage lending to primarily business customers was more than offset by higher exposure to personal customers.

Credit quality remained solid in the first half of 2021, supported by a slightly positive rating trend. However, we remain vigilant for any possible deterioration as the uncertainty associated with the corona crisis remains high. Large Corporates & Institutions has actively reduced its net oil-related exposure (excluding oil majors) by 50% since the end of 2019.

Total net non-performing loans (NPL) saw a decrease from the level at the end of 2020, driven mainly by a lower level of NPL in the transportation, agriculture and capital goods industries, offsetting higher NPL in the Personal Customers segment that was driven by the introduction of a new Loss Given Default (LGD) model.

The NPL coverage ratio increased to 86.6% from 75.2% at the end of 2020 due to higher collateral in respect of NPLs.

The risk management notes on pp. 50-62 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 June 2021	31 Dec. 2020
Gross NPL	31,258	31,776
NPL allowance account	12,707	12,934
Net NPL	**18,550**	**18,842**
Collateral (after haircut)	**16,593**	**14,567**
NPL coverage ratio (%)	86.6	75.2
NPL coverage ratio of which is in default (%)	99.8	100.0
NPL as a percentage of total gross exposure (%)	1.2	1.2

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

Allowance account by business units (DKK millions)	30 June 2021 Accum. impairm. charges	30 June 2021 % of net credit exposure[1]	31 Dec. 2020 Accum. impairm. charges	31 Dec. 2020 % of net credit exposure[1]
Personal & Business Customers	16,041	1.02	15,773	1.01
Large Corporates & Institutions	5,504	1.94	5,777	1.84
Northern Ireland	965	1.63	990	1.87
Group Functions	15	0.32	15	0.31
Total	**22,526**	**1.18**	**22,554**	**1.17**

[1] *Relating to lending activities in core segments.*

Capital ratios and requirements

At the end of June 2021, the total capital ratio was 23.3%, and the CET1 capital ratio was 18.0%, against 23.0% and 18.3%, respectively, at the end of 2020. The movement in the capital ratios during the first half of 2021 was driven mainly by an increase in the total REA, which was partly countered by the realised net profit and a decline in the capital deduction for Danica Pension. The total capital ratio was further affected by the issuing of an additional tier 1 capital instrument in May 2021 combined with net issues of tier 2 capital, resulting in a 0.3 percentage points increase in the total capital ratio.

During the first half of 2021, the total REA increased approximately DKK 32 billion, due mainly to increased REA for credit and market risk. The rise in credit risk REA was related to further implemention of EBA guidelines, while high volatility in the financial markets led to an increase in market risk.

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 ratio. The solvency need ratio consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

At the end of June 2021, the Group's solvency need ratio was 12.4%, a slight decrease of 0.2 percentage points from the level at the end of 2020.

The solvency need still includes the DKK 10 billion required under the orders issued by the Danish FSA in 2018 as a consequence of the Estonia case. The amount is covered by common equity tier 1 (CET1) capital, as ordered by the Danish FSA.

A combined buffer requirement (CBR) applies in addition to the solvency need ratio. At the end of June 2021, the Group's combined capital buffer requirement was 5.6%.

Capital ratios and requirements

(% of the total REA)	30 June 2021	Fully phased-in*
Capital ratios		
CET 1 capital ratio	18.0	17.8
Total capital ratio	23.3	23.0
Capital requirements (incl. buffers)**		
CET 1 requirement	13.1	13.7
- portion from countercyclical buffer	0.1	0.7
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Solvency need ratio	12.4	12.4
Total capital requirement	**18.0**	**18.6**
Excess capital		
CET 1 capital	4.9	4.1
Total capital	5.3	4.5

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

*** The total capital requirement consists of the solvency need ratio and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of June 2021.*

In June 2021, the Danish Minister for Industry, Business and Financial affairs reactivated the countercyclical buffer at 1.0% from 30 September 2022, while the Norwegian Ministry of Finance raised their national buffer requirement to 1.5%, effective from 30 June 2022. This will increase the Group's CBR by 0.6 percentage points. Consequently, the fully phased-in countercyclical buffer requirement will be 0.7%, bringing the fully phased-in CET1 requirement to 13.7%.

The calculation of the solvency need ratio and the combined capital buffer requirement is described in more detail in section 5 of Risk Management 2020, which is available at danskebank.com/ir.

Minimum requirement for own funds and eligible liabilities

The Group received an updated decision from the Danish FSA on the minimum requirement for own funds and eligible liabilities (MREL) on 28 December 2020 based on Q2 2020 data. The requirement is set at two times the solvency need and one time the SIFI buffer and capital conservation buffer. Further, the CBR must now be met in addition to the MREL. At the end of June 2021, the requirement was equivalent to DKK 212 billion and DKK 251 billion with the CBR considered in addition to the MREL, corresponding to 30.5% and 36.1% of the REA adjusted for Realkredit Danmark, respectively. Taking the deduction of capital and debt buffer requirements in Realkredit Danmark into account, MREL eligible liabilities amounted to DKK 275 billion.

The transition to the full MREL has been relatively shorter for the Group than for its peers. In combination with a relatively high Danish MREL, the Group has issued a significant amount of non-preferred senior debt over the past couple of years.

The Danish FSA has currently set the subordination requirement as the higher of 8% of total liabilities and own funds (TLOF) and two times the solvency need and one time the CBR.

At the end of June 2021, the subordination requirement was equivalent to DKK 213 billion. Subordinated MREL-eligible liabilities stood at DKK 244 billion.

Leverage ratio

A minimum leverage ratio requirement of 3% was implemented in the second quarter of 2021 with the adoption of Capital Requirements Regulation II (CRR II). At the end of June 2021, the Group's leverage ratio was 4.7% under the transitional rules and 4.6% under the fully-phased in rules.

Capital targets and capital distribution

The CET1 capital ratio target was kept at above 16% in the short term to ensure a sufficiently prudent buffer in relation to the capital requirement. The total capital target was kept at above 20%. Danske Bank fully meets these capital targets.

The Board of Directors will continue to adapt capital targets to regulatory developments in order to ensure a strong capital position.

Danske Bank's general dividend policy remains unchanged, and it is still our ambition to pay out 40-60% of net profit for the year.

Danske Bank has strong capital and liquidity positions, and the Board of Directors monitors the situation closely and remains committed to returning excess capital to shareholders when the economic impact of the corona crisis is clear.

Funding and liquidity

The markets expect a return to more normal economic conditions following the coronavirus pandemic as vaccinations continue to be rolled out. We utilised the market stability to make our first additional tier 1 capital issue since the second quarter of 2018.

During the first half of 2021, the Group issued covered bonds of DKK 18.1 billion, senior debt of DKK 2 billion, non-preferred (green) senior debt of DKK 3.7 billion, tier 2 capital of DKK 5.6 billion and additional tier 1 capital of DKK 4.5 billion, bringing total long-term wholesale funding to DKK 33.9 billion.

Our strategy of securing more funding directly in our main lending currencies, including NOK and SEK, remains in place, but we will also utilise central bank facilities to obtain funding in the most cost-efficient manner.

We plan for regular issues in the EUR benchmark format in covered bonds, senior and non-preferred senior bonds as well as issues in the domestic USD market for senior and non-preferred senior bonds in the Rule 144A format. The benchmark issues are expected to be supplemented by private placements of bonds.

From time to time, we will issue in GBP, JPY, CHF and other currencies when market conditions allow. Issuance plans for subordinated debt in either the additional tier 1 or tier 2 formats will depend on balance-sheet growth and redemptions on the one side and our capital targets on the other. Any issuance of subordinated debt may cover part of our funding need. Note G6 provides more information about the issuing of bonds in 2021.

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 the first half of 2021, our liquidity coverage ratio stood at 155% (31 December 2020: 154%), with an LCR reserve of DKK 702 billion (31 December 2020: DKK 710 billion).

The requirement for the net stable funding ratio (NSFR) forms an integral part of our funding planning. As at end-June 2021, the Group's NSFR was 129.9%.

At 30 June 2021, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 358 billion (31 December 2020: DKK 369 billion).

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 2021, 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

In December 2017, the Basel Committee on Banking Supervision (BCBS) published the final and revised standards for REA calculations (Basel IV). Due to the corona crisis, the BCBS has delayed the implementation of the Basel IV standards from 2022 to 2023. This will also delay the process for implementation of the standards in the EU, and the EU Commission is now expected to publish a legislative proposal in the second half of 2021.

As part of the European Banking Authority's (EBA) roadmap to enhance internal models used to calculate credit risk, Danske Bank has started implementing the revised set of EBA guidelines and technical standards. For the first half of 2021, we saw the REA increase by around DKK 35 billion due to the EBA roadmap. We expect further increases in the second half of 2021 of a similar magnitude as for the first half of the year, all else equal.

In June 2021, the Danish implementation of the EU covered bonds package was adopted by the Danish parliament. The rules include a requirement for a cover pool liquidity buffer and stipulate eligible cover pool assets. Further, a new requirement for a minimum level of cover pool overcollateralisation is introduced. On the basis of the adopted legislation, the new rules are expected to have a limited impact on the Group. The new rules will apply from the second quarter of 2022.

Credit ratings

On 11 June 2021, Fitch Ratings (Fitch) revised the outlook on Danske Bank A/S's long-term issuer rating to Stable from Negative, while affirming Danske Bank's long-term issuer rating at 'A' and short-term issuer rating at 'F1'.

The outlook revision reflects Danske Bank's resilient asset quality and profitability, and solid capital ratios, which provide a sizeable buffer to absorb any potential fines from ongoing regulatory investigations.

Fitch, Moody's Investors Serivce (Moody's) and S&P Global (S&P) all now have Stable outlooks on Danske Bank. The Stable outlooks incorporate the economic uncertainties relating to the fallout from the corona crisis and the financial uncertainties relating to the Estonia case.

On 13 July 2021, Moody's revised the outlook on Danske Bank's deposit rating to Stable from Negative, while affirming Danske Bank's long-term deposit rating at 'A2' and the short-term deposit rating at 'P-1'.

At the same time, Moody's upgraded its rating of Danske Bank's non-preferred senior debt to 'Baa2' from 'Baa3' to better capture the risk characteristics of the debt class and as a result of the implementation of revised bank rating methodology.

Danske Bank's credit ratings,

	Fitch	Moody's	S&P
Counterparty rating	A+	A1/P-1	A+/A-1
Deposits	A+/F1	A2/Stable*/P-1	
Senior debt	A+/F1	A3/P-2	A/A-1
Issuer rating	A/F1	A3/P-2	A/A-1
Outlook	Stable	Stable	Stable
Non-preferred senior debt	A	Baa2	BBB+
Tier 2	BBB+	-	BBB
AT1	BBB-	-	BB+

**Revised 13 July 2021*

Covered bonds issued by Realkredit Danmark are rated 'AAA' (Stable outlook) by Fitch, S&P and Scope Ratings. Covered bonds issued by Danske Bank A/S are rated 'AAA' (Stable outlook) by both Fitch and S&P.

Covered bonds issued by Danske Mortgage Bank Plc are rated 'Aaa' by Moody's.

Covered bonds issued by Danske Hypotek AB are rated 'AAA' (Stable outlook) by S&P and Nordic Credit Rating.

ESG ratings

Danske Bank currently focuses on the following ESG rating agencies reflecting investor priorities.

ESG rating agency	Score at 30 June 2021	Score at 31 Dec. 2020
CDP Worldwide, UK	B	B
ISS ESG, USA	C Prime	C+ Prime
MSCI ESG Ratings, USA	BB	BB
Sustainalytics, USA	Medium Risk	High Risk
Vigeo Eiris, France	64	64

On 10 June 2021, ISS ESG downgraded Danske Bank to C Prime from C+ Prime, due primarily to announced staff redundancies that impact its assessment of employment security and responsible workforce restructuring.

On 24 June 2021, Sustainalytics upgraded Danske Bank's ESG Risk Rating to Medium Risk from High Risk. The improved rating reflects its assessment of business ethics.

Changes to the Executive Leadership Team

On 25 May 2021, Magnus Agustsson was appointed new Chief Risk Officer (CRO) and also member of the Executive Leadership Team. Magnus Agustsson will join Danske Bank on 1 December at the latest. The interim head of the Group Risk Management organisation, George Anagnostopoulos, will continue in this role until Magnus Agustsson takes over.

Magnus Agustsson holds an MSc in Economics from the University of Iceland and comes from a position as CRO of SEB in Sweden, where he has held various positions over the past 12 years, all within risk management.

Estonia case

The internal investigation at Danske Bank was completed in the fourth quarter of 2020, and Danske Bank has reported the findings to the relevant authorities investigating Danske Bank. We continue to fully cooperate with the authorities, which may require Danske Bank to undertake further internal investigation in 2021. The overall timing of the authorities' investigations remains unknown and is not within Danske Bank's control.

Update on the debt collection case

At 1 July 2021, we had reviewed 97% of the 197,000 customer cases in our debt collection systems for which there is a risk of overcollection as a result of the data errors originally identified. The review has shown that actual overcollection has taken place for 6,300 of these customers. The customer cases yet to be reviewed, approximately 5,600, require additional quality assurance due to their complexity, and we expect to have resolved these cases well before the end of the year. During our investigation of the data errors originally identified, we have unfortunately become aware of a number of potential additional issues that we are still investigating, which means that the number of customers who are expected to be eligible for compensation is increasing. We expect that this work will extend into 2022.

It is not considered necessary to make any additional provisions.

Danske Bank merges MobilePay with other mobile payment providers

On 30 June 2021, Danske Bank A/S announced that it has entered into an agreement with OP Financial Group in Finland and the consortium of banks behind Vipps in Norway to merge the three mobile payment providers MobilePay, Vipps and Pivo. By bringing a number of well-known brands into the ownership of a joint company, we will be strongly positioned in the market and ensure that we have the necessary scale to continue rapid growth. We are also open for dialogue with other leading banks and platforms. It is especially important for us that MobilePay's close cooperation with the other Danish banks can continue. The potential participation of other banks will further underpin the ambition to create a strong European player in the payment area.

The new company will be one of the largest bank-owned digital wallets in Europe, serving 11 million users and over 330,000 shops and web shops. Danske Bank will own 25% of the new company. The merger is conditional on approval by the relevant authorities, including the European Commission. Final approval is expected in the second half of 2021 or in early 2022, hence the expected one-off gain of approximately DKK 400-500 million is not included in our current outlook for the full year.

Private banking activities in Luxembourg

On 1 July, we announced that Danske Bank has entered into an agreement with Union Bancaire Privée, UBP SA, on the sale of the business activities of Danske Bank International S.A. in Luxembourg. The decision reflects Danske Bank's strategy of focusing on the core Nordic markets.

The sale is expected to result in a one-off gain for Danske Bank of approximately DKK 250 million and is conditional on approval by the relevant authorities. Final approval is expected in the second half of 2021.

Personal & Business Customers

The coronavirus pandemic continued to have a significant impact on the societies that we operate in during the first half of 2021. In the second quarter of 2021, we saw a slow re-opening of the societies, which led to a slight increase in activity among our customers.

The first half of 2021 saw an increase in profit before tax, which was up DKK 1 billion from the same period last year due to lower loan impairment charges and strong cost control that lowered operating expenses.

Personal & Business Customers (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Net interest income	7,766	8,029	97	3,887	3,879	100	4,078	95	16,018
Net fee income	3,267	3,273	100	1,516	1,750	87	1,459	104	6,080
Net trading income	312	285	109	162	150	108	123	132	575
Other income	412	362	114	216	196	110	168	129	702
Total income	11,757	11,949	98	5,782	5,975	97	5,827	99	23,375
Operating expenses	7,288	7,561	96	3,650	3,638	100	4,033	91	15,716
Profit before loan impairment charges	4,469	4,388	102	2,132	2,337	91	1,795	119	7,659
Loan impairment charges	550	1,470	37	116	435	27	-281	-	1,996
Profit before tax	**3,919**	**2,919**	**134**	**2,016**	**1,903**	**106**	**2,076**	**97**	**5,663**
Loans, excluding reverse transactions before impairments	1,528,944	1,502,449	102	1,528,944	1,529,183	100	1,502,449	102	1,532,786
Allowance account, loans	14,434	14,079	103	14,434	13,925	104	14,079	103	13,957
Deposits, excluding repo deposits	702,466	649,160	108	702,466	696,439	101	649,160	108	685,609
Covered bonds issued	1,045,691	1,046,502	100	1,045,691	1,046,385	100	1,046,502	100	1,058,209
Allocated capital (average)	74,157	69,858	106	75,292	73,009	103	69,679	108	68,929
Net interest income as % p.a. of loans and deposits	0.71	0.77	-	0.71	0.71	-	0.77	-	0.75
Profit before loan impairment charges as % p.a. of allocated capital	12.1	12.6	-	11.3	12.8	-	10.3	-	11.1
Profit before tax as % p.a. of allocated capital (avg.)	10.6	8.4	-	10.7	10.4	-	11.9	-	8.2
Cost/income ratio (%)	62.0	63.3	-	63.1	60.9	-	69.2	-	67.2
Full-time-equivalent staff	6,826	6,795	100	6,826	6,853	100	6,795	100	6,913

Assets under management (DKK millions)									
Assets under custody	**672,649**	**512,601**	**131**	**672,649**	**601,757**	**112**	**512,601**	**131**	**596,467**

Fact Book Q2 2021 provides financial highlights at customer type level for Personal & Business Customers. Fact Book Q2 2021 is available at danskebank.com/ir.

With the launch of our new agile development organisation, Better Ways of Working, at the beginning of the year, we continued our efforts to further improve the customer experience on digital channels. A number of initiatives came to life in the second quarter of 2021. We launched improvements to the navigation in our 'Click-to-remortgage' process based on customer feedback to provide a better overview and flow. The 'Click-to-remortgage' process enables customers to see the potential savings of remortgaging their loan and hence book a meeting with their adviser. We also introduced a new digital tool for home loan seekers in Finland and a digital car loan application process for personal customers in Norway. Lastly, the navigation in our financial platform District has been significantly improved on the basis of feedback from more than 5,000 business customers across our markets. District is our financial platform for businesses, which allows them to manage their day-to-day banking business.

We also see the benefits of the new organisational structure, under which our commercial activities are organised, play out in terms of improving the time to market for products and realising synergies across our operations. As an example, during the second quarter, we began offering Private Banking customers in Denmark the opportunity to invest in the Global Portfolio Solution under the name Danske Porteføljepleje GPS. The Global Portfolio Solution combines a number of the latest investment tools and aims to create more robust portfolios for our customers. The solution was previously available only to institutional clients.

Sustainability continues to be one of the top strategic priorities across Personal & Business Customers. In the second quarter of 2021, a number of initiatives were introduced to promote a sustainable development. This includes the launch of payment cards made out of recycled plastic for our youngest customers who hold Pocket Money Cards. The cards were introduced across all our markets. Following a six-month campaign, we introduced an attractive and permanent car loan offer in the Danish market for both electric cars and plug-in hybrid cars to support the transition to more sustainable driving. In Sweden, we launched GreenFleet70 for businesses, a tool to map the environmental footprint of a business's car fleet and give advice on how to reduce emissions. Finally in Finland, we launched a new service to help our customers make more sustainable housing choices in cooperation with our partner Akava. The service helps customers get a better overview of how to improve the environmental impact of their homes, for example in terms of home renovations, energy class and heating.

First half 2021 vs first half 2020

Profit before tax amounted to DKK 3,919 million, an increase of DKK 1,000 million, mainly as a result of a decrease in loan impairment charges.

Net interest income decreased 3%. This was due to margin pressure and a challenged interest rate environment across the Nordic countries as well as a lower funding value of deposits across all markets. These effects were only partly mitigated by growing volumes and repricing initiatives for deposits.

Net fee income amounted to DKK 3,267 million, on par with the same period last year. Underlying, we saw an increase due to high investment activity and growth in assets under custody. However, this was countered by lower income from a distribution agreement at Banking Finland.

Net trading income increased to DKK 312 million due to higher foreign exchange activity in step with the reopening of the societies in which we operate.

Other income amounted to DKK 412 million, posting an increase due to our real estate agency *home* seeing good activity on the housing market in the first half of 2021.

Operating expenses decreased 4% due to lower costs in relation to the Better Bank transformation.

Loan impairment charges amounted to DKK 550 million, a decrease of 63% from the level in the same period last year (H1 2020: DKK 1,470 million). Loan impairments were still affected by the corona crisis, but were not impacted to the extent seen in the first half of 2020. The impairment charges for the first half of 2021 were driven mainly by charges against individual customer exposures made as a result of the corona crisis as well as model adjustments.

Lending volumes increased, driven by Personal Customers Nordic, due mainly to partnership agreements in Norway and currency effects. Deposit volumes increased due to business customers' liquidity management as a result of the corona crisis, lower spending for personal customers and government support packages. In the first half of 2021, our focus was on expanding our business with existing customers to help them get the best possible products and solutions. This has been especially successful in our Swedish market.

Second quarter 2021 vs first quarter 2021

Profit before tax in the second quarter amounted to DKK 2,016 million, an increase of DKK 113 million, due primarily to lower impairment charges.

Net interest income was on par with the level in the first quarter of 2021. An improved interest rate environment was offset by margin pressure in the personal customer markets.

Net fee income decreased, mainly because of seasonality in the refinancing activity at Realkredit Danmark, against the high activity in the first quarter of 2021. Furthermore, we saw lower income from a distribution agreement at Banking Finland in the second quarter of 2021.

Operating expenses were on par with expenses in the first quarter of 2021.

Loan impairment charges decreased to DKK 116 million (Q1 2021: DKK 435 million). The decrease in impairment charges was attributable to fewer charges against individual customer exposures made as a result of the corona crisis and model adjustments.

Lending volumes were on par with volumes in the first quarter of 2021 as the need for credit facilities continued to be at a low level among business customers, which were generally helped by government support packages. For personal customers, we saw a flat development across all markets.

Large Corporates & Institutions

Economic sentiment improved during the first half of 2021 as societies began to re-open and both monetary and fiscal support remained in place. We continued to work alongside our customers to help them prepare for a post-pandemic operating environment, which translated into high customer activity and record-high fee income from our capital markets activities.

The first half of 2021 saw an increase in profit before tax, which amounted to DKK 3,463 million, up DKK 4,011 million from the same period last year due to significantly lower loan impairment charges and higher income.

Large Corporates & Institutions (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Net interest income	2,392	2,448	98	1,177	1,216	97	1,306	90	5,034
Net fee income	3,220	2,570	125	1,621	1,599	101	1,223	133	5,911
Net trading income	1,852	1,635	113	749	1,102	68	1,789	42	3,485
Other income	2	7	29	1	1	100	7	14	6
Total income	7,466	6,661	112	3,548	3,918	91	4,325	82	14,437
Operating expenses	3,751	3,692	102	1,900	1,851	103	1,879	101	7,672
Profit before loan impairment charges	3,715	2,969	125	1,648	2,067	80	2,446	67	6,764
Loan impairment charges	252	3,517	7	183	69	265	1,189	15	4,619
Profit before tax	**3,463**	**-548**	**-**	**1,465**	**1,998**	**73**	**1,257**	**117**	**2,146**
Loans, excluding reverse trans. before impairments	240,407	288,375	83	240,407	259,102	93	288,375	83	271,359
of which loans in General Banking	218,520	244,341	89	218,520	233,641	94	244,341	89	225,067
Allowance account, loans (incl. credit institutions)	4,197	7,053	60	4,197	3,989	105	7,053	60	4,557
Deposits, excluding repo deposits	403,958	376,027	107	403,958	448,560	90	376,027	107	433,090
of which deposits in General Banking	358,474	324,306	111	358,474	407,243	88	324,306	111	378,939
Covered bonds issued	21,682	23,071	94	21,682	21,663	100	23,071	94	22,728
Allocated capital (average)	44,786	45,334	99	45,003	44,565	101	47,775	94	44,825
Net interest income as % p.a. of loans and deposits	0.70	0.81	-	0.69	0.71	-	0.82	-	0.79
Profit before loan impairment charges as % p.a. of allocated capital	16.6	13.1	-	14.6	18.6	-	20.5	-	15.1
Profit before tax as % p.a. of allocated capital (avg.)	15.5	-2.4	-	13.0	17.9	-	10.5	-	4.8
Cost/income ratio (%)	50.2	55.4	-	53.6	47.2	-	43.4	-	53.1
Full-time-equivalent staff	2,565	2,528	101	2,565	2,506	102	2,528	101	2,553

Total income (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
General Banking	3,113	3,087	101	1,549	1,564	99	1,619	96	6,322
Markets	2,218	2,176	102	1,029	1,190	86	1,954	53	4,345
of which xVA*	94	-148	-	-	94	-	196	-	309
Asset Management	1,104	953	116	550	554	99	458	120	2,555
of which performance fees	55	11	-	31	24	129	2	-	640
Investment Banking & Securities (IBS)	1,031	446	231	421	610	69	294	143	1,214
Total income	**7,466**	**6,661**	**112**	**3,548**	**3,918**	**91**	**4,325**	**82**	**14,437**

**The xVA acronym covers Credit (CVA), Debit (DVA), Funding (FVA) and Collateral (ColVA) Valuation Adjustments to the fair value of the derivatives portfolio. Danske Bank has a centralised xVA desk responsible for quantifying, managing and hedging xVA risks. The PnL result of the xVA desk is thus the combined effect of the net xVA position, and funding and collateral costs of the trading book.*

Assets under management (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Institutional clients	481,278	414,750	116	481,278	477,037	101	414,750	116	464,890
Retail clients	307,797	265,585	116	307,797	294,909	104	265,585	116	288,207
Total assets under management[1]	**789,075**	**680,335**	**116**	**789,075**	**771,946**	**102**	**680,335**	**116**	**753,097**

[1] Includes assets under management from Group entities.

Customers utilised the positive market sentiment to raise capital in the financial markets, and we are proud to have been chosen for a large number of landmark transactions – ensuring Danske Bank a number one position as the leading Nordic bank in terms of supported volumes in the first half of 2021 across both debt and equity capital markets. The improved operating environment also led to customers drawing less on their credit facilities, and we are starting to see the significant committed credit facilities that we extended during 2020 to help customers manage the impact of the crisis roll off. Nevertheless, this illustrates the value of having a diversified business across the Nordic markets, as higher net fee income more than compensated for lower net interest income.

Sustainable finance continued to be in high demand, and we supported issuers and investors in a substantial number of transactions, affirming our position as the leading Nordic bank within sustainable finance. Activity was high across business areas, and we are proud to be ranked number one among the Nordic banks within both issuance of sustainability-linked loans and sustainable bonds. In the first half of 2021, we have already arranged sustainable bonds in the amount of USD 8 billion for our customers, which is more than we have ever arranged in a full year. Danske Bank's structuring and arranging of the successful Swedish International Development Agency (SIDA) guaranteed social bond issue is a good example of how banks can contribute to developing the sustainable bond market, as this is the first example in the world of a guarantee being provided to a business issuing social bonds sold to private investors. The SIDA guaranteed social bond issuance will focus on Africa, Latin America and Central, South and Southeast Asia, with the intention of contributing to improved living conditions, health and quality of life for people living in poverty.

First half 2021 vs first half 2020

Profit before tax increased to DKK 3,463 million in the first half of 2021 (H1 2020: a loss of DKK 548 million). Customer activity continued to be at high levels during the second quarter of 2021, contributing to total income of DKK 7,466 million (H1 2020: DKK 6,661 million).

Net interest income decreased slightly from the level in the same period last year, due mainly to lower net interest income from deposits, as the significant increase in deposit volumes lowered the value of surplus deposits, leading to lower deposit margins. We are repricing deposits to address the decline in deposit margins, and while there is uncertainty about whether deposit volumes will normalise, there were tentative signs of declining volumes towards the end of the second quarter.

Lending volumes declined from the level in the first half of 2020. To support customers in managing the impact of the corona crisis, we committed substantial credit facilities towards the end of the first quarter and during the second quarter of last year. As the economic outlook has improved, customers are drawing less on their credit facilities, and the committed facilities provided last year are beginning to roll off. The impact on net interest income has been modest so far, as lower volumes have partly been mitigated by higher lending margins, as the facilities provided last year on average had lower margins.

Net fee income increased 25% from the level in the first half of 2020, reflecting record-high fee income from capital markets activities and increased assets under management. Assets under management increased 16% from the level in the first half of 2020, driven by rising asset prices. During the first half of 2021, Asset Management realised positive net sales in the retail segment for the third consecutive quarter, whereas there was a marginal net outflow in the institutional segment.

Net trading income increased 13% from the first half of 2020, driven mainly by higher trading income in Equities and positive value adjustments on the derivatives portfolio (xVA). In the first half of 2020, value adjustments were negative.

Operating expenses increased 2% from the level in the same period last year, driven mainly by higher provisions for performance-based compensation.

Overall credit quality remained strong. During the first half of 2021, the general rating trend was slightly positive, and loan impairment charges amounted to a net charge of DKK 252 million, a notable decrease from the level in the first half of 2020 (H1 2020: DKK 3,517 million). Since the fourth quarter of 2019, we have actively reduced net oil-related exposure (excluding oil majors) by 50%.

Second quarter 2021 vs first quarter 2021

Profit before tax decreased 27% from the level in the first quarter of 2021, primarily as a result of a seasonal decline in net trading income.

Net interest income declined slightly as a result of lower net interest income from undrawn committed credit facilities and lower income from deposits.

Net fee income remained at a high level in the second quarter, as activity across the capital markets remained strong.

Net trading income decreased, as the first quarter of 2021 benefited from seasonal increases in income at Markets and higher net trading income in Equities.

Operating expenses increased 3%, driven largely by higher provisions for performance-based compensation.

Danica Pension

The reopening of societies and roll-out of vaccines brought economic progress and reasonable price increases in the equity markets. Furthermore, we saw significant growth in premiums as well as an inflow of new large business customers, which shows that we have a strong position in the market.

Danica Pension generated a solid financial result in the first half of 2021, delivering good returns to both our customers but also to the Group. Profit was up 14% from the level in the same period last year. The financial result was affected by additional provisions for pension yield tax in the health and accident business of DKK 200 million in 2021.

Danica Pension (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Result, life insurance	1,312	1,277	103	528	784	67	825	64	2,517
Result, health and accident insurance	-362	-300	-	-72	-290	-	-26	-	-643
Return on investments, shareholders' equity etc.	68	-85	-	68	-	-	71	96	-78
Net income before tax in Danica Pension[1]	**1,018**	**892**	**114**	**524**	**494**	**106**	**870**	**60**	**1,797**
Included within Group Treasury[2]	-36	5	-	-33	-3	-	-72	-	-127
Net income from insurance business	**982**	**897**	**109**	**491**	**491**	**100**	**799**	**61**	**1,669**
Premiums, insurance contracts	17,832	14,602	122	9,233	8,599	107	6,460	143	28,958
Premiums, investment contracts	2,045	666	-	1,396	649	215	265	-	1,292
Provisions, insurance contracts	437,847	403,828	108	437,847	427,885	102	403,828	108	428,736
Provisions, investment contracts	34,731	25,195	138	34,731	32,317	107	25,195	138	29,525
Allocated capital (average)	13,481	13,240	102	13,133	13,834	95	13,237	99	13,735
Net income as % p.a. of allocated capital	14.6	13.5	-	15.0	14.2	-	24.1	-	12.2
Solvency coverage ratio	215	172	-	215	202	-	172	-	191
Full-time-equivalent staff	859	793	-	859	821	-	793	-	817

Asset under management									
Life insurance	463,722	411,861	113	463,722	449,037	103	411,861	113	447,783
Health and accident insurance	17,079	16,426	104	17,079	16,483	104	16,426	104	16,822
Total[1]	**480,802**	**428,287**	**112**	**480,802**	**465,520**	**103**	**428,287**	**112**	**464,605**

[1] *Figures are for the Danica Group.*

[2] *Includes the difference between the actual return on the investment of shareholders' equity (net of interest on subordinated debt) and the sum of interest on allocated capital and allocated capital and shareholder costs. Special allotments are also included (page 174 of Annual Report 2020 provides further information).*

Danica Pension delivered strong returns to our customers, and assets under management increased 12% as a result of the favourable trend in the financial markets.

Danica Pension saw an increase in growth in premiums of 30% from the level in the same period last year, reflecting our strong position in the market and the fact that more business customers have chosen Danica Pension. The strong position is due to a very competitive combined value proposition that is based on solid investment returns, a strong advisory services platform, a leading portfolio of health solutions and our focus on ESG and green investments.

As part of our health solutions, Danica Pension launched a new health package at the beginning of the year. Customers now have quick and easy access to online consultations with doctors, psychologists and dieticians. We know that early treatment of both mental and physical issues reduces the long-term consequences. Thus, it is our ambition that the early involvement of health personnel will lead to less long-term illness and ultimately have a positive effect on our health and accident results.

Danica Pension aims to ensure that its investments are carbon neutral by 2050. In the first quarter of 2021, Danica Pension set new sub-targets for investments focusing on reducing carbon intensity in key sectors towards 2025. These include the energy, supply, transportation, steel and cement sectors. Danica Pension's ambition is to help reduce carbon emissions in these key sectors by between 15% and 35% relative to 2019 levels.

First half 2021 vs first half 2020

Net income from insurance business increased to DKK 982 million (H1 2020: DKK 897 million), due primarily to a slightly higher result from the life insurance business and a better return on investments allocated to shareholders' equity, which in the first half of 2020 were impacted by negative value adjustments on the property portfolio.

The result of the life insurance business increased 3% due to positive investment results on life insurance products where Danica Pension has the investment risk and an increase in fees resulting from higher assets under management. In the first half of 2021, life insurance products where Danica Pension has the investment risk benefited from an increase in the interest yield curve (including the volatility adjustment) and high returns on risky assets.

The result of the health and accident business decreased to a loss of DKK 362 million (H1 2020: a loss of DKK 300 million), despite a stable underlying business. The investment result increased considerably from the level in the first half of 2020, but was offset by an increase in provisions for pension yield tax of DKK 200 million.

The return on investments allocated to shareholders' equity etc. increased DKK 153 million from the level in the first half of 2020, driven mainly by better investment results on investment assets and liabilities allocated to shareholders' equity.

Total premiums increased 30%, driven mainly by an increase in single premiums due to an inflow of new business customers.

Assets under management increased DKK 53 billion, due mainly to the positive developments in the financial markets.

Second quarter 2021 vs first quarter 2021

Net income from insurance business was at the same level in the second quarter of 2021 as in the first quarter. However, the loss in the health and accident business decreased, and the return on investments allocated to shareholders' equity was positive, while we saw a decline in income from the life insurance business.

The result of the life insurance business decreased 33%, due mainly to lower investment results on life insurance products where Danica Pension has the investment risk. Especially in the first quarter, life insurance products where Danica Pension has the investment risk benefited from an increase in the interest yield curve (including the volatility adjustment) and high returns on risky assets.

The result of the health and accident business improved considerably in the second quarter, despite the underlying business being stable. The development was due mainly to a higher investment result in the second quarter, as the first quarter was affected by one-off provisions for pension yield tax of DKK 200 million.

The return on investments allocated to shareholders' equity etc. increased DKK 68 million on the back of positive returns on investments.

Total premiums increased 15%, driven mainly by an increase in single premiums due to an inflow of new business customers.

Assets under management increased DKK 15 billion, due mainly to the positive developments in the financial markets.

Northern Ireland

In 2021, we moved forward with growing optimism, ensuring that Danske Bank is playing a key role in the economic recovery across Northern Ireland.

The first half of 2021 saw an increase in profit before tax, which was DKK 217 million higher than in the same period last year, due to lower loan impairment charges.

Northern Ireland (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Net interest income	662	703	94	331	331	100	327	101	1,359
Net fee income	129	133	97	69	60	115	50	138	264
Net trading income	-	78	-	21	-20	-	26	81	98
Other income	6	8	75	3	3	100	4	75	16
Total income	798	923	86	424	374	113	408	104	1,736
Operating expenses	570	595	96	294	275	107	295	100	1,212
Profit before loan impairment charges	228	327	70	129	99	130	113	114	524
Loan impairment charges	-65	252	-	-57	-7	-	87	-	378
Profit before tax	**293**	**76**	**-**	**187**	**106**	**176**	**26**	**-**	**146**
Loans, excluding reverse transactions before impairments	58,364	51,054	114	58,364	56,743	103	51,054	114	52,179
Allowance account, loans	911	842	108	911	964	95	842	108	890
Deposits, excluding repo deposits	99,772	75,467	132	99,772	92,432	108	75,467	132	84,158
Allocated capital (average)*	6,616	6,348	104	6,715	6,516	103	6,186	109	6,269
Net interest income as % p.a. of loans and deposits	0.88	1.09		0.86	0.91		0.99		1.02
Profit before tax as % p.a. of allocated capital (avg.)	8.9	2.4		11.1	6.5		1.7		2.3
Cost/income ratio (%)	71.4	64.5		69.3	73.5		72.3		69.8
Full-time-equivalent staff	1,324	1,365	97	1,324	1,345	98	1,365	97	1,353

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

Our strategic focus in Northern Ireland is to remain a growing, strong and risk-astute bank, consolidating our leading position in the market and growing via prudent and considered opportunities in the rest of the UK. The business continues to work towards becoming more efficient, geographically diverse and digitally orientated.

We announced the creation of a GBP 500 million 'Helping Northern Ireland Grow Again' fund targeted at medium-sized businesses. The fund is in place for both existing business customers and businesses that are currently with other banks but that are open to moving their banking business to Danske Bank.

The housing market remained robust with demand from prospective buyers at healthy levels. In the first quarter of this year, we became one of the first banks in the UK to reintroduce a 95% loan-to-value mortgage product. In the second quarter, we followed up with the introduction of the UK's first mortgage product to be certified as carbon neutral by the Carbon Trust. To achieve carbon neutrality, we have committed to keep reducing our carbon footprint and, working with specialists ClimateCare, to offset any remaining emissions by investing in environmental projects.

As leaders globally, nationally and locally unite to build back better from the pandemic, the banking sector must play its part, and Danske Bank is fully committed to this goal across all our markets.

First half 2021 vs first half 2020

Profit before tax increased to DKK 293 million, driven by lower loan impairment charges, with the pre-impairments performance dominated by the impact of corona crisis-related restrictions on movement and activity.

While both lending and deposits increased, net interest income decreased to DKK 662 million (H1 2020: DKK 703 million), reflecting a sharp decline in UK interest rates.

Net fee income decreased to DKK 129 million (H1 2020: DKK 133 million) given very low activity levels as a result of corona crisis-related restrictions. Net trading income and other income were similarly impacted, although net trading income also reflected adverse mark-to-market movements on our bond portfolio.

Operating expenses were 4% lower, reflecting the positive impact of ongoing cost reduction initiatives alongside lower activity.

Net loan impairment reversals for the half year were driven by an improved economic outlook, leading to a decrease in impairment charges for future losses.

Higher lending balances were due largely to the volume of UK government-guaranteed corona-related business support loans alongside a relatively buoyant housing market. Deposit growth rates continued in the first half of 2021, with many personal and business customers continuing to pay off debt and hold additional liquidity.

Second quarter 2021 vs first quarter 2021

Profit before tax increased to DKK 187 million, driven by net loan impairment reversals and growth of 30% in profit before impairments.

Income increased 13% to DKK 424 million in the second quarter (Q1 2021: DKK 374 million), reflecting improved activity as lockdown measures were eased across the UK.

Operating expenses also increased to DKK 294 million (Q1 2021: DKK 275 million), including the impact of higher activity levels.

In respect of the balance sheet, we saw the same pattern as described for the year-on-year movements in lending and deposits.

Non-core

Non-core mainly includes a legacy portfolio of liquidity facilities as well as a portfolio of commercial loans in Lithuania. The winding-up of the Non-core portfolios is proceeding according to plan. Total lending stood at DKK 2.5 billion at the end of June 2021, less than half the amount at the end of June 2020, which led to lower capital requirements for the Group. Profit before tax in the first half of 2021 amounted to DKK 17 million, against a negative DKK 446 million in the first half of 2020.

Non-core (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Total income	-	-106	-	4	-5	-	-71	-	-215
Operating expenses	54	165	33	24	31	77	40	60	293
Profit before loan impairment charges	-54	-271	20	-19	-35	54	-110	17	-508
Loan impairment charges	-72	175	-	-17	-55	31	82	-	88
Profit before tax	**17**	**-446**	**-**	**-3**	**20**	**-**	**-192**	**2**	**-596**
Loans, excluding reverse transactions before impairments	2,475	5,414	46	2,475	2,628	94	5,414	46	3,083
Allowance account, loans	793	971	82	793	810	98	971	82	771
Deposits, excluding repo deposits	2,169	1,751	124	2,169	2,197	99	1,751	124	2,146
Allocated capital (average)	973	1,634	60	856	1,092	78	1,421	60	1,473
Net interest income as % p.a. of loans and deposits	0.49	0.92		0.40	0.58		0.99		0.96
Profit before tax as % p.a. of allocated capital (avg.)	3.5	-54.6		-1.4	7.3		-54.0		-40.5
Cost/income ratio (%)	-	-155.7		600.0	-620.0		-56.3		-136.3
Full-time-equivalent staff	25	64	39	25	29	86	64	39	32

Loan impairment charges (DKK millions)									
Non-core banking	-119	87	-	-17	-102	17	74	-	-27
Non-core conduits etc.	47	88	53	-	47	-	8	-	116
Total	**-72**	**175**	**-**	**-17**	**-55**	**31**	**82**	**-**	**88**

** Comparative figures for loans, excluding reverse transactions before impairments, include loans held for sale in Lithuania.*

*** Non-core banking encompasses the Group's activities in Lithuania and Non-core Ireland.*

First half 2021 vs first half 2020

Profit before tax amounted to DKK 17 million (H1 2020: a loss of DKK 446 million). The improvement in the result was due mainly to the sale of a Latvian portfolio of commercial loans held by the Lithuanian branch and the corresponding net reversal of loan impairment charges in Lithuania as well as to a decrease in operating expenses. Further, the first half of 2020 was affected by losses related to the final exit from Estonia.

On 1 April 2021, the sale of the Latvian portfolio of commercial loans held by the Lithuanian branch was finalised. The only portfolio now remaining at the Lithuanian branch is a portfolio of commercial loans, for which amortisation is accelerated further.

At the end of June 2021, total lending amounted to DKK 2.5 billion. The sale of most of the Baltic loan portfolios resulted in a reduction of total lending at Non-core to less than half the amount at the end of June 2020, which led to lower capital requirements for the Group.

Second quarter 2021 vs first quarter 2021

The Non-core unit posted a loss before tax of DKK 3 million (Q1 2021: DKK 20 million). The decrease was due primarily to lower loan impairment reversals, with the effect being partly offset by an increase in total income and a decline in operating expenses.

These effects were due primarily to the finalisation of the sale of the Latvian portfolio held by the Lithuanian branch.

Group Functions

Group Functions includes Group Treasury, Technology & Services and other Group functions. The activities of Group Functions encompass the pricing of funding, allocation of funding costs for lending and deposit activities to the business units and the investment of shareholders' equity. In addition, this area includes other central Group Functions. The operating expenses related to these units are allocated to the business units. Further, Group Functions includes eliminations.

Group Functions (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Net interest income	145	-53	-	120	24	-	-144	-	-260
Net fee income	-21	-21	100	-13	-8	163	-17	76	-37
Net trading income	127	-101	-	92	34	271	-183	-	139
Other income	37	-69	-	41	-4	-	-57	-	-131
Total income	287	-245	-	241	46	-	-400	-	-289
Operating expenses	1,161	1,174	99	652	509	128	430	152	2,048
Impairment charges, other intangible assets*	-	-	-	-	-	-	-	-	379
Profit before loan impairment charges	-874	-1,419	62	-411	-463	89	-830	50	-2,716
Loan impairment charges	-	30	-	-2	1	-	23	-	8
Profit before tax	**-874**	**-1,449**	**60**	**-409**	**-464**	**88**	**-853**	**48**	**-2,723**

Profit before tax (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Index Q2/Q1	Q2 2020	Index 21/20	Full year 2020
Group Treasury	11	-523	-	-184	195	-	-218	84	-754
Own shares and issues	-95	92	-	80	-175	-	-224	-	94
Additional tier 1 capital	232	317	73	117	116	101	122	96	550
Group support functions	-1,022	-1,335	77	-422	-600	70	-533	79	-2,614
Total Group Functions	**-874**	**-1,449**	**60**	**-409**	**-464**	**88**	**-853**	**48**	**-2,723**

First half 2021 vs first half 2020

Profit before tax increased to a loss of DKK 874 million (H1 2020: a loss of DKK 1,449 million). The improvement was due primarily to an increase in total income caused by higher net trading income and higher net interest income.

Net interest income increased to DKK 145 million (H1 2020: a loss of DKK 53 million), due primarily to an increase in allocated liquidity costs following a number of corrective actions to reduce deposit compensation to the business units.

Net trading income increased to DKK 127 million (H1 2020: a loss of DKK 101 million), driven mainly by negative market value adjustments of our interest rate hedge positions following a widening of the spread between DKK and EUR rates.

Operating expenses fell 1% to DKK 1,161 million. The fall mainly reflects a decrease in costs relating to the Estonia case and lower depreciation of intangible assets.

Second quarter 2021 vs first quarter 2021

Group Functions posted a loss of DKK 409 million in the second quarter of 2021 (Q1 2021: a loss of DKK 464 million). The improved result was due primarily to an increase in total income, which was partly offset by an increase in operating expenses.

Net interest income increased to DKK 120 million (Q1 2021: DKK 24 million), driven by an increase in allocated liquidity costs following a number of corrective actions to reduce deposit compensation to the business units as well as the first quarter of 2021 being affected by an interest expense on corporate back tax.

Net trading income increased to DKK 92 million (Q1 2021: DKK 34 million), driven primarily by an improved return on investments allocated to shareholders' equity etc.

Operating expenses increased to DKK 652 million (Q1 2021: DKK 509 million), due primarily to the provision relating to the VAT case in Sweden of DKK 350 million. Further, the first quarter of 2021 was affected by a one-off investment of DKK 122 million to ensure good working-from-home conditions and DKK 150 million related to the VAT case in Sweden.

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. Net profit is the same in the financial highlights and in the IFRS income statement. Note G3 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 3 and in other sections of the Management's report:

Ratios and key figures	**Definition**
Dividend per share (DKK)	The dividend per share proposed in the Annual report and paid to shareholders in the subsequent year. Accordingly, for 2020, it is the dividend to be paid in 2021.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 231 million (full-year 2020: DKK 551 million). The denominator represents equity, excluding additional tier 1 capital and other non-controlling interests equal to a reduction in the average of the quarterly average of equity of DKK 8,779 million (2020: 13,526 million) compared to a simple average of total equity (beginning and the end of the period).
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights divided by the daily average of the sum of loans and deposits. If the ratio was calculated applying the sum of loans and deposits end of period, the ratio for Q2 2021 would be 0.73% (full-year 2020: 0.73%) due to the daily average of the sum of loans and deposits being DKK 24.0 billion higher (2020: DKK 124.8 billion lower) than calculating the ratio by applying the end of period sum of loans and deposits. The purpose of the ratio is to show if the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (C/I), (%)	Operating expenses, impairment charges on goodwill and impairment charges other intangible assets divided by total income. All amounts are from the financial highlights.
C/I, excluding impairment on intangible assets (%)	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 net credit exposure	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The numerator is the loan impairment charges of DKK 737 million (full-year 2020: DKK 7,001 million) from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 1,022.7 billion (2020: DKK 1,022.3 billion), Loans at fair value of DKK 816.3 billion (2020: DKK 802.6 billion) and guarantees of DKK 71.7 billion (2020: DKK 68.7 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 net credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The numerator is the allowance account of DKK 22.5 billion (2020: DKK 22.6 billion) at the end of the period, as disclosed in the "Allowance account in core activities broken down by segment" table in the notes to the financial statements. The denominator is the sum of Loans at amortised cost of DKK 1,008.2 billion (2020: DKK1,022.7 billion), Loans at fair value of DKK 803.0 billion (DKK 816.3 billion), and guarantees of DKK 79.8 billion (2020: DKK 71.7 billion), at the end of the period, 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.
Market shares of lending and deposits	Market shares are based on data from central banks at the time of reporting. Comparative information is updated on the basis of the latest available data, for example Annual Report 2020 included November 2020 data for Finland and Norway as December 2020 data was not available at the time of publication of Annual Report 2020. This was subsequently updated to December 2020 data in Interim report – first quarter 2021.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	First half 2021	First half 2020	Q2 2021	Q2 2020	Full year 2020
G4	Interest income calculated using the effective interest method	10,854	11,976	5,440	5,717	23,219
G4	Other interest income	19,314	22,299	9,831	10,220	41,133
G4	Interest expense	16,551	20,430	8,211	8,361	36,234
	Net interest income	13,617	13,844	7,060	7,577	28,118
G4	Fee income*	9,051	8,100	4,391	3,643	17,025
	Fee expenses	3,055	2,572	1,561	1,112	5,760
	Net trading income or loss*	18,873	-3,333	11,160	19,755	21,962
G4	Other income**	2,873	1,771	1,368	375	4,360
	Net premiums	17,710	14,444	9,225	6,446	28,795
	Net insurance benefits	35,292	9,506	19,819	24,412	48,284
	Operating expenses	15,310	15,858	7,854	8,062	32,822
	Profit before loan impairment charges	8,466	6,892	3,970	4,211	13,393
G5	Loan impairment charges	666	5,443	223	1,099	7,089
	Profit before tax	7,801	1,449	3,747	3,112	6,304
	Tax	1,869	413	955	787	1,715
	Net profit	**5,932**	**1,036**	**2,792**	**2,325**	**4,589**
	Portion attributable to					
	Shareholders of Danske Bank A/S (the Parent Company)	5,700	720	2,676	2,204	4,038
	Additional Tier 1 capital holders	231	316	117	121	551
	Net profit	**5,932**	**1,036**	**2,792**	**2,325**	**4,589**
	Earnings per share (DKK)	6.7	0.8	3.1	2.6	4.7
	Diluted earnings per share (DKK)	6.7	0.8	3.1	2.6	4.7
	Proposed dividend per share (DKK)	-	-	-	-	2.0

* Comparative information has been restated as described in note G2(a).

**The income statement is condensed compared to the Annual Report 2020. Note G4(c) includes further information concerning income line items.

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2021	First half 2020	Q2 2021	Q2 2020	Full year 2020
Net profit	5,932	1,036	2,792	2,325	4,589
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension plans	493	390	207	205	304
Tax	-88	-102	-56	-12	-38
Items that will not be reclassified to profit or loss	**405**	**287**	**151**	**193**	**266**
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	1,162	-3,581	-157	2,119	-1,902
Hedging of units outside Denmark	-800	2,077	112	-1,236	1,224
Unrealised value adjustments of bonds at fair value (OCI)	-204	51	-22	451	264
Realised value adjustments of bonds at fair value (OCI)	5	-15	-	-4	-12
Tax	33	146	-21	-257	-70
Items that are or may be reclassified subsequently to profit or loss	**196**	**-1,322**	**-88**	**1,073**	**-496**
Total other comprehensive income	**600**	**-1,035**	**63**	**1,266**	**-230**
Total comprehensive income	**6,532**	**1**	**2,856**	**3,590**	**4,359**
Portion attributable to					
Shareholders of Danske Bank A/S (the Parent Company)	6,300	-315	2,739	3,469	3,808
Additional Tier 1 capital holders	231	316	117	121	551
Total comprehensive income	**6,532**	**1**	**2,856**	**3,590**	**4,359**

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 June 2021	31 December 2020	30 June 2020
	Assets			
	Cash in hand and demand deposits with central banks	313,404	320,702	221,198
	Due from credit institutions and central banks	67,817	81,428	82,013
	Trading portfolio assets	612,529	682,948	655,583
	Investment securities	304,812	296,769	298,758
	Loans at amortised cost	1,009,879	1,024,607	1,027,472
	Loans at fair value	998,819	1,023,323	1,094,540
	Assets under pooled schemes and unit-linked investment contracts*	89,293	82,795	75,476
	Assets under insurance contracts*	532,154	545,708	554,604
	Intangible assets	8,758	8,785	8,986
	Tax assets	3,660	5,202	4,811
G7	Other assets	33,907	36,964	38,163
	Total assets	**3,975,032**	**4,109,231**	**4,061,603**
	Liabilities			
	Due to credit institutions and central banks	215,265	211,182	217,117
	Trading portfolio liabilities	373,366	499,334	541,920
	Deposits	1,363,809	1,333,781	1,270,695
G6	Issued bonds at fair value	770,654	784,027	756,185
G6	Issued bonds at amortised cost	216,646	245,573	268,104
	Deposits under pooled schemes and unit-linked investment contracts*	90,017	82,905	76,137
	Liabilities under insurance contracts*	573,849	591,930	591,689
	Tax liabilities	1,966	1,821	2,147
G7	Other liabilities	46,187	51,291	43,243
G6	Non-preferred senior bonds	111,275	106,371	98,075
G6	Subordinated debt	38,836	32,337	31,790
	Total liabilities	**3,801,872**	**3,940,552**	**3,897,103**
	Equity			
	Share capital	8,622	8,622	8,622
G8	Foreign currency translation reserve	-689	-1,050	-1,875
	Reserve for bonds at fair value (OCI)	157	354	138
	Retained earnings	156,523	150,521	149,043
	Proposed dividends	-	1,724	-
	Shareholders of Danske Bank A/S (the Parent Company)	164,613	160,171	155,927
G6	Additional tier 1 capital holders	8,547	8,508	8,573
	Total equity	**173,161**	**168,679**	**164,500**
	Total liabilities and equity	**3,975,032**	**4,109,231**	**4,061,603**

* A portfolio of unit-linked contracts of DKK 31 billion was reclassified from investment contracts to insurance contracts in Annual Report 2020. The comparative information at 30 June 2020 has been restated above.

Statement of capital – Danske Bank Group

Changes in equity

(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
	Shareholders of Danske Bank A/S (the Parent Company)							
Total equity as at 1 January 2021	8,622	-1,050	354	150,521	1,724	160,171	8,508	168,679
Net profit	-	-	-	5,700	-	5,700	231	5,932
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	493	-	493	-	493
Translation of units outside Denmark	-	1,162	-	-	-	1,162	-	1,162
Hedging of units outside Denmark	-	-800	-	-	-	-800	-	-800
Unrealised value adjustments	-	-	-204	-	-	-204	-	-204
Realised value adjustments	-	-	5	-	-	5	-	5
Tax	-	-	-	-56	-	-56	-	-56
Total other comprehensive income	**-**	**361**	**-199**	**437**	**-**	**600**	**-**	**600**
Total comprehensive income	**-**	**361**	**-199**	**6,137**	**-**	**6,300**	**231**	**6,532**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-233	-233
Dividends paid	-	-	-	16	-1,724	-1,708	-	-1,708
Acquisition of own shares and additional tier 1 capital	-	-	-	-11,411	-	-11,411	-	-11,411
Sale of own shares and additional tier 1 capital	-	-	-	11,271	-	11,271	41	11,312
Tax	-	-	-	-10	-	-10	-	-10
Total equity as at 30 June 2021	**8,622**	**-689**	**157**	**156,523**	**-**	**164,613**	**8,547**	**173,161**
Total equity as at 1 January 2020	8,622	-372	102	140,590	7,329	156,271	14,237	170,508
Net profit	-	-	-	720	-	720	316	1,036
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	390	-	390	-	390
Translation of units outside Denmark	-	-3,581	-	-	-	-3,581	-	-3,581
Hedging of units outside Denmark	-	2,077	-	-	-	2,077	-	2,077
Unrealised value adjustments	-	-	51	-	-	51	-	51
Realised value adjustments	-	-	-15	-	-	-15	-	-15
Tax	-	-	-	44	-	44	-	44
Total other comprehensive income	**-**	**-1,503**	**36**	**433**	**-**	**-1,035**	**-**	**-1,035**
Total comprehensive income	**-**	**-1,503**	**36**	**1,153**	**-**	**-315**	**316**	**1**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-391	-391
Proposed dividends reversed*	-	-	-	7,329	-7,329	-	-	-
Redemption of additional tier 1 capital	-	-	-	-5	-	-5	-5,596	-5,600
Acquisition of own shares and additional tier 1 capital	-	-	-	-18,851	-	-18,851	7	-18,844
Sale of own shares and additional tier 1 capital	-	-	-	18,805	-	18,805	-	18,805
Tax	-	-	-	22	-	22	-	22
Total equity as at 30 June 2020	**8,622**	**-1,875**	**138**	**149,043**	**-**	**155,927**	**8,573**	**164,500**

*For 2019, no dividends were paid in 2020. The previously proposed dividends have been reversed to Retained earnings in 2020. See note G1(a) in Annual Report 2020 for further information.

Statement of capital – Danske Bank Group

	30 June 2021	31 December 2020
Share capital (DKK)	8,621,846,210	8,621,846,210
Number of shares	862,184,621	862,184,621
Number of shares outstanding	853,064,124	853,649,376
Average number of shares outstanding for the period	853,516,388	853,138,154
Average number of shares outstanding, including dilutive shares, for the period	853,690,756	853,470,424

Total capital and total capital ratio

(DKK millions)	30 June 2021	31 December 2020
Total equity	173,161	168,679
Revaluation of domicile property at fair value	175	176
Tax effect of revaluation of domicile property at fair value	-17	-17
Total equity calculated in accordance with the rules of the Danish FSA	173,318	168,836
Additional tier 1 capital instruments included in total equity	-8,456	-8,415
Accrued interest on additional tier 1 capital instruments	-91	-93
Common equity tier 1 capital instruments	164,770	160,329
Adjustment to eligible capital instruments	-70	-75
IFRS 9 reversal due to transitional rules	2,089	2,551
Prudent valuation	-1,055	-690
Prudential filters	-158	-147
Expected/proposed dividends	-3,559	-1,724
Intangible assets of banking operations	-4,874	-5,354
Minimum Loss Coverage for Non-Performing Exposures	-16	-
Deferred tax on intangible assets	98	204
Deferred tax assets that rely on future profitability, excluding temporary differences	-254	-168
Defined benefit pension plan assets	-2,611	-2,206
Statutory deduction for insurance subsidiaries	-7,355	-8,992
Common equity tier 1 capital	**147,006**	**143,727**
Additional tier 1 capital instruments	22,200	17,282
Tier 1 capital	**169,206**	**161,009**
Tier 2 capital instruments	20,882	19,108
Total capital	**190,089**	**180,117**
Total risk exposure amount	**816,185**	**784,184**
Common equity tier 1 capital ratio (%)	18.0%	18.3%
Tier 1 capital ratio (%)	20.7%	20.5%
Total capital ratio (%)	23.3%	23.0%

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under the Capital Requirements Regulation (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 the Group's solvency need. The report is available at danskebank.com/investorrelations/reports and is not covered by the independent auditor's review.

Cash flow statement – Danske Bank Group

(DKK millions)	First half 2021	First half 2020	Full Year 2020
Cash flow from operations			
Profit before tax	7,801	1,449	6,304
Tax paid	-280	-2,577	-4,315
Adjustment for non-cash operating items	888	6,128	12,993
Total	8,409	5,000	14,982
Changes in operating capital			
Amounts due to/from credit institutions and central banks	3,955	66,339	59,794
Trading portfolio	-55,549	-70,544	-140,495
Acquisition/sale of own shares and additional tier 1 capital	-99	-39	-83
Investment securities	-8,043	-13,885	-11,896
Loans at amortised cost and fair value	38,567	22,604	95,039
Deposits	30,029	129,969	193,055
Issued bonds at amortised cost and fair value	-41,096	-33,583	-33,550
Assets/liabilities under insurance contracts	-4,526	-3,813	5,323
Other assets/liabilities	-2,049	387	4,337
Cash flow from operations	**-30,402**	**102,435**	**186,506**
Cash flow from investing activities			
Acquisition/sale of businesses	-	5	5
Acquisition of intangible assets	-374	-353	-872
Acquisition of tangible assets	-143	-218	-408
Sale of tangible assets	5	7	12
Cash flow from investing activities	**-512**	**-559**	**-1,263**
Cash flow from financing activities			
Issue of subordinated debt	10,102	-	3,721
Redemption of subordinated debt	-3,718	-	-2,180
Issue of non-preferred senior bonds	3,701	10,037	23,610
Dividends paid	-1,708	-	-
Redemption of equity accounted additional tier 1 capital	-	-5,600	-5,600
Paid interest on equity accounted additional tier 1 capital	-233	-391	-625
Principal portion of lessee lease payments	-331	-373	-653
Cash flow from financing activities	**7,813**	**3,672**	**18,273**
Cash and cash equivalents as at 1 January	400,889	199,608	199,608
Foreign currency translation	2,064	-2,574	-2,235
Change in cash and cash equivalents	-23,101	105,548	203,516
Cash and cash equivalents, end of period	**379,851**	**302,582**	**400,889**
Cash and cash equivalents, end of period			
Cash in hand	6,104	5,462	6,131
Demand deposits with central banks	307,300	215,736	314,572
Amounts due from credit institutions and central banks within three months	66,447	81,384	80,186
Total	**379,851**	**302,582**	**400,889**

Notes – Danske Bank Group

G1. 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 2020.

On 1 January 2021, the Group implemented the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions). The Group has changed the presentation in the income statement of indirect fees earned when customers are granted, refinance or prepay Danish mortgage loans. Further information on the changes to accounting policies and presentation in 2021 can be found in note G2(a). Except for these changes, the Group has not changed its significant accounting policies from those applied in Annual Report 2020. Annual Report 2020 provides a full description of the significant accounting policies.

For changes in the Group's financial highlights and segment reporting, see note G2(b).

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

(b) Significant accounting estimates and judgements

The preparation of financial information requires, in some cases, the use of judgements and estimates by management. This includes judgements made when applying accounting policies. The most significant judgements made when applying accounting policies relate to the classification of financial assets and financial liabilities under IFRS 9, especially related to the business model assessment, and the SPPI test (further explained in note G15 of the Annual Report 2020) and the designation of financial liabilities at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (further explained in note G16 of the Annual Report 2020). An overview of the classification and measurement basis for financial instruments can be found in in note G1(c) of the Annual Report 2020.

The determination of the carrying amounts of some assets and liabilities requires the estimation of the effects of uncertain future events on those assets and liabilities. The estimates 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. In view of the inherent uncertainties and the high level of subjectivity and judgement involved in the recognition and measurement of the items listed below, it is possible that the outcomes in the next reporting period could differ from those on which management's estimates are based.

Measurement of expected credit losses on loans, financial guarantees and loan commitments, and bonds measured at amortised cost or fair value through other comprehensive income

The three-stage expected credit loss impairment model in IFRS 9 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 (stages 2 and 3). In determining the impairment for expected credit losses, management exercises judgement and uses estimates and assumptions as explained below.

The expected credit losses are calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and incorporate forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects 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. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 30 June 2021, the base case scenario reflects a recovery later in 2021. To fully capture the downside risk, the downside scenario used at 30 June 2021 is the severe recession scenario applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The severe recession scenario reflects negative growth and falling property prices for a longer period. At 31 December 2020, the down-side scenario reflected a W-shaped trend in the light of the corona crisis with the economies being back on track in the second or third quarter of 2021. The change of the downside scenario has been made in order to capture the risk of prolonged lockdowns due to new coronavirus variants and in order for the ECL calculation to include potential downside risks due to the elevated asset prices across the Nordics. Information on the macroeconomic parameters in the base case and downside scenarios can be found in the risk management notes.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

With the new suite of scenarios, the base case scenario enters with a probability of 75% (31 December 2020: 60%), the upside scenario with a probability of 10% (31 December 2020: 15%) and the downside scenario with a probability of 15% (31 December 2020: 25%). On the basis of these assessments, the allowance account as at 30 June 2021 amounted to DKK 23.3 billion (31 December 2020: DKK 23.3 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.2 billion (31 December 2020: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 8.5 billion (31 December 2020: DKK 1.7 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 0.4 billion (31 December 2020: DKK 0.4 billion) compared to the base case scenario. However, note that the applied scenarios differ from the scenarios used at 31 December 2020, and the changes in weighting and sensitivities from end of 2020 to end of the first half 2021 are therefore not directly comparable, especially due to the downside scenario being a severe downside scenario at 30 June 2021 to fully capture the downside risks. Further, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit loss (ECL) forecasts.

Management applies judgement when determining the need for post-model adjustments. As at 30 June 2021, the post-model adjustments amounted to DKK 6.0 billion (31 December 2020: DKK 6.4 billion) and continue to include the immediate risks arising from the corona crisis due to the continued significant uncertainty related to the magnitude of the pandemic, the effectiveness of the roll-out of the vaccine programmes and to the extent to which governments will continue to support the economies. On the types of risks covered by post-model adjustments, more information can be found in the risk management notes.

Further information on the Group's accounting treatment of the impacts on expected credit losses from the corona crisis can be found on pages 82-83 of Annual Report 2020.

Note G15 of the Annual Report 2020 and the section on credit risk in the risk management notes provide more details on expected credit losses. As at 30 June 2021, financial assets covered by the expected credit loss model accounted for about 53% of total assets (31 December 2020: 52%).

Fair value measurement of financial instruments

At the end of June 2021, no unusual challenges in obtaining reliable pricing apart from insignificant parts of the portfolio remained. The majority of valuation techniques continues to employ only observable market data, and there has been no significant increase in financial instruments measured on the basis of valuation techniques that are based on one or more significant unobservable inputs. The latter continues to include only unlisted shares, certain bonds and some long-dated derivatives for which there is no active market. On the derivatives portfolio, the Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA and ColVA) 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. As at 30 June 2021, the adjustments totalled DKK 1.1 billion (31 December 2020: DKK 1.6 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note G11 of this report and note G33(a) of the Annual Report 2020 provides more details on the fair value measurement of financial instruments.

The Group uses derivatives to hedge the fixed interest rate on some financial assets and liabilities, thus converting the fixed interest rates on the financial instruments to variable interest rates by the use of swaps. The ongoing Interest Rate Benchmark Reform will replace existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. There is currently uncertainty as to the timing and the methods of transition of different IBORs and whether some existing benchmarks will continue to be supported. As a result of these developments, accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the interest rate risk due to changes in IBORs continue to qualify for hedge accounting. EUR and USD denominated swaps cleared on a CCP have been converted to ESTR and SOFR discounting respectively, and the conversion had no significant impact on the Group's hedge accounting values. Following IASB's project 'Interest Rate Benchmark Reform, phase I' for the assessment of effectiveness of such hedges, it is assumed that the interest rate benchmark is not altered as a result of the reform. For further information, see note G12(d) of the Annual Report 2020.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Measurement of goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the present value of 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 2021, goodwill amounted to DKK 6.1 billion (31 December 2020: DKK 6.1 billion).

In connection with the quarterly reporting, management performs an impairment review to assess whether there are indications that goodwill might be impaired. This includes a review of declines in income, increase in loan impairment charges, decline in the market value of assets under management, major restructurings, macroeconomic developments etc. Since the outbreak of the coronavirus pandemic, the assessment of whether indications of impairment exists has been considered at a more detailed level than usual. This assessment has been performed as a high level update of the 2020 test. Despite taking into account the expected economic impacts from the second wave of lockdowns to contain the coronavirus pandemic, which were initiated late 2020 and continued in the first half of 2021, it was concluded that no indications of impairment at the end of June 2021 were noted.

The goodwill in Danica Pension of DKK 1.6 billion (31 December 2020: DKK 1.6 billion) is sensitive to changes in solvency capital requirements, growth in the terminal period and the discount rate.

The remaining goodwill mainly consists of DKK 2.1 billion (31 December 2020: DKK 2.1 billion) in Markets, DKK 1.8 billion (31 December 2020: DKK 1.8 billion) in Asset Management and DKK 0.5 billion (31 December 2020: DKK 0.5 billion) in General Banking (all part of the business segment Large Corporates & Institutions) showed significant amounts of excess value in the impairment tests in 2020.

Note G19 of the Annual Report 2020 provides more information about impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured at the present value of expected benefits for each insurance contract. The measurement is based on actuarial computations that rely on estimates of a number of variables, including mortality and disability rates, and on the discount rate. The future mortality rates are based on the Danish FSA's benchmark, while other variables are estimated based on data from the Group's own portfolio of insurance contracts. Note G18 and the risk management notes of the Annual Report 2020 provide more information on the measurement of insurance liabilities and sensitivity to changes in assumptions.

Notes – Danske Bank Group

G2. Changes in accounting policies, financial highlights and segment reporting

(a) Changes in accounting policies

On 1 January 2021, the Group implemented the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions). The implementation of the amendments to IFRSs had no impact on the financial statements. The Group has changed the presentation in the income statement of indirect fees earned when customers are granted, refinance or prepay Danish mortgage loans. Comparative information in the income statement has been restated to reflect the change in presentation. The sections below explain in further details the changes to accounting policies and presentation implemented.

Interest Rate Benchmark Reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments cover the effects on the financial statements when old interest rate benchmarks are altered or replaced by alternative benchmark rates as a result of the benchmark reform.

The amendments introduce a practical expedient to account for a change to the basis for determination of the contractual cash flows at the date on which interest rate benchmarks are altered or replaced. Under the practical expedient, a change to the determination of the contractual cash flows is applied prospectively by altering the effective interest rate, i.e. not leading to a modification gain or loss recognised in the income statement. To be applicable for the practical expedient, a change must meet two conditions: (a) the change is a direct consequence of the reform and (b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The amendments further introduce reliefs from existing hedge accounting requirements. The reliefs include that hedge accounting would not discontinue solely due to the benchmark reform and that, for the retrospective effectiveness test for fair value hedges under IAS 39, the cumulative fair value changes of the hedged item and the hedging instrument may be reset to zero to minimise the risk that a hedge will fail the retrospective effectiveness test when the benchmark transitions to an alternative benchmark. The amendments further require that the hedging relationships and documentations are amended to reflect changes in the hedged item, the hedging instrument and the hedged risk (which do not represent a discontinuation of the exiting hedge).

IFRS 7 introduces further disclosure requirements. The disclosures relate to how the transition to alternative rates is managed, the progress on the transition and the risks arising from financial assets and financial liabilities due to the reform. At the beginning of 2019, the Group formally established an IBOR Transition Programme, the main objectives being to identify how the IBOR transition will affect the Group financially and operationally and to recommend the best implementation of the transition, mitigate risks, implement changes in contractual relationships etc. On 5 March 2021, ICE Benchmark Administration (IBA), the administrator of LIBOR, announced its intention to cease publication of GBP, EUR, CHF, JPY, 1 week USD LIBOR and 2 month USD LIBOR immediately after 31 December 2021. The remaining USD LIBOR tenors will be published until 30 June 2023. EURIBOR, CIBOR, STIBOR and NIBOR are expected to continue for the foreseeable future. Centrally cleared derivatives in the LIBORs which are discontinued will be transitioned in large scale before year end by the CCP. Many accounts and other non-contractual facilities have already been moved from affected LIBORs into alternative Risk Free Rates (RFR). The transition of our Loan and Derivatives exposure from LIBOR to alternative Risk Free Rates has started and will scale up in Q3 into Q4 of this year. It is a top priority for the Group to conduct the transition in a timely and orderly manner that is transparent and fair to our customers.

The implementation is applied retrospectively without restatement of prior periods. The implementation of the amendments had no impact on shareholders' equity at 1 January 2021. Following the reliefs from the existing hedge accounting requirements, the Group expects that existing hedging relationships will continue to qualify for hedge accounting. The added disclosures on the transition to alternative rates will be included in Annual Report 2021.

Covid-19 Related Rent Concessions (amendments to IFRS 16)

The amendment introduces a practical expedient under which a lessee may elect not to assess whether a COVID-19-related rent concession meets the definition of a modification. Danske Bank Group has not been granted any concessions, and the amendment has no impact on the financial statements.

Change in the presentation of indirect fees earned on Danish mortgage loans

The Group's Danish mortgage loans are granted through Realkredit Danmark and funded by issued listed mortgage bonds with matching terms, both measured at fair value through profit or loss. When customers are granted, refinance or prepay such loans, the Group earns direct fees as well as indirect fees with the latter being charged as a discount or premium to the quoted price on the bonds funding the specific loan. In the income statement, the indirect fees are now included within Fee income to align with the presentation of the direct fees. Previously, the indirect fees were included within Net trading income or loss. The change in presentation has increased Fee income and decreased Net trading income or loss by DKK 327 million in the first half of 2021. Comparative information has been restated, leading to a reclassification to Fee income from Net trading income or loss of DKK 364 million in the first half of 2020 and DKK 590 million for full year 2020.

Notes – Danske Bank Group

G2. Changes in accounting policies, financial highlights and segment reporting continued

(b) Changes in financial highlights and segment reporting

From 1 January 2021, the presentation in the financial highlights and segment reporting has been changed to reflect the new organisation that was announced on 25 August 2020, see note G3 for further information on the new organisation.

In the financial highlights, earnings in the business unit Danica Pension is from 1 January 2021 presented as Net income from insurance business due to Danica Pension being a separate business unit. This increases transparency and simplicity in the income statement part of the financial highlights, as Danica Pension's business model is very different from the business model of the other commercial activities within the Group. A description of the previous presentation of Danica Pension in the financial highlights can be found on page 89 in Annual Report 2020. The financial highlights 2020 are further restated to reflect the change in the presentation of indirect fees earned on Danish mortgage loans, see section (a) of this note.

The table below shows the impact on the financial highlights for the first half of 2020. The change in the presentation of Danica Pension does not affect the presentation in the IFRS income statement. Note G3 shows the segment reporting for the new business segments.

Financial highlights - first half 2020

		Changed presentation		
(DKK millions)	Financial highlights first half 2020	Danica Pension	Indirect fees, Danish mortgage loans	Adjusted financial highlights
Net interest income	10,989	138		11,127
Net fee income	7,311	-1,720	364	5,956
Net trading income or loss	2,300	-39	-364	1,897
Net income from insurance business	-	897		897
Other income	280	29		309
Total income	20,880	-695		20,185
Operating expenses	13,717	-695		13,022
Profit before loan impairment charges	7,163	-		7,163
Loan impairment charges	5,269			5,269
Profit before tax, core	1,894	-		1,894
Profit before tax, non-core	-446			-446
Profit before tax	**1,449**	**-**		**1,449**

Further, a portfolio of unit-linked contracts of DKK 31 billion was reclassified from investment contracts to insurance contracts in Annual Report 2020. The comparative information in the balance sheet at 30 June 2020 has been restated.

Notes – Danske Bank Group

G3. Business segments

(a) Business model and business segmentation

From 1 January 2021, the presentation in the financial highlights and segment reporting has been changed to reflect the new organisation that was announced on 25 August 2020. The aim of the redesigned organisation is to reduce complexity, increase efficiency and become even more competitive for our customers. The Group's commercial activities is organised in four reporting business units:

- Personal & Business Customers, which serves personal customers and small and medium-sized business customers across all Nordic markets
- Large Corporates & Institutions, which serves large corporates and institutional customers across all Nordic markets
- Danica Pension
- Northern Ireland

Besides the four commercial business units, the Group's reportable segments under IFRS 8 continue to include Non-core and Group functions (previously called 'Other activities'). The comparative information has been restated to reflect the new organisation.

Business segments first half 2021

(DKK millions)	Personal & Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	7,766	2,392	-	662	-	147	-2	10,965	2,652	13,617
Net fee income	3,267	3,220	-	129	-	40	-62	6,595	-599	5,996
Net trading income	312	1,852	-	-	-	219	-93	2,291	16,581	18,873
Net income from insurance business	-	-	982	-	-	-	-	982	-982	-
Other income	412	2	-	6	-	1,031	-994	457	2,415	2,873
Net premiums	-	-	-	-	-	-	-	-	17,710	17,710
Net insurance benefits	-	-	-	-	-	-	-	-	35,292	35,292
Total income	11,757	7,466	982	798	-	1,437	-1,150	21,291	2,486	23,776
Operating expenses	7,288	3,751	-	570	-	1,252	-91	12,770	2,540	15,310
Profit before loan impairment charges	4,469	3,715	982	228	-	186	-1,059	8,521	-54	8,466
Loan impairment charges	550	252	-	-65	-	-	-	737	-72	666
Profit before tax, core	3,919	3,463	982	293	-	186	-1,059	7,783	17	7,801
Profit before tax, Non-core	-	-	-	-	17	-	-	17	-17	-
Profit before tax	**3,919**	**3,463**	**982**	**293**	**17**	**186**	**-1,059**	**7,801**	**-**	**7,801**
Loans, excluding reverse transactions	1,514,509	236,226	-	57,453	-	33,103	-31,487	1,809,805	1,682	1,811,487
Other assets	537,271	3,276,196	641,751	61,070	-	4,096,125	-6,448,969	2,163,445	101	2,163,546
Total assets in Non-core	-	-	-	-	1,783	-	-	1,783	-1,783	-
Total assets	**2,051,781**	**3,512,423**	**641,751**	**118,523**	**1,783**	**4,129,228**	**-6,480,457**	**3,975,032**	**-**	**3,975,032**
Deposits, excluding repo deposits	702,466	403,958	-	99,772	-	1,676	-9,962	1,197,910	2,169	1,200,079
Other liabilities	1,274,535	3,064,275	628,501	12,019	-	4,101,170	-6,470,495	2,610,005	335	2,610,340
Allocated capital	74,780	44,190	13,250	6,732	-	25,661	-	164,613	-	164,613
Total liabilities in Non-core	-	-	-	-	2,504	-	-	2,504	-2,504	-
Total liabilities and equity	**2,051,781**	**3,512,423**	**641,751**	**118,523**	**2,504**	**4,128,507**	**-6,480,457**	**3,975,032**	**-**	**3,975,032**
Profit before tax as % p.a. of allocated capital (avg.)	10.6	15.5	14.6	8.9	-	0.6	-	8.0	-	8.0
Cost/income ratio (%)	62.0	50.2	-	71.4	-	87.1	-	60.0	-	64.4
Full-time-equivalent staff, end of period	6,826	2,565	859	1,324	25	10,327	-	21,926	-	21,926

Notes – Danske Bank Group

G3. Business segments continued

Business segments first half 2020

(DKK millions)	Personal & Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights[1]	Reclassification[1]	IFRS financial statements[2]
Net interest income	8,029	2,448	-	703	-	-52	-1	11,127	2,717	13,844
Net fee income[2]	3,273	2,570	-	133	-	-22	1	5,956	-427	5,529
Net trading income[2]	285	1,635	-	78	-	-223	122	1,897	-5,229	-3,333
Net income from insurance business	-	-	897	-	-	-	-	897	-897	-
Other income	362	7	-	8	-	202	-271	309	1,462	1,771
Net premiums	-	-	-	-	-	-	-	-	14,444	14,444
Net insurance benefits	-	-	-	-	-	-	-	-	9,506	9,506
Total income	11,949	6,661	897	923	-	-95	-150	20,185	2,565	22,750
Operating expenses	7,561	3,692	-	595	-	1,257	-83	13,022	2,836	15,858
Profit before loan impairment charges	4,388	2,969	897	327	-	-1,352	-67	7,163	-271	6,892
Loan impairment charges	1,470	3,517	-	252	-	30	-	5,269	175	5,443
Profit before tax, core	2,919	-548	897	76	-	-1,383	-67	1,894	-446	1,449
Profit before tax, Non-core	-	-	-	-	-446	-	-	-446	446	-
Profit before tax	**2,919**	**-548**	**897**	**76**	**-446**	**-1,383**	**-67**	**1,449**	**-**	**1,449**
Loans, excluding reverse transactions	1,488,371	281,352	-	50,212	-	35,783	-33,172	1,822,545	2,249	1,824,793
Other assets	482,212	3,775,108	664,978	41,799	-	3,610,633	-6,340,488	2,234,244	2,566	2,236,810
Total assets in Non-core	-	-	-	-	4,815	-	-	4,815	-4,815	-
Total assets	**1,970,582**	**4,056,460**	**664,978**	**92,011**	**4,815**	**3,646,416**	**-6,373,660**	**4,061,603**	**-**	**4,061,603**
Deposits, excluding repo deposits	649,160	376,027	-	75,467	-	1,408	-9,328	1,092,735	1,751	1,094,486
Other liabilities	1,250,873	3,631,862	651,312	10,158	-	3,630,356	-6,364,332	2,810,229	961	2,811,190
Allocated capital	70,550	48,570	13,666	6,386	-	16,755	-	155,927	-	155,927
Total liabilities in Non-core	-	-	-	-	2,712	-	-	2,712	-2,712	-
Total liabilities and equity	**1,970,582**	**4,056,460**	**664,978**	**92,011**	**2,712**	**3,648,519**	**-6,373,660**	**4,061,603**	**-**	**4,061,603**
Profit before tax as % p.a. of allocated capital (avg.)	8.4	-2.4	13.5	2.4	-	-10.6	-	1.9	-	1.9
Cost/income ratio (%)	63.3	55.4	-	64.5	-	-	-	64.5	-	69.7
Full-time-equivalent staff, end of period	6,795	2,528	793	1,365	64	10,645	-	22,191	-	22,191

[1] Comparative information has been restated, as described in the section 'Changes in financial highlights and segment reporting' of note G2(b).

[2] Comparative information has been restated, as described in the section 'Changes in accounting policies' of note G2(a).

Notes – Danske Bank Group

G3. 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 disclosed on page 89 in Annual Report 2020, however, with the presentation of earnings from Danica Pension being changed from 1 January 2021, see note G2(b) of this report for an explanation. The decomposition of the reclassification between the IFRS income statement and Financial highlights is shown in the tables below.

Reclassification first half 2021

(DKK millions)	IFRS financial statements	Operating leases and impairment charges	Markets, Investment Banking & Securities and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	13,617	-	-1,005	-1,637	-10	-2,652	10,965
Net fee income	5,996	-	45	555	-1	599	6,595
Net trading income	18,873	-	960	-17,541	-	-16,581	2,291
Net income from insurance business	-	-	-	982	-	982	982
Other income	2,873	-1,852	-	-574	11	-2,415	457
Net premiums	17,710	-	-	-17,710	-	-17,710	-
Net insurance benefits	35,292	-	-	-35,292	-	-35,292	-
Total income	23,776	-1,852	-	-634	-	-2,486	21,291
Operating expenses	15,310	-1,852	-	-634	-54	-2,540	12,770
Profit before loan impairment charges	8,466	-	-	-	54	54	8,521
Loan impairment charges	666	-	-	-	72	72	737
Profit before tax, core	7,801	-	-	-	-17	-17	7,783
Profit before tax, Non-core	-	-	-	-	17	17	17
Profit before tax	**7,801**	**-**	**-**	**-**	**-**	**-**	**7,801**

Reclassification first half 2020

(DKK millions)	IFRS financial statements[1]	Operating leases and impairment charges	Markets, Investment Banking & Securities and Group Treasury	Danica Pension[2]	Non-core	Total reclassification[2]	Financial highlights[2]
Net interest income	13,844	-	-1,126	-1,562	-30	-2,717	11,127
Net fee income	5,529	-	-18	448	-3	427	5,956
Net trading income	-3,333	-	1,092	4,081	56	5,229	1,897
Net income from insurance business	-	-	-	897	-	897	897
Other income	1,771	-2,042	51	447	83	-1,462	309
Net premiums	14,444	-	-	-14,444	-	-14,444	-
Net insurance benefits	9,506	-	-	-9,506	-	-9,506	-
Total income	22,750	-2,042	-	-628	106	-2,565	20,185
Operating expenses	15,858	-2,042	-	-628	-165	-2,836	13,022
Profit before loan impairment charges	6,892	-	-	-	271	271	7,163
Loan impairment charges	5,443	-	-	-	-175	-175	5,269
Profit before tax, core	1,449	-	-	-	446	446	1,894
Profit before tax, Non-core	-	-	-	-	-446	-446	-446
Profit before tax	**1,449**	**-**	**-**	**-**	**-**	**-**	**1,449**

[1] Comparative information has been restated, as described in the section 'Changes in accounting policies' of note G2(a).

[2] Comparative information has been restated, as described in the section 'Changes in financial highlights and segment reporting' of note G2(b).

Notes – Danske Bank Group

G4. Income

(a) Interest income and interest expense

Negative interest income during the period ending June 2021 amounted to DKK 812 million (30 June 2020: DKK 1,040 million). Negative interest expenses amounted to DKK 1,712 million (30 June 2020: DKK 1,324 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

(b) Fee income

Note G6 of the Annual Report 2020 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Fee income first half 2021

(DKK millions)	Financial highlights - net fee income	Reclassifica-tions	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	2,629	-192	2,436	2,262	4,698
Money transfers, account fee, cash management and other fees	1,563	-10	1,553	646	2,199
Lending and Guarantees	1,352	372	1,723	147	1,870
Capital markets	1,051	-768	284	-	284
Total	**6,595**	**-599**	**5,996**	**3,055**	**9,051**

Fee income first half 2020

(DKK millions)	Financial highlights - net fee income[1]	Reclassifica-tions[1]	IFRS - net fee income[2]	Fee expense	IFRS - gross fee income[2]
Investment	2,554	-145	2,409	1,842	4,251
Money transfers, account fee, cash management and other fees	1,349	-37	1,312	606	1,917
Lending and Guarantees	1,409	267	1,676	124	1,800
Capital markets	644	-512	132	-	132
Total	**5,956**	**-427**	**5,529**	**2,572**	**8,100**

[1] Comparative information has been restated, as described in the section 'Changes in financial highlights and segment reporting' of note G2(b).

[2] Comparative information has been restated, as described in the section 'Changes in accounting policies' of note G2(a).

(c) Other income

Other income amounted to DKK 2,873 million for the six months ending 30 June 2021 (30 June 2020: DKK 1,771 million). Other income includes primarily income from lease assets, investment property and real estate brokerage. Further, it includes the line items Gain and loss on sale of disposal groups and Income from holdings in associates that were presented separately on the face of the income statement in Annual Report 2020.

Notes – Danske Bank Group

G5. Loan impairment charges and reconciliation of total allowance account

Loan impairment charges include impairment charges for expected credit losses on loans, lease receivables, bonds at amortised cost and fair value through other comprehensive income, certain loan commitments and financial guarantee contracts as well as fair value adjustments of the credit risk on loans measured at fair value.

Loan impairment charges

(DKK millions)	30 June 2021	30 June 2020
ECL on new assets	2,569	3,239
ECL on assets derecognised	-4,779	-2,631
Impact of net remeasurement of ECL (incl. changes in models)	1,464	4,478
Write-offs charged directly to income statement	1,662	747
Received on claims previously written off	-133	-246
Interest income, effective interest method	-118	-143
Total	**666**	**5,443**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2020	1,316	5,963	14,033	21,313
Transferred to stage 1 during the period	1,065	-1,007	-57	-
Transferred to stage 2 during the period	-119	757	-639	-
Transferred to stage 3 during the period	-22	-1,002	1,024	-
ECL on new assets	543	1,862	2,246	4,651
ECL on assets derecognised	-292	-1,328	-3,641	-5,260
Impact of net remeasurement of ECL (incl. changes in models)	-194	2,282	2,277	4,366
Write-offs debited to the allowance account	-1	-6	-1,070	-1,077
Foreign exchange adjustments	-22	-7	-467	-496
Other changes	-8	-56	-90	-154
ECL allowance account as at 31 December 2020	**2,267**	**7,459**	**13,617**	**23,342**
Transferred to stage 1 during the period	1,177	-1,087	-90	-
Transferred to stage 2 during the period	-122	427	-305	-
Transferred to stage 3 during the period	-122	-732	854	-
ECL on new assets	285	769	1,515	2,569
ECL on assets derecognised	-372	-1,046	-3,361	-4,779
Impact of net remeasurement of ECL (incl. changes in models)	-890	1,196	1,158	1,464
Write-offs debited to the allowance account	3	6	416	425
Foreign exchange adjustments	15	35	165	215
Other changes	-54	-5	12	-46
ECL allowance account as at 30 June 2021	**2,187**	**7,022**	**13,982**	**23,191**

The movements on the allowance account are determined by comparing the classification and amount in the balance sheet at the beginning and the end of the period. For further information on the decomposition of the allowance account on facilities in stages 1-3 under IFRS 9, see the notes on credit risk.

Notes – Danske Bank Group

G6. Issued bonds, subordinated debt and additional tier 1 capital

Issued bonds at fair value

(DKK millions)	30 June 2021	31 December 2020
Bonds issued by Realkredit Danmark (covered bonds)	760,452	775,844
Commercial papers and certificates of deposits	10,201	8,183
Issued bonds at fair value, total	**770,654**	**784,027**

Issued bonds at amortised cost

(DKK millions)	30 June 2021	31 December 2020
Commercial papers and certificates of deposits	9,525	14,184
Preferred senior bonds	49,293	61,344
Covered bonds	157,828	170,044
Issued bonds at amortised cost, total	**216,646**	**245,573**
Non-preferred senior bonds	**111,275**	**106,371**

Further information on issued bonds at fair value through profit or loss can be found in note G16 of the Annual Report 2020. The issuance and redemption of bonds (including commercial papers and certificates of deposits at fair value) during the year are presented in the tables below.

Nominal value (DKK millions)	1 January 2021	Issued	Redeemed	Foreign currency translation	30 June 2021
Commercial papers and certificate of deposits	22,515	19,292	25,889	486	16,404
Preferred senior bonds	63,352	1,985	16,212	863	49,159
Covered bonds	168,445	18,090	24,209	-3,407	158,919
Non-preferred senior bonds	105,028	3,718	-	2,277	111,024
Other issued bonds	**359,340**	**43,086**	**66,310**	**219**	**335,507**

Nominal value (DKK millions)	1 January 2020	Issued	Redeemed	Foreign currency translation	31 December 2020
Commercial papers and certificate of deposits	10,821	42,906	30,474	-738	22,515
Preferred senior bonds	75,280	19,920	28,411	-3,437	63,352
Covered bonds	176,489	31,420	38,780	-684	168,445
Non-preferred senior bonds	86,891	23,706	-	-5,569	105,028
Other issued bonds	**349,481**	**117,952**	**97,665**	**-10,428**	**359,340**

Subordinated debt and additional tier 1 capital

As at 30 June 2021, the nominal value of subordinated debt, including liability accounted additional tier 1 capital, amounted to DKK 38,982 million (31 December 2020: DKK 32,137 million) and the nominal value of equity accounted additional tier 1 capital to DKK 8,577 million (31 December 2020: DKK 8,579 million). During the six months ended 30 June 2021, the Group issued DKK 10,067 million of tier 2 capital and liability accounted additional tier 1 capital and redeemed DKK 3,672 million of tier 2 capital. During 2020, the Group redeemed EUR 750 million (DKK 5,600 million) of additional tier 1 capital accounted for as equity and issued DKK 3,721 million and redeemed DKK 2,180 million of tier 2 capital.

For the additional tier 1 capital, 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 5.4.3 of Risk Management 2020 for further information). As at 30 June 2021, distributable items for Danske Bank A/S amounted to DKK 128.9 billion (31 December 2020: DKK 123.9 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. As at 30 June 2021 the common equity tier 1 capital ratio was 20.7% (31 December 2020: 21.0%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

G7. Other assets and Other liabilities

Other assets amounted to DKK 33,907 million (31 December 2020: DKK 36,964 million), including accrued interest and commission due of DKK 3,531 million (31 December 2020: DKK 3,607 million), holdings in associates of DKK 199 million (31 December 2020: DKK 209 million), investment property of DKK 2,397 million (31 December 2020: DKK 2,256 million), tangible assets of DKK 8,666 million (31 December 2020: DKK 8,547 million) and right-of-use lease assets of DKK 4,326 million (31 December 2020: DKK 4,819 million), consisting of domicile property of DKK 3,498 million (31 December 2020: DKK 3,938 million) and other tangible assets of DKK 828 million (31 December 2020: DKK 881 million). Further, it includes assets held for sale as defined in IFRS 5 consisting of loans held for sale of DKK 0 million (31 December 2020: DKK 416 million) and other assets held for sale of DKK 252 million (31 December 2020: DKK 293 million).

Other liabilities amounted to DKK 46,187 million (31 December 2020: DKK 51,291 million), including accrued interest and commissions due of DKK 4,425 million (31 December 2020: DKK 6,676 million), lease liabilities of DKK 4,292 million (31 December 2020: 4,761 million), other staff commitments of DKK 1,878 million (31 December 2020: DKK 3,022 million). Further, other liabilities include provisions for customer remediation of DKK 727 million (31 December 2020: DKK 804 million), provisions for restructuring costs of DKK 516 million (31 December 2020: DKK 830 million) and the provision of DKK 1.5 billion (31 December 2020: DKK 1.5 billion) for the donation of the estimated gross income from the non-resident portfolio at the Estonian branch. Any confiscated or disgorged gross income will be deducted from the donation.

G8. Foreign currency translation reserve

The Group has granted loans to its branches in Sweden, Norway and Finland in the currency of the foreign unit for a total of DKK 35,591 million (31 December 2020: DKK 34,612 million). The loans are part of the net investment in those units and the foreign currency gains/losses on these loans are recognised in Other comprehensive income. The funding of the loans is partly done in DKK in order to create a so-called structural FX hedge position in accordance with banking regulations, i.e. to reduce the impact on capital ratios resulting from changes in the risk exposure amount due to changes in currency rates. With effect from 1 January 2021, the Group's net investment in its subsidiaries Danske Hypotek AB (Sweden) and Danske Mortgage Bank Plc (Finland) has been included in the structural FX hedge position to extend the hedge to the risk exposure amount measured by currency for EUR, NOK and SEK across the entire Group balance sheet, although with constraints to the size of the loans to the foreign branches and the net investments in the foreign subsidiaries. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decreases the hedge of the currency risk on the net investments in those units. As at 30 June 2021, the structural FX hedge position totalled DKK 39,748 million (31 December 2020: DKK 31,625 million) and a gain of DKK 324 million has been recognised in Other comprehensive income during the first half of 2021, primarily due to appreciation of NOK against DKK throughout the first half of 2021. During the first half of 2020, a loss of DKK 1,198 million related to the structural FX hedge position was recognised in Other comprehensive income due to a significant weakening of NOK against DKK throughout the first half of 2020.

Notes – Danske Bank Group

G9. Guarantees, commitments and 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.

(a) Guarantees (DKK millions)	30 June 2021	31 December 2020
Financial guarantees	5,963	6,708
Other guarantees	73,789	65,108
Total	**79,753**	**71,816**

(b) Commitments (DKK millions)	30 June 2021	31 December 2020
Loan commitments shorter than 1 year	269,985	276,413
Loan commitments longer than 1 year	195,961	198,830
Other unutilised commitments	17,765	18,995
Total	**483,711**	**494,239**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 253 billion (31 December 2020: DKK 242 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

(c) Regulatory and legal proceedings

Estonia matter

Danske Bank remains in dialogue with various authorities regarding the terminated non-resident portfolio at the Bank's Estonian branch. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the United States. The Bank continues to cooperate with all authorities.

In 2018, the Estonian Office of the Prosecutor General opened a criminal investigation into former employees of the Estonian branch.

In November 2018, Danske Bank was preliminary charged by the Danish State Prosecutor for Serious Economic and International Crime ("SØIK") with violating the Danish AML Act on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016. In October 2020, SØIK added violation of the Danish Financial Business Act for governance and control failures in the period from 1 February 2007 to the end of 2017 to the preliminary charges.

In February 2019, Danske Bank was placed under formal investigation by an investigating judge of the Tribunal de Grande Instance de Paris in the context of an on-going French criminal investigation and on the grounds of money laundering suspicions relating to certain transactions in the terminated portfolio of non-resident customers of the Bank's Estonian branch, amounting to around DKK 160 million and performed between 2007 and 2014. The Bank has posted bail in the amount of DKK 80 million.

In December 2020, Danske Bank was informed by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") that it had decided to close its investigation of Danske Bank in relation to the Estonia case with no action. OFAC is the U.S. authority responsible for civil enforcement of U.S. sanctions. The decision does not preclude OFAC from taking future enforcement action should new or additional information warrant renewed attention.

The Bank is reporting to, responding to and cooperating with various authorities, including SØIK, the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), relating to the Bank's Estonian branch. The internal investigation work planned by the Bank was completed and the findings were reported to relevant authorities in 2020. The Bank continues to fully cooperate and will provide the authorities with further information if and when requested. The overall timing of the authorities' investigations remains unknown and is not within the Bank's control. It is not yet possible to reliably estimate the timing, form of resolution, or amount of potential settlement or fines, which could be material.

Based on orders from the Danish FSA, Danske Bank's solvency need has been increased in 2018 by a Pillar II add-on of in total DKK 10 billion to ensure adequate capital coverage of the increased compliance and reputational risks in relation to the Estonian AML matter.

On 9 January 2019, an action was filed in the United States District Court for the Southern District of New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against the Bank and certain of its officers and former officers and/or directors. The complaint alleges that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 by, among other things, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters.

Notes – Danske Bank Group

G9. Guarantees, commitments and contingent liabilities continued

The complaint seeks unspecified damages on behalf of a putative class of purchasers of the Bank's American Depositary Receipts between 9 January 2014 and 29 April 2019. On 24 August 2020, the Court granted the motion and dismissed all claims against the Bank on three independent grounds. On 23 September 2020, the plaintiffs filed an appeal of this ruling to the Second Circuit. The Bank has opposed that appeal, and a decision is expected in the second half of 2021.The Bank intends to defend itself against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

On 3 March 2019, a court case was initiated against Danske Bank and Thomas F. Borgen for approval of a class action led by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 21 January 2021, the court dismissed the case because it did not fulfil the criteria for being approved as a class action. The association has appealed this decision. The appeal will not be decided until Q3 2021 at the earliest. In March 2019, October 2019, January 2020, March 2020, September 2020, and February 2021 a total of 320 separate cases were initiated and are still ongoing against the Bank with a total claim amount of approximately DKK 7.9 billion. On 27 December 2019 and 4 September 2020, two separate claims were filed by 93 investors against the Bank with a total claim amount of approximately DKK 1.7 billion. On 2 September 2020, 20 separate claims were filed by 20 investors against the Bank with a total claim amount of approximately DKK 1.1 billion. On 18 September 2020, a separate claim was filed by 201 investors against the Bank with a total claim amount of approximately DKK 2.1 billion. On 18 September 2020, one case was filed against the Bank and Thomas F. Borgen by two investors with a total claim amount of DKK 10 million. These court actions relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and/or alleged failure to timely inform the market of such violations (and in one claim, also market manipulation). Of the 320 cases filed in the period from March 2019 to February 2021, 200 have been referred to the Eastern High Court. On 29 June 2021, the Supreme Court denied the Bank's request for referral of the remaining cases, which are now stayed before the Copenhagen City Court. The Bank is defending itself against these claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

On 20 February 2020 and 12 March 2021, two cases were initiated against Thomas F. Borgen by 76 institutional investors, and funded by the litigation funder Deminor Recovery Services. The total claim amount is approximately DKK 3.2 billion. Danske Bank has received procedural notifications in respect of both cases. Under Danish law, the purpose of a procedural notification is to make a formal reservation of rights to bring a potential claim against the notified party in the future. The main hearing is scheduled to be held in September 2021.

Other

Owing to its business volume, Danske Bank is continually a party to various other lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA and the Danish Tax Agency on other matters. In general, Danske Bank does not expect the outcomes of any of these other pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. Provisions for litigations are included in Other liabilities, see note G7.

(d) Further explanation

A limited number of employees are employed under terms which, if they are dismissed before reaching their normal retirement age, grant them 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 Danish 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. The first contribution to the Danish Resolution Fund was made in December 2015. 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 contribution to the Danish Resolution Fund is recognised 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. In addition, 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 Danish 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 Danish Restructuring Fund may not exceed 0.2% of its covered deposits.

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

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

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

Notes – Danske Bank Group

G10. Assets provided or received as collateral

As at 30 June 2021, the Group had deposited securities (including bonds issued by the Group) worth DKK 32.8 billion as collateral with Danish and international clearing centres and other institutions (31 December 2020: DKK 36.7 billion).

As at 30 June 2021, the Group had provided cash and securities (including bonds issued by the Group) worth DKK 68.9 billion as collateral for derivatives transactions (31 December 2020: DKK 104.0 billion).

As at 30 June 2021, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts and unit-linked investment contracts worth DKK 487.9 billion (31 December 2020: DKK 473.5 billion) as collateral for policyholders' savings of DKK 472.4 billion (31 December 2020: DKK 458.1 billion).

As at 30 June 2021, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 813.1 billion (31 December 2020: DKK 827.1 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 324.6 billion (31 December 2020: DKK 326.5 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

The table below shows assets provided as collateral for liabilities or contingent liabilities. Assets provided as collateral under repo transactions are shown separately whereas the types explained above are included in the column 'Other'.

	30 June 2021			31 December 2020		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	26,112	26,112	-	28,886	28,886
Trading and investment securities	273,675	70,899	344,574	237,453	80,062	317,515
Loans at fair value	-	802,966	802,966	-	816,284	816,284
Loans at amortised cost	-	333,750	333,750	-	360,511	360,511
Assets under insurance contracts and unit-linked investment contracts	-	408,868	408,868	-	370,176	370,176
Other assets	-	43	43	-	52	52
Total	273,675	1,642,637	1,916,312	237,453	1,655,971	1,893,424
Own issued bonds	26,509	83,533	110,042	19,556	93,992	113,548
Total, including own issued bonds	**300,184**	**1,726,170**	**2,026,354**	**257,009**	**1,749,963**	**2,006,972**

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 273.7 billion as at 30 June 2021 (31 December 2020: DKK 237.5 billion).

As at 30 June 2021, the Group had received securities worth DKK 274.2 billion (31 December 2020: DKK 309.8 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. As at 30 June 2021, the Group had sold securities or provided securities as collateral worth DKK 131.3 billion (31 December 2020: DKK 132.3 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 of the Annual Report 2020 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

G11. Fair value information for financial instruments

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

	30 June 2021		31 December 2020	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	313,404	-	320,702
Due from credit institutions and central banks	39,034	28,782	52,402	29,026
Trading portfolio assets	612,529	-	682,948	-
Investment securities	165,715	139,097	165,141	131,628
Loans at amortised cost	-	1,009,879	-	1,024,607
Loans at fair value	998,819	-	1,023,323	-
Assets under pooled schemes and unit-linked investment contracts	89,293	-	82,795	-
Assets under insurance contracts	504,220	-	521,245	-
Loans held for sale	-	-	-	416
Total	**2,409,611**	**1,491,162**	**2,527,854**	**1,506,379**
Financial liabilities				
Due to credit institutions and central banks	122,119	93,147	92,873	118,309
Trading portfolio liabilities	373,366	-	499,334	-
Deposits	173,310	1,190,499	150,844	1,182,937
Issued bonds at fair value	770,654	-	784,027	-
Issued bonds at amortised cost	-	216,646	-	245,573
Deposits under pooled schemes and unit-linked investment contracts	90,017	-	82,905	-
Liabilities in disposal groups held for sale	-	-	-	47
Non-preferred senior bonds	-	111,275	-	106,371
Subordinated debt	-	38,836	-	32,337
Loan commitments and guarantees	-	2,582	-	2,724
Total	**1,529,466**	**1,652,985**	**1,609,983**	**1,688,298**

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 trading portfolio liabilities, all other financial liabilities are measured at fair value through profit or loss using the fair value option.

Financial instruments at fair value

Note G33(a) of the Annual Report 2020 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 G33(b) in Annual Report 2020 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. No significant change to this difference has occurred during the first six months of 2021.

Notes – Danske Bank Group

G11. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 June 2021				
Financial assets				
Due from credit institutions and central banks	-	39,034	-	39,034
Derivatives	4,091	264,256	2,308	270,655
Trading portfolio bonds	313,116	12,415	-	325,531
Trading portfolio shares	16,276	-	68	16,344
Investment securities, bonds	149,625	15,127	-	164,752
Investment securities, shares	-	-	963	963
Loans at fair value	-	998,819	-	998,819
Assets under pooled schemes and unit-linked investment contracts	89,293	-	-	89,293
Assets under insurance contracts, bonds	182,300	19,579	6,908	208,787
Assets under insurance contracts, shares	143,652	4,733	39,339	187,724
Assets under insurance contracts, derivatives	-	105,332	2,377	107,709
Total	**898,353**	**1,459,295**	**51,963**	**2,409,611**
Financial liabilities				
Due to credit institutions and central banks	-	122,119	-	122,119
Derivatives	3,613	235,543	2,941	242,097
Obligations to repurchase securities	129,604	1,630	36	131,270
Deposits	-	173,310	-	173,310
Issued bonds at fair value	770,654	-	-	770,654
Deposits under pooled schemes and unit-linked investment contracts	-	90,017	-	90,017
Total	**903,871**	**622,619**	**2,977**	**1,529,466**

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2020				
Financial assets				
Due from credit institutions and central banks	-	52,402	-	52,402
Derivatives	2,021	373,998	3,547	379,566
Trading portfolio bonds	275,717	11,296	-	287,013
Trading portfolio shares	15,595	-	775	16,370
Investment securities, bonds	144,208	20,598	-	164,806
Investment securities, shares	-	-	335	335
Loans at fair value	-	1,023,323	-	1,023,323
Assets under pooled schemes and unit-linked investment contracts	82,795	-	-	82,795
Assets under insurance contracts, bonds	189,486	25,198	7,438	222,122
Assets under insurance contracts, shares	120,021	2,122	35,026	157,169
Assets under insurance contracts, derivatives	-	138,734	3,220	141,954
Total	**829,843**	**1,647,670**	**50,341**	**2,527,854**
Financial liabilities				
Due to credit institutions and central banks	-	92,873	-	92,873
Derivatives	1,620	361,681	3,684	366,985
Obligations to repurchase securities	131,193	1,048	108	132,349
Deposits	-	150,844	-	150,844
Issued bonds at fair value	784,027	-	-	784,027
Deposits under pooled schemes and unit-linked investment contracts	-	82,905	-	82,905
Total	**916,840**	**689,351**	**3,792**	**1,609,983**

Notes – Danske Bank Group

G11. Fair value information for financial instruments continued

Financial instruments valued on the basis of non-observable input

The tables below shows financial instruments valued on the basis of non-observable input.

		Sensitivity (change in fair value)		Gains/losses for the period	
(DKK millions)	Carrying amount	Increase	Decrease	Realised	Unrealised
30 June 2021					
Unlisted shares					
allocated to insurance contract policyholders	39,339	-	-	799	4,109
other	995	100	100	-73	3
Illiquid bonds	6,908	111	111	10	82
Derivatives, net fair value	1,744	-	-	-	-1,301
31 December 2020					
Unlisted shares					
allocated to insurance contract policyholders	35,026	-	-	411	-1,276
other	1,002	100	100	200	-39
Illiquid bonds	7,438	106	106	235	-236
Derivatives, net fair value	3,083	-	-	-	489

For unlisted shares allocated to insurance contract policyholders, the policyholders assume most of the risk on the shares. Therefore, changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The Group's remaining portfolio of unlisted shares consists primarily of banking-related investments and holdings in private equity funds. The sensitivity of the fair value measurement to changes in the unobservable input disclosed in the table is calculated as a 10% increase or 10 % decrease in fair value. Under 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. The unrealised adjustments in the six month period ended 30 June 2021 were attributable to various unlisted shares.

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. In the table, the sensitivity of the fair value measurement to changes in non-observable input is calculated as a 50bps widening or narrowing of the credit spread.

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

Reconciliation from beginning to end of period	30 June 2021			31 December 2020		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	36,028	7,438	3,083	41,223	4,099	2,480
Value adjustment through profit or loss	4,838	92	-1,301	-704	-1	489
Acquisitions	5,260	631	-150	7,198	4,076	-274
Sale and redemption	-5,533	-1,253	436	-9,620	-1,572	-522
Transferred from quoted prices and observable input	-	-	-27	-511	836	1,618
Transferred to quoted prices and observable input	-259	-	-297	-1,558	-	-708
Fair value end of period	**40,334**	**6,908**	**1,744**	**36,028**	**7,438**	**3,083**

The value adjustment through profit or loss is recognised under Net trading income or loss. The transfer of derivatives to the Observable input category consists primarily of maturity reductions, implying that the yield curves have become observable.

Notes – Danske Bank Group

G12. Group holdings and undertakings

(a) Disposal of MobilePay A/S in exchange for an interest in Vipps AS

In June 2021, Danske Bank entered into an agreement with OP Financial Group in Finland and the consortium of banks behind Vipps in Norway to merge the three mobile payment providers MobilePay, Vipps and Pivo into one comprehensive digital wallet serving 11 million users and over 330,000 shops and web shops.

The merger is expected to result in a one-off gain for Danske Bank of approximately DKK 400 – 500 million once it is approved by the relevant authorities. Final approval is expected in the second half of 2021 or in early 2022. After the merger, Danske Bank will own 25% of the new parent company, Vipps AS.

G13. Events after the reporting date

On 1 July 2021, Danske Bank entered into a binding contract for the sale of the business activities of Danske Bank International in Luxembourg to Union Bancaire Privée SA, which includes loans and deposits with a book value of DKK 6 billion and DKK 7 billion, respectively. The sale is conditional on approval by the relevant authorities. Final approval is expected in the second half of 2021. Once the relevant authorities have approved the deal, the expected net gain from the sale of approximately DKK 250 million will be recognised, and the loans and deposits will be derecognised.

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2020 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions) 30 June 2021	Total	Lending activities Core	Lending activities Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	307.3	307.3	-	-	-	-
Due from credit institutions and central banks	67.8	28.8	-	39.0	-	-
Trading portfolio assets	612.5	-	-	270.7	341.9	-
Investment securities	304.8	-	-	-	304.8	-
Loans at amortised cost	1,009.9	1,008.2	1.7	-	-	-
Loans at fair value	998.8	803.0	-	195.9	-	-
Assets under pooled schemes and unit-linked investment contracts	89.3	-	-	-	-	89.3
Assets under insurance contracts	532.2	-	-	-	-	532.2
Loans held for sale	-	-	-	-	-	-
Off-balance-sheet items						
Guarantees	79.8	79.8	-	-	-	-
Loan commitments shorter than 1 year	270.0	268.4	1.6	-	-	-
Loan commitments longer than 1 year	196.0	196.0	-	-	-	-
Other unutilised commitments	17.8	-	-	-	0.2	17.6
Total	**4,486.1**	**2,691.4**	**3.3**	**505.5**	**646.8**	**639.1**
31 December 2020						
Balance sheet items						
Demand deposits with central banks	314.6	314.6	-	-	-	-
Due from credit institutions and central banks	81.4	28.9	0.1	52.4	-	-
Trading portfolio assets	682.9	-	-	379.6	303.4	-
Investment securities	296.8	-	-	-	296.8	-
Loans at amortised cost	1,024.6	1,022.7	1.9	-	-	-
Loans at fair value	1,023.3	816.3	-	207.0	-	-
Assets under pooled schemes and unit-linked investment contracts	82.8	-	-	-	-	82.8
Assets under insurance contracts	545.7	-	-	-	-	545.7
Loans held for sale	0.4	-	0.4	-	-	-
Off-balance-sheet items						
Guarantees	71.8	71.7	0.2	-	-	-
Loan commitments shorter than 1 year	276.4	274.9	1.5	-	-	-
Loan commitments longer than 1 year	198.8	198.8	-	-	-	-
Other unutilised commitments	19.0	-	-	-	0.2	18.8
Total	**4,618.6**	**2,727.9**	**4.1**	**639.0**	**600.3**	**647.3**

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 253 billion at 30 June 2021 (31 December 2020: DKK 242 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

Credit exposure from lending activities in the Group's core banking business includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of expected credit losses 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 further on in these notes.

For details about the Group's credit risk management and the use of information on expected credit losses for risk management purposes, see Risk Management 2020.

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

The table below breaks down the credit exposure by rating categories and stages. Further information on classification of customers can be found on page 181 in Annual report 2020.

30 June 2021	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	280.7	0.1	-	-	-	-	280.7	0.1	-	260.2	-	-
2	0.01	0.03	206.5	0.6	0.5	-	-	-	206.5	0.6	0.5	81.4	0.2	-
3	0.03	0.06	553.4	1.6	1.6	0.1	-	0.2	553.3	1.5	1.4	249.1	0.6	-
4	0.06	0.14	586.9	2.7	2.6	0.1	-	-	586.7	2.7	2.5	244.5	0.7	0.1
5	0.14	0.31	461.8	11.6	2.3	0.2	0.1	-	461.6	11.5	2.3	146.5	6.8	0.1
6	0.31	0.63	291.0	16.1	1.4	0.4	0.2	-	290.6	15.9	1.4	105.5	7.9	0.1
7	0.63	1.90	118.8	45.7	1.7	0.8	1.3	-	118.0	44.5	1.7	36.6	16.1	0.2
8	1.90	7.98	19.7	31.3	1.2	0.5	2.3	0.1	19.2	29.0	1.1	3.6	9.9	0.1
9	7.98	25.70	0.9	9.0	0.8	-	1.5	-	0.8	7.5	0.8	0.1	-	-
10	25.70	99.99	0.4	20.6	25.4	-	1.6	5.4	0.3	19.0	20.0	0.1	10.2	3.3
11 (default)	100.00	100.00	0.1	0.1	16.8	0.1	-	7.5	-	0.1	9.3	-	-	0.8
Total			**2,520.1**	**139.4**	**54.3**	**2.2**	**7.0**	**13.3**	**2,517.9**	**132.4**	**41.0**	**1,127.6**	**52.5**	**4.8**

31 December 2020	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	270.7	0.1	-	-	-	-	270.7	0.1	-	252.4	-	-
2	0.01	0.03	239.9	0.4	-	-	-	-	239.8	0.4	-	119.2	0.1	-
3	0.03	0.06	536.8	0.8	-	0.1	-	-	536.7	0.8	-	234.9	0.2	-
4	0.06	0.14	574.9	2.0	0.4	0.2	-	-	574.7	2.0	0.4	241.9	0.6	0.1
5	0.14	0.31	501.2	7.4	0.3	0.4	0.1	-	500.8	7.3	0.3	166.9	2.8	-
6	0.31	0.63	282.4	19.1	1.6	0.4	0.3	-	281.9	18.8	1.6	96.8	5.9	0.5
7	0.63	1.90	131.8	40.9	1.0	0.7	1.0	-	131.1	40.0	1.0	38.5	13.0	0.2
8	1.90	7.98	20.2	35.3	0.7	0.4	2.6	-	19.7	32.7	0.7	5.2	10.1	0.1
9	7.98	25.70	1.3	10.2	1.0	-	1.1	-	1.3	9.0	1.0	0.3	0.6	0.1
10	25.70	99.99	1.0	25.1	25.8	-	2.4	5.1	1.0	22.7	20.7	0.5	10.9	3.8
11 (default)	100.00	100.00	0.1	0.2	18.0	-	-	7.9	0.1	0.2	10.1	-	0.1	2.2
Total			**2,560.2**	**141.4**	**48.9**	**2.3**	**7.4**	**12.9**	**2,558.0**	**134.0**	**35.9**	**1,156.6**	**44.3**	**7.0**

For Personal customers, the gross exposure within stage 3 increased by DKK 7.5 billion from the end of 2020 to June 2021. The increase is driven by alignment of customer staging within the Group. Expected credit losses only increased by DKK 0.1 billion in the same period because the majority of the exposure transferred to stage 3 is covered by collateral.

Notes – Danske Bank Group

Credit exposure continued

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

The table below breaks down credit exposure by industry. The industry segmentation is based on the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard that has been adapted to the Group's business risk approach used for the active management of the credit portfolio.

30 June 2021	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	354.6	0.5	-	-	-	-	354.6	0.5	-	350.5	0.1	-
Financials	102.3	1.8	0.6	-	0.1	0.2	102.2	1.8	0.3	88.3	1.2	-
Agriculture	57.9	5.0	5.9	0.3	0.7	1.3	57.6	4.3	4.6	12.5	0.8	0.4
Automotive	29.7	2.1	0.7	-	0.1	0.1	29.7	1.9	0.5	22.3	1.0	0.2
Capital goods	65.5	6.9	1.8	-	0.4	0.7	65.4	6.4	1.1	57.3	5.5	0.5
Commercial property	296.9	14.3	6.0	0.5	1.6	1.2	296.4	12.8	4.8	59.2	0.5	0.4
Construction and building materials	44.8	5.3	1.9	-	0.3	0.6	44.8	5.0	1.3	32.6	2.6	0.5
Consumer goods	68.6	4.5	1.4	-	0.2	0.4	68.6	4.3	1.0	51.3	3.0	0.3
Hotels, restaurants and leisure	8.8	4.8	2.2	-	0.2	0.5	8.8	4.6	1.7	2.7	1.3	0.3
Metals and mining	10.8	0.5	0.1	-	-	-	10.8	0.5	0.1	8.3	0.2	-
Other commercials	21.3	0.9	0.2	0.1	-	-	21.2	0.9	0.1	17.0	0.1	-
Pharma and medical devices	42.6	5.2	0.1	-	0.1	-	42.6	5.1	0.1	40.0	4.5	-
Private housing co-ops and non-profit associations	205.8	4.1	1.5	0.1	0.2	0.2	205.7	3.9	1.3	36.0	0.9	0.1
Pulp, paper and chemicals	35.6	1.5	0.5	-	0.1	0.2	35.6	1.4	0.3	24.5	0.3	0.1
Retailing	22.5	3.4	2.4	-	0.1	0.8	22.5	3.3	1.6	12.7	2.4	0.5
Services	58.8	3.8	1.2	0.1	0.2	0.5	58.7	3.6	0.7	48.0	2.2	0.2
Shipping, oil and gas	29.5	3.5	7.8	0.1	0.2	2.7	29.5	3.3	5.1	15.2	2.4	-
Social services	26.4	0.8	1.3	-	0.1	0.3	26.4	0.7	1.0	10.3	0.4	0.5
Telecom and media	20.7	0.7	0.2	-	-	0.1	20.7	0.6	0.2	18.8	0.3	-
Transportation	13.3	3.1	0.8	-	0.2	0.1	13.3	2.9	0.7	6.9	1.3	0.2
Utilities and infrastructure	58.2	4.3	0.1	-	0.1	-	58.2	4.2	-	43.2	4.0	-
Personal customers	945.4	62.6	17.7	0.7	2.1	3.2	944.6	60.5	14.5	170.0	17.3	0.8
Total	**2,520.1**	**139.4**	**54.3**	**2.2**	**7.0**	**13.3**	**2,517.9**	**132.4**	**41.0**	**1,127.6**	**52.5**	**4.8**

As at 30 June 2021, oil and gas exposures (within the Shipping, oil and gas industry) represent a gross exposure of DKK 19.5 billion (31 December 2020: DKK 23.3 billion) and expected credit losses of DKK 2.2 billion (31 December 2020: DKK 2.4 billion). Those exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of June 2021.

For the Hotels, restaurants and leisure industry, the gross exposure within stage 2 increased by DKK 1.6 billion from the end of 2020 to 30 June 2021 while the expected credit losses remained unchanged. This is primarily due to an increase in collateral of DKK 1.3 billion but also due to the transfer of exposures from stage 1 to stage 2 improving the overall average credit quality within stage 2.

Notes – Danske Bank Group

Credit exposure continued

31 December 2020	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	363.8	-	-	-	-	-	363.8	-	-	359.5	-	-
Financials	126.1	1.8	0.3	0.1	0.1	0.2	126.1	1.7	0.1	111.8	1.0	0.1
Agriculture	58.7	7.7	6.7	0.1	0.9	1.4	58.6	6.8	5.3	12.9	0.8	0.6
Automotive	27.5	3.2	0.5	-	0.2	0.1	27.5	2.9	0.5	20.2	1.6	0.2
Capital goods	68.6	7.0	2.1	-	0.5	0.7	68.5	6.5	1.4	59.9	5.6	0.7
Commercial property	312.8	11.5	7.1	0.6	0.9	1.1	312.1	10.6	5.9	68.2	1.0	0.7
Construction and building materials	43.6	5.1	2.0	-	0.3	0.6	43.6	4.8	1.4	31.2	2.0	0.6
Consumer goods	62.2	4.3	2.0	-	0.3	0.5	62.2	4.0	1.5	42.5	2.7	0.4
Hotels, restaurants and leisure	11.4	3.1	1.7	-	0.2	0.4	11.4	2.9	1.3	2.9	0.9	0.5
Metals and mining	12.7	0.6	0.1	-	-	-	12.7	0.6	0.1	10.3	0.3	-
Other commercials	22.1	1.1	0.1	0.1	-	-	22.0	1.1	-	20.4	0.3	-
Pharma and medical devices	47.2	2.6	0.2	-	-	-	47.2	2.5	0.2	43.7	1.8	-
Private housing co-ops. and non-profit associations	203.2	3.6	2.0	0.1	0.3	0.2	203.1	3.4	1.7	33.2	0.8	0.2
Pulp, paper and chemicals	38.1	1.6	0.6	-	-	0.2	38.1	1.5	0.4	27.3	0.4	0.1
Retailing	20.5	4.1	2.5	-	0.2	1.0	20.5	3.8	1.5	10.8	2.8	0.7
Services	57.4	3.8	1.6	0.1	0.2	0.6	57.3	3.6	1.0	46.5	2.0	0.5
Shipping, oil and gas	33.5	6.0	6.6	0.1	0.7	2.1	33.4	5.2	4.5	17.6	1.8	0.2
Social services	26.0	0.9	1.2	-	0.1	0.3	26.0	0.8	0.9	9.6	0.4	0.5
Telecom and media	20.3	0.6	0.2	-	-	0.1	20.3	0.6	0.1	18.3	0.3	-
Transportation	11.4	3.3	1.0	-	0.2	0.1	11.4	3.0	0.9	5.1	1.8	0.1
Utilities and infrastructure	64.2	4.2	0.1	-	-	-	64.2	4.2	-	45.5	3.6	-
Personal customers	928.9	65.6	10.2	0.9	2.2	3.1	928.0	63.4	7.2	159.1	12.3	0.7
Total	**2,560.2**	**141.4**	**48.8**	**2.3**	**7.4**	**12.9**	**2,558.0**	**134.0**	**35.9**	**1,156.6**	**44.3**	**7.0**

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral. In Annual Report 2020, a table showing collateral by type (after haircut) is included. The mitigating effect from collateral at the end of June 2021 can be found as the difference between the columns 'Net exposure' and 'Net exposure, ex collateral' and amounted to DKK 1,506.4 billion at 30 June 2021 (31 December 2020: DKK 1,520.0 billion).

The Group uses guarantee schemes offered by the governments in our markets to mitigate the economic consequences of the corona crisis. The outstanding amount of loans originated under such guarantee schemes was DKK 5.3 billion (31 December 2020: DKK 5.0 billion) with the guarantees covering DKK 4.4 billion of the loans (31 December 2020: DKK 4.2 billion). A large part of the guarantees relates to Northern Ireland.

Notes – Danske Bank Group

Credit exposure continued

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

30 June 2021	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
Personal & Business Customers												
Personal Customers Denmark	539.3	24.6	13.2	0.6	1.5	2.3	538.7	23.1	10.9	72.6	6.0	0.6
Personal Customers Nordic	390.9	30.4	3.7	0.1	0.5	0.6	390.8	29.9	3.1	98.8	10.2	0.2
Business Customers	662.0	40.2	21.0	1.1	3.3	5.3	661.0	37.0	15.7	173.2	11.8	2.4
Asset Finance	49.9	13.0	1.5	-	0.4	0.3	49.8	12.6	1.2	18.7	2.5	0.2
Other	5.1	0.4	0.1	-	-	-	5.1	0.4	-	1.0	0.2	-
Total	**1,647.2**	**108.6**	**39.5**	**1.8**	**5.7**	**8.5**	**1,645.3**	**102.9**	**30.9**	**364.3**	**30.8**	**3.3**
Large Corporates & Institutions	**498.5**	**25.2**	**11.7**	**0.3**	**1.2**	**4.1**	**498.2**	**24.0**	**7.6**	**425.2**	**20.7**	**1.0**
Northern Ireland	**98.6**	**5.5**	**3.1**	**0.1**	**0.1**	**0.7**	**98.5**	**5.4**	**2.4**	**63.0**	**1.0**	**0.4**
Group Functions	**275.9**	**0.1**	**-**	**-**	**-**	**-**	**275.9**	**0.1**	**-**	**275.1**	**0.1**	**-**
Total	**2,520.1**	**139.4**	**54.3**	**2.2**	**7.0**	**13.3**	**2,517.9**	**132.4**	**41.0**	**1,127.6**	**52.5**	**4.8**

31 December 2020	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
Personal & Business Customers												
Personal Customers Denmark	545.5	34.0	5.3	0.8	1.6	2.3	544.6	32.4	3.1	69.6	6.6	0.4
Personal Customers Nordic	375.3	24.9	4.4	0.1	0.6	0.5	375.2	24.3	3.9	90.6	4.7	0.3
Business Customers	664.6	35.8	22.6	1.0	2.8	5.4	663.6	33.0	17.3	180.3	10.0	3.5
Asset Finance	45.8	13.8	1.5	0.1	0.4	0.3	45.7	13.4	1.2	15.6	2.8	0.2
Group Functions	4.8	0.3	0.1	-	-	-	4.8	0.3	0.1	0.9	0.2	-
Total	**1,635.9**	**108.9**	**34.0**	**1.9**	**5.4**	**8.5**	**1,633.9**	**103.5**	**25.5**	**357.0**	**24.3**	**4.4**
Large Corporates & Institutions	**588.3**	**25.6**	**11.6**	**0.2**	**1.8**	**3.7**	**588.1**	**23.7**	**7.9**	**497.7**	**18.4**	**2.2**
Northern Ireland	**83.1**	**6.9**	**3.1**	**0.1**	**0.2**	**0.6**	**83.0**	**6.7**	**2.4**	**49.6**	**1.5**	**0.4**
Group Functions	**253.0**	**0.1**	**-**	**-**	**-**	**-**	**253.0**	**0.1**	**-**	**252.3**	**-**	**-**
Total	**2,560.3**	**141.5**	**48.8**	**2.3**	**7.4**	**12.9**	**2,558.0**	**134.0**	**35.9**	**1,156.6**	**44.3**	**7.0**

From 1 January 2021, the business segmentation was changed. Further information can be found in note G3(a).

Notes – Danske Bank Group

Credit exposure continued

Exposures subject to forbearance measures

The Group's forbearance practices is described on page 188 in Annual Report 2020.

During the corona crisis, the Group has granted concessions to assist customers affected by the crisis. Such concessions represent an increase in gross exposure of around DKK 18 billion, of which around DKK 16 billion (net of expected credit losses) is considered forbearance measures, see note G1(b) section 'Accounting treatment of the impacts on expected credit losses from the corona crisis' in Annual report 2020 for the definition of when such concessions are considered to be a forbearance measure. At the end of 2020, such concessions represented an increase in gross exposure of DKK 44 billion, of which around DKK 6 billion (net of expected credit losses) was considered forbearance measures. The concessions considered forbearance measures relate primarily to Personal customers and the industries Shipping, oil and gas, Hotels, restaurants and leisure, Consumer goods and Retailing. In our Nordic markets, such concessions are made on a voluntary basis, while in Northern Ireland, the Bank was selected by the UK Government to provide concessions through the UK government-backed lending schemes.

Exposures subject to forbearance measures

	30 June 2021		31 December 2020	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active forbearance	14,022	10,423	11,973	10,481
Under probation	9,978	-	14,962	-
Total	**23,999**	**10,423**	**26,934**	**10,481**

*These loans are part of the total non-performing loan amount. For more details, see the "Non-performing loans in core activities" table.

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

The Group defines non-performing loans as stage 3 exposures. However, 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 excludes exposures in stage 3 with no impairment charges or where the allowance account is considered immaterial to the gross exposure.

The impact of corona crisis on total gross NPL exposures was limited in the first half of 2021.

The table below shows the reconciliation as at 30 June 2021 between the gross exposure in stage 3 and gross non-performing loans.

Non-performing loan bridge	30 June 2021			31 December 2020		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	37.5	16.8	54.3	30.8	18.0	48.8
None or an immaterial allowance account	20.1	2.9	23.1	13.6	3.4	17.0
Gross non-performing loans	17.4	13.9	31.3	17.2	14.6	31.8
Expected credit loss	5.4	7.3	12.7	5.1	7.9	12.9
Net non-performing loans	**12.0**	**6.6**	**18.6**	**12.1**	**6.7**	**18.8**

Non-performing loans in core activities

(DKK millions)	30 June 2021	31 December 2020
Total non-performing loans	18,550	18,842
- portion from customers in default*	6,588	6,698
Coverage ratio (default) (%)	100	100
Coverage ratio (non-default) (%)	73	54
Coverage ratio (total non-performing loans) (%)	87	75
Non-performing loans as a percentage of total gross exposure (%)	1.2	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
ECL allowance account as at 1 January 2020	1,306	5,908	13,237	20,451
Transferred to stage 1 during the period	1,063	-1,006	-57	-
Transferred to stage 2 during the period	-117	754	-636	-
Transferred to stage 3 during the period	-22	-984	1,006	-
ECL on new assets	542	1,860	2,105	4,507
ECL on assets derecognised	-289	-1,307	-3,584	-5,180
Impact of net remeasurement of ECL (incl. changes in models)	-193	2,268	2,209	4,283
Write-offs debited to the allowance account	-1	-6	-1,069	-1,076
Foreign exchange adjustments	-22	-7	-396	-425
Other changes	-4	-42	40	-6
ECL allowance account as at 31 December 2020	**2,263**	**7,438**	**12,853**	**22,554**
Transferred to stage 1 during the period	1,176	-1,086	-90	-
Transferred to stage 2 during the period	-122	427	-305	-
Transferred to stage 3 during the period	-122	-723	845	-
ECL on new assets	285	769	1,515	2,568
ECL on assets derecognised	-370	-1,038	-3,165	-4,573
Impact of net remeasurement of ECL (incl. changes in models)	-887	1,197	1,094	1,404
Write-offs debited to the allowance account	-3	-6	416	408
Foreign exchange adjustments	15	35	144	194
Other changes	-48	7	12	-29
ECL allowance account as at 30 June 2021	**2,186**	**7,020**	**13,321**	**22,526**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Personal & Business Customers	Large Corporates & Institutions	Northern Ireland	Group Functions	Allowance account Total
ECL allowance account as at 1 January 2020	14,771	4,942	730	8	20,451
ECL on new assets	2,399	1,990	108	10	4,507
ECL on assets derecognised	-3,043	-2,031	-103	-3	-5,180
Impact on remeasurement of ECL (incl. change in models)	1,807	2,122	354	1	4,283
Write-offs debited to allowance account	-160	-865	-51	-	-1,076
Foreign currency translation	14	-388	-48	-2	-425
Other changes	-14	8	-1	1	-6
ECL allowance account as at 31 December 2020	**15,773**	**5,777**	**990**	**15**	**22,554**
ECL on new assets	1,340	999	227	3	2,568
ECL on assets derecognised	-1,767	-2,612	-191	-3	-4,573
Impact on remeasurement of ECL (incl. change in models)	1,085	409	-91	-	1,404
Write-offs debited to allowance account	-369	796	-20	-	408
Foreign currency translation	21	121	51	-	194
Other changes	-42	14	-1	-	-29
ECL allowance account as at 30 June 2021	**16,041**	**5,504**	**965**	**15**	**22,526**

The method used for calculating expected credit losses is described in detail in note G15 of the Annual Report 2020.

Macroeconomic scenarios

The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 30 June 2021, the base case scenario reflects a recovery later in 2021. To fully capture the downside risk, the downside scenario is the severe recession scenario applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The severe recession scenario reflects negative growth and falling property prices for a longer period. At 31 December 2020, the downside scenario reflected a W-shaped trend in the light of the corona crisis with the economies being back on track in the second or third quarter of 2021. The change of the downside scenario has been made in order to capture the risk of prolonged lockdowns due to new coronavirus variants and in order for the ECL calculation to include potential downside risks due to the elevated asset prices across the Nordics.

Forecasts are produced for the coming three years. After this period, the outlook returns to a steady-state level after a further four years. The macroeconomic parameters in the base case and downside scenario entering into the ECL calculation for the forecast horizon as an average across the Group's core markets are included below.

30 June 2021	Base-case			Downside		
	2021	2022	2023	2021	2022	2023
GDP	3.10	3.28	1.90	1.05	0.73	1.66
Industrial Production	4.63	4.53	2.63	2.58	0.80	3.53
Unemployment	6.10	5.25	4.98	6.66	6.62	6.12
Inflation	1.58	1.23	1.55	1.30	0.63	1.27
Consumption Expenditure	3.93	4.55	2.20	1.51	1.33	1.96
Property prices - Residential	7.68	2.13	2.18	3.68	-1.88	2.18
Interest rate - 3 month	-0.08	0.03	0.16	-0.59	-0.59	-0.59
Interest rate - 10 year	0.64	0.89	0.99	-0.40	-0.40	-0.20

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters.

Notes – Danske Bank Group

Credit exposure continued

At 31 December 2020, the following base case and downside scenarios were used:

31 December 2020	Base case			Downside		
	2021	2022	2023	2021	2022	2023
GDP	3.3	2.1	1.8	-1.2	2.7	2.3
Industrial Production	4.1	3.1	2.5	-1.7	4.8	3.6
Unemployment	6.1	5.5	5.1	7.4	6.6	5.9
Inflation	1.5	1.6	1.6	0.7	1.4	1.4
Consumption Expenditure	4.7	1.8	1.7	0.6	1.9	1.8
Property prices - Residential	2.7	2.6	2.9	-4.1	2.6	2.9
Interest rate - 3 month	0.0	0.1	-0.2	-0.1	0.0	0.2
Interest rate - 10 year	0.3	0.6	0.7	0.1	0.4	0.7

The base case scenario enters with a probability of 75% (31 December 2020: 60%), the upside scenario with a probability of 10% (31 December 2020: 15%) and the downside scenario with a probability of 15% (31 December 2020: 25%). On the basis of these assessments, the allowance account as at 30 June 2021 amounted to DKK 22.5 billion (31 December 2020: 22.6 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.8 billion (31 December 2020: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 8.5 billion (31 December 2020: 1.7 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease by DKK 0.4 billion (31 December 2020: 0.4 billion) compared to the base case scenario. However, note that the applied scenarios differ from the scenarios used at 31 December 2020, and the changes in weighting and sensitivities from end of 2020 to end of the first half 2021 are therefore not directly comparable, especially due to the downside scenario being a severe downside scenario at 30 June 2021 to fully capture the downside risks. Further, it should be noted that the expected credit losses in the individual scenarios (i.e. without the weighting) do not represent forecasts of expected credit losses (ECL).

Post-model adjustments
Management applies judgement when determining the need for post-model adjustments. At 30 June 2021, the post-model adjustments amounted to DKK 6.0 billion (31 December 2020: 6.4 billion). The post-model adjustments primarily relate to the following types of risks:

- specific macroeconomic risks on certain industries not fully captured by the expected credit loss model, for instance the Agriculture industry for such industries, supplementary calculations are made in order to ensure sufficient impairment coverage. This also includes post-model adjustments to capture the immediate risks arising from the corona crisis
- non-linear downside risk, for instance on the property market in Copenhagen and other high growth areas for which the macroeconomic forecasts used in the models are based on the property market as a whole
- portfolios where the credit risk assessment process has identified an underestimation of the expected credit losses
- upcoming model changes that will impact the expected credit loss model

Following the significant impact on the expected credit losses from post-model adjustments, the table below provides more information about the adjustments.

Post-model adjustments by type and mostly impacted industries

(DKK billion)	30 June 2021	31 December 2020
Specific macroeconomic risks		
Agriculture	0.8	0.8
Commercial Property	1.6	1.6
Personal customers	1.1	1.1
Others	0.6	0.4
Specific macroeconomic risks, total	4.1	3.9
of which corona crisis related	1.8	2.0
Process related	1.6	1.8
Upcoming model changes	0.3	0.6
Total	**6.0**	**6.4**

Further information on the post-model adjustments relating to the corona crisis can be found on page 196 in Annual Report 2020.

Notes – Danske Bank Group

Credit exposure from Non-core lending activities

Credit portfolio in non-core activities broken down by industry (NACE) and stages

30 June 2021	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	517	22	36	-	2	36	517	20	-	322	9	-
Personal customers	21	1	-	-	-	-	21	1	-	19	-	-
Commercial customers	334	18	36	-	2	36	334	16	-	162	7	-
Public Institutions	162	3	-	-	-	-	162	3	-	141	2	-
Non-core conduits etc.	2,723	-	799	-	-	773	2,722	-	26	262	-	19
Total	**3,240**	**22**	**835**	**1**	**2**	**809**	**3,239**	**20**	**26**	**584**	**9**	**20**

31 December 2020	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	1,285	74	259	4	21	226	1,281	53	33	588	18	-
Personal customers	24	2	-	-	-	-	24	2	-	23	-	-
Commercial customers	1,033	69	259	4	21	226	1,029	48	33	403	16	-
Public Institutions	227	4	-	-	-	-	227	4	-	162	3	-
Non-core conduits etc.	2,603	-	778	-	-	686	2,603	-	92	256	-	-
Total	**3,887**	**74**	**1,037**	**4**	**21**	**912**	**3,884**	**53**	**125**	**844**	**18**	**-**

Credit portfolio in non-core activities broken down by rating category and stages

30 June 2021	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	582	-	-	-	-	-	582	-	-	127	-	-
2	0.01	0.03	1,054	3	2	-	-	-	1,054	3	2	224	3	2
3	0.03	0.06	1,223	6	4	-	-	-	1,223	6	4	109	2	2
4	0.06	0.14	176	2	1	-	-	-	176	2	1	37	1	1
5	0.14	0.31	97	4	2	-	-	-	96	4	2	86	3	2
6	0.31	0.63	52	2	1	-	-	-	52	2	1	-	-	-
7	0.63	1.90	16	1	-	-	-	-	16	1	-	-	-	-
8	1.90	7.98	4	2	-	-	2	-	4	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	34	2	38	-	-	37	34	2	-	-	-	-
11 (default)	100.00	100.00	2	-	786	-	-	771	2	-	15	-	-	11
Total			**3,240**	**22**	**835**	**1**	**2**	**809**	**3,239**	**20**	**26**	**584**	**9**	**20**

31 December 2020	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	432	-	-	-	-	-	432	-	-	-	-	-
2	0.01	0.03	1,189	12	8	-	-	-	1,189	12	8	403	12	-
3	0.03	0.06	1,205	7	5	-	-	-	1,205	7	5	125	2	-
4	0.06	0.14	322	3	2	-	-	-	322	3	2	168	1	-
5	0.14	0.31	210	8	6	-	-	-	210	8	6	11	-1	-
6	0.31	0.63	107	4	3	1	-	-	106	4	3	16	-	-
7	0.63	1.90	160	8	5	2	1	-	158	7	5	21	-	-
8	1.90	7.98	32	18	28	-	18	30	32	1	-2	-7	-1	-
9	7.98	25.70	2	2	-	-	2	-	2	-	-	-	-	-
10	25.70	99.99	38	2	28	-	-	27	38	2	1	-7	-	-
11 (default)	100.00	100.00	190	9	952	-	-	854	190	9	98	114	6	-
Total			**3,887**	**74**	**1,037**	**4**	**21**	**912**	**3,884**	**53**	**125**	**844**	**18**	**-**

Notes – Danske Bank Group

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 June 2021	31 December 2020
Counterparty credit risk		
Derivatives with positive fair value	270.7	379.6
Reverse transactions and other loans at fair value[1]	234.9	259.4
Credit exposure from other trading and investment securities		
Bonds	629.4	583.4
Shares	17.3	16.7
Other unutilised commitments[2]	0.2	0.2
Total	**1,152.4**	**1,239.3**

[1] Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of Large Corporates & Institutions. These loans consist of reverse transactions of DKK 232.9 billion (31 December 2020: DKK 256.7 billion), of which DKK 37.4 billion relates to credit institutions and central banks (31 December 2020: DKK 50.0 billion), and other primarily short-term loans of DKK 2.0 billion (31 December 2020: DKK 2.8 billion), of which DKK 1.7 billion (31 December 2020: DKK 2.4 billion) relates to credit institutions and central banks.

[2] Other unutilised commitments comprise private equity investment commitments and other obligations.

Derivatives with positive fair value

(DKK millions)	30 June 2021	31 December 2020
Derivatives with positive fair value before netting	655,199	880,479
Netting (under accounting rules)	384,544	500,913
Carrying amount	270,655	379,566
Netting (under capital adequacy rules)	190,155	269,964
Net current exposure	80,500	109,601
Collateral	59,599	78,835
Net amount	**20,902**	**30,767**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	201,158	258,318
Currency contracts	68,666	119,925
Other contracts	831	1,323
Total	**270,655**	**379,566**

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 2021							
Held for trading (FVPL)	224,948	4,301	23,448	57,496	6,157	9,181	325,531
Managed at fair value	14,724	925	21,880	1,204	491	2,126	41,350
Held to collect and sell	17,549	4,718	75,933	10,279	14,681	241	123,401
Held to collect	39,022	4,404	86,335	7,577	1,760	-	139,098
Total	**296,243**	**14,348**	**207,596**	**76,557**	**23,088**	**11,548**	**629,380**
31 December 2020							
Held for trading (FVPL)	197,777	1,920	19,285	53,729	5,712	8,591	287,014
Managed at fair value	19,084	929	22,851	1,964	630	2,576	48,034
Held to collect and sell	15,272	3,469	82,299	8,641	5,899	1,192	116,772
Held to collect	31,836	1,671	88,742	7,633	1,746	-	131,629
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,358**	**583,448**

At 30 June 2021, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 213,330 million (31 December 2020: DKK 222,122 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2020 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost as at 30 June 2021 and 31 December 2020, see note G11.

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
31 June 2021							
Denmark	91,510	-	207,596	-	-	2,811	301,917
Sweden	95,172	-	-	76,557	-	4,114	175,842
UK	6,658	-	-	-	1,910	272	8,840
Norway	5,308		-	-	18,149	2,087	25,545
USA	16,673	3,254	-	-	-	13	19,939
Spain	3,598	-	-	-	1	-	3,599
France	18,452	16	-	-	401	205	19,073
Luxembourg	-	5,549	-	-	-	120	5,669
Finland	13,317	2,980	-	-	723	1,169	18,189
Ireland	2,827	-	-	-	3	34	2,864
Italy	2,372	-	-	-	-	6	2,379
Portugal	40	-	-	-	-	-	40
Austria	5,066	-	-	-	-	41	5,107
Netherlands	5,233	4	-	-	14	325	5,575
Germany	28,848	-	-	-	1,713	148	30,709
Belgium	1,123	985	-	-	1	-	2,109
Other	47	1,560	-	-	172	205	1,984
Total	**296,243**	**14,348**	**207,596**	**76,557**	**23,088**	**11,548**	**629,380**
31 December 2020							
Denmark	80,654	-	213,177	-	-	2,968	296,800
Sweden	91,397	-	-	71,967	-	3,977	167,341
UK	2,955	-	-	-	1,096	1,489	5,540
Norway	3,681	-	-	-	10,693	1,657	16,031
USA	13,457	1,876	-	-	-	15	15,348
Spain	3,921	-	-	-	1	2	3,925
France	11,693	-	-	-	466	27	12,186
Luxembourg	-	4,404	-	-	-	75	4,479
Finland	7,964	999	-	-	751	1,432	11,147
Ireland	2,187	-	-	-	3	59	2,249
Italy	4,357	-	-	-	-	4	4,361
Portugal	249	-	-	-	-	-	249
Austria	5,347	-	-	-	-	56	5,402
Netherlands	4,987	4	-	-	15	176	5,182
Germany	30,316	-	-	-	711	181	31,208
Belgium	803	299	-	-	1	-	1,103
Other	-	409	-	-	249	239	897
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,358**	**583,448**

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 2021							
AAA	240,515	13,656	206,901	76,548	21,504	145	559,269
AA+	12,821	18	-	-	51	9	12,899
AA	28,492	673	-	9	35	2,300	31,510
AA-	4,781	-	-	-	-	146	4,927
A+	-	-	-	-	-	43	43
A	4,629	-	664	-	1,498	2,497	9,287
A-	-	-	-	-	-	363	363
BBB+	1,843	-	-	-	-	1,662	3,504
BBB	499	-	32	-	-	2,864	3,394
BBB-	1,913	-	-	-	-	507	2,420
BB+	-	-	-	-	-	271	271
BB	-	-	-	-	-	512	512
BB-	-	-	-	-	-	20	20
Sub-inv. grade or unrated	750	-	-	-	-	209	959
Total	**296,243**	**14,348**	**207,596**	**76,557**	**23,088**	**11,548**	**629,380**
31 December 2020							
AAA	221,354	7,522	212,971	71,928	13,344	1,387	528,506
AA+	11,293	-	-	.-	66	157	11,516
AA	16,457	468	-	39	176	1,819	18,959
AA-	3,102	-	-	-	-	364	3,466
A+	-	-	-	-	-	110	110
A	3,700	-	174	-	378	3,142	7,394
A-	-	-	-	-	-	290	290
BBB+	2,408	-	-	-	-	940	3,348
BBB	1,628	-	32	-	-	1,953	3,613
BBB-	4,027	-	-	-	-	677	4,704
BB+	-	-	-	-	-	393	393
BB	-	-	-	-	-	927	927
BB-	-	-	-	-	-	31	31
Sub-inv. grade or unrated	-	-	-	-	24	168	192
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,359**	**583,448**

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 Executive Order No. 707 of 1 June 2016, Executive Order No. 1043 of 5 September 2017, Executive Order No. 1441 of 3 December 2018 and Executive Order No. 1593 of 9 November 2020. The amendments of 9 November 2020 incorporate a requirement to provide a description of policies for data ethics applicable for annual reporting periods beginning on or after 1 January 2021.

Note G2(a) provides further information on changes in accounting policies implemented as at 1 January 2021. Except for these changes, Danske Bank A/S has not changed its significant accounting policies from those applied in the Annual Report 2020.

The accounting policies applied are identical to the Group's IFRS accounting principles, see note G1, with the following exception:

- Domicile property (except right-of-use assets) is measured (revalued) at its estimated fair value through Other comprehensive income.

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.

The format of the Parent Company's financial statements is not identical to the format of the consolidated financial statements 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.

Danske Bank Group

	Net profit 2021	Net profit 2020	Equity 30 June 2021	Equity 31 December 2020
Consolidated financial statement (IFRS)	5,932	1,036	173,161	168,679
Domicile properties	-6	-3	175	176
Tax effect	1	-	-17	-17
Financial statements (Danish FSA rules)	**5,926**	**1,032**	**173,318**	**168,836**

In 2020, 'Domicile properties' includes an adjustment in net profit related to investment properties previously held by Danica Pension and included as Assets under insurance contracts in the financial statements for Danske Bank Group. As Danske Bank occupied more than 10% of the properties, they were accounted for as domicile property in Danske Bank Group and Danske Bank A/S. In the consolidated financial statements for Danske Bank Group, domicile property is measured using the cost method, and a gain on the sale of those properties of DKK 76 million, net of tax, was recognised in the income statement. Under the revaluation method used in the financial statements for Danske Bank A/S, there was no gain on the sale.

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2021	First half 2020
	Interest income	11,940	13,637
	Interest expense	4,908	6,411
	Net interest income	7,032	7,226
	Dividends from shares etc.	283	118
	Fee and commission income	7,033	6,349
	Fees and commissions paid	1,076	957
	Net interest and fee income	13,272	12,736
P1	Value adjustments	1,383	814
	Other operating income	864	738
	Staff costs and administrative expenses	10,306	10,548
	Amortisation, depreciation and impairment charges	1,494	1,646
	Loan impairment charges etc.	463	4,643
	Income from associates and group undertakings	3,456	3,064
	Profit before tax	6,713	516
	Tax	787	-516
	Net profit	**5,926**	**1,032**

Statement of comprehensive income – Danske Bank A/S

(DKK millions)	First half 2021	First half 2020
Net profit	5,926	1,032
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension plans	493	390
Tax	-88	-102
Items that will not be reclassified to profit or loss	**405**	**288**
Items that are or may be reclassified subsequently to profit or loss		
Translation of units outside Denmark	1,162	-3,581
Hedging of units outside Denmark	-800	2,077
Unrealised value adjustments of bonds at fair value (OCI)	-204	51
Realised value adjustments of bonds at fair value (OCI)	5	-15
Tax	37	146
Items that are or may be reclassified subsequently to profit or loss	**200**	**-1,322**
Total other comprehensive income	**604**	**-1,035**
Total comprehensive income	**6,531**	**-2**
Portion attributable to		
Shareholders of Danske Bank A/S (the Parent Company)	6,299	-318
Additional Tier 1 capital holders	231	316
Total comprehensive income	6,531	-2

Balance sheet – Danske Bank A/S

Note	(DKK millions)	30 June 2021	31 December 2020	30 June 2020
	Assets			
	Cash in hand and demand deposits with central banks	264,511	283,570	191,629
	Due from credit institutions and central banks	105,743	119,014	114,319
P2	Loans and other amounts due at fair value	195,854	209,122	298,748
P2	Loans and other amounts due at amortised costs	822,951	840,579	851,172
	Bonds at fair value	474,593	438,530	404,836
	Bonds at amortised cost	99,142	94,248	93,561
	Shares etc.	17,292	16,689	7,529
	Holdings in associates	199	204	278
	Holdings in group undertakings	91,954	92,291	88,969
	Assets under pooled schemes	54,723	53,337	50,336
	Intangible assets	5,894	5,836	5,980
	Land and buildings	3,716	4,183	4,487
	Investment property	190	185	183
	Domicile property	3,526	3,998	4,304
	Other tangible assets	4,662	4,636	4,666
	Current tax assets	3,074	4,504	3,815
	Deferred tax assets	751	984	911
	Assets held for sale	96	523	2,388
	Other assets	291,463	405,091	416,723
	Prepayments	1,298	1,495	1,418
	Total assets	**2,437,914**	**2,574,837**	**2,541,764**
	Liabilities and equity			
	Amounts due			
	Due to credit institutions and central banks	235,152	238,089	227,789
	Deposits and other amounts due	1,266,386	1,253,900	1,195,692
	Deposits under pooled schemes	55,286	53,380	50,942
	Issued bonds at fair value	10,201	8,183	7,017
P3	Issued bonds at amortised cost	242,402	267,753	275,712
	Current tax liabilities	116	22	16
	Other liabilities	416,009	551,917	587,713
	Deferred income	552	532	579
	Total amounts due	**2,226,104**	**2,373,776**	**2,345,460**
	Provisions for liabilities			
	Provisions and pensions and similar obligations	150	300	439
	Provisions for deferred tax	2	20	238
	Provisions for losses on guarantees	2,915	3,014	2,766
	Other provisions for liabilities	498	511	320
	Total provisions for liabilities	**3,564**	**3,845**	**3,763**
	Subordinated debt			
	Subordinated debt	34,928	28,379	27,809
	Equity			
	Share capital	8,622	8,622	8,622
	Accumulated value adjustments	-524	-686	-1,747
	Equity method reserve	27,159	27,522	23,630
	Retained earnings	129,513	123,146	125,655
	Proposed dividends	-	1,724	-
	Shareholders of Danske Bank A/S (the Parent Company)	164,770	160,328	156,160
	Additional tier 1 etc.	8,547	8,508	8,573
	Total equity	**173,318**	**168,836**	**164,733**
	Total liabilities and equity	**2,437,914**	**2,574,837**	**2,541,764**

Statement of capital – Danske Bank A/S

Change in equity

(DKK millions)	Share capital	Accumulated value adjust-ments*	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2021	8,622	-686	27,522	123,146	1,724	160,328	8,507	168,836
Net profit	-	-	-363	6,058	-	5,695	231	5,926
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	493	-	493	-	493
Translation of units outside Denmark	-	1,162	-	-	-	1,162	-	1,162
Hedging of units outside Denmark	-	-800	-	-	-	-800	-	-800
Unrealised value adjustments	-	-204	-	-	-	-204	-	-204
Realised value adjustments	-	5	-	-	-	5	-	5
Tax	-	-	-	-51	-	-51	-	-51
Total other comprehensive income	**-**	**162**	**-**	**442**	**-**	**604**	**-**	**604**
Total comprehensive income	**-**	**162**	**-363**	**6,500**	**-**	**6,299**	**231**	**6,531**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-233	-233
Dividends paid	-	-	-	16	-1,724	-1,708	-	-1,708
Acquisition of own shares and additional tier 1 capital	-	-	-	-11,411	-	-11,411	-	-11,411
Sale of own shares and additional tier 1 capital	-	-	-	11,271	-	11,271	41	11,312
Tax	-	-	-	-10	-	-10	-	-10
Total equity as at 30 June 2021	**8,622**	**-524**	**27,159**	**129,513**	**-**	**164,770**	**8,547**	**173,318**
Total equity as at 1 January 2020	8,622	-260	26,762	114,052	7,329	156,504	14,237	170,741
Net profit	-	-	-3,132	3,848	-	717	316	1,032
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	390	-	390	-	390
Translation of units outside Denmark	-	-3,581	-	-	-	-3,581	-	-3,581
Hedging of units outside Denmark	-	2,077	-	-	-	2,077	-	2,077
Unrealised value adjustments	-	51	-	-	-	51	-	51
Realised value adjustments	-	-15	-	-	-	-15	-	-15
Tax	-	-19	-	63	-	44	-	44
Total other comprehensive income	**-**	**-1,487**	**-**	**452**	**-**	**-1,035**	**-**	**-1,035**
Total comprehensive income	**-**	**-1,487**	**-3,132**	**4,301**	**-**	**-318**	**316**	**-2**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-391	-391
Proposed dividends reversed	-	-	-	7,329	-7,329	-	-	-
Redemption of additional tier 1 capital	-	-	-	-5	-	-5	-5,596	-5,600
Acquisition of own shares and additional tier 1 capital	-	-	-	-18,851	-	-18,851	7	-18,844
Sale of own shares and additional tier 1 capital	-	-	-	18,805	-	18,805	-	18,805
Tax	-	-	-	24	-	24	-	24
Total equity as at 30 June 2020	**8,622**	**-1,747**	**23,630**	**125,655**	**-**	**156,160**	**8,573**	**164,733**

*Accumulated value adjustments includes foreign currency translation reserve, reserve for bonds at fair value through other comprehensive income (FVOCI) and valuation reserve.

Notes – Danske Bank A/S

P1. Value adjustments

(DKK millions)	30 June 2021	30 June 2020
Loans at fair value	-549	788
Bonds	-954	633
Shares etc.	2,413	-757
Currency	1,000	611
Derivatives	-3,342	2,744
Assets under pooled schemes	-17	26
Other liabilities	2,833	-3,232
Total	**1,383**	**814**

P2. 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
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
ECL allowance account as at 1 January 2020	9	2	2	376	3,747	11,083	565	949	550	17,283
Transferred to stage 1 during the period	-1	1	-	500	-480	-21	138	-136	-2	-
Transferred to stage 2 during the period	-	-	-	-54	336	-282	-9	234	-225	-
Transferred to stage 3 during the period	-	-	-	-7	-778	785	-1	-48	49	-
ECL on new assets	3	2	-	244	1,172	1,966	130	384	142	4,044
ECL on assets derecognised	-3	-3	-	-138	-870	-2,875	-59	-154	-299	-4,401
Impact of net remeasurement of ECL (incl. changes in models)	1	1	-	-98	1,447	1,727	-193	409	314	3,606
Write offs debited to the allowance account	-	-	-	-	11	-968	-	-	-	-957
Foreign exchange adjustments	-1	-1	-	-10	5	-421	-4	-1	-14	-449
Other changes	-2	2	-	-34	-63	-316	-29	-121	529	-35
ECL allowance account as at 31 December 2020	**7**	**3**	**2**	**778**	**4,528**	**10,678**	**537**	**1,514**	**1,043**	**19,092**
Transferred to stage 1 during the period	-	-	-	517	-478	-39	202	-192	-10	-
Transferred to stage 2 during the period	-	-	-	-71	158	-87	-13	55	-41	-
Transferred to stage 3 during the period	-	-	-	-4	-446	450	-	-111	111	-
ECL on new assets	6	5	-	144	555	1,213	62	101	62	2,149
ECL on assets derecognised	-3	-2	-	-156	-695	-2,992	-124	-209	-107	-4,288
Impact of net remeasurement of ECL (incl. changes in models)	1	3	-	-356	723	656	-131	-46	337	1,186
Write offs debited to the allowance account	-	-	-	-	-	523	-	-	-	523
Foreign exchange adjustments	-	-	-	5	19	114	2	4	20	164
Other changes	-1	-	-	-15	-4	-7	-	-	-	-26
ECL allowance account as at 30 June 2021	**10**	**9**	**2**	**842**	**4,360**	**10,512**	**534**	**1,115**	**1,416**	**18,799**

P3. Issued bonds at amortised cost

Issued bonds at amortised cost includes non-preferred senior bonds of DKK 111,275 million.

Notes – Danske Bank A/S

Ratios and key figures	First half 2021	Full year 2020	First half 2020
Total capital ratio (%)	26.7	26.3	26.3
Tier 1 capital ratio (%)	23.8	23.5	23.7
Return on equity before tax (%)	3.9	2.6	0.3
Return on equity after tax (%)	3.5	2.7	0.6
Income/cost ratio (%)	154.7	113.9	103.1
Interest rate risk (%)	0.8	2.5	2.6
Foreign exchange position (%)	3.2	23.0	0.3
Foreign exchange risk (%)	0.0	0.0	0.0
Loans plus impairment charges as % of deposits	78.3	81.5	93.7
Liquidity coverage ratio (90 days) (%)	149.6	144.1	144.1
Sum of large exposures as % of CET1 capital	97.9	119.2	127.9
Impairment ratio (%)	0.1	0.5	0.3
Growth in loans (%)	-2.3	-2.4	-1.6
Loans as % of equity	5.9	6.2	7.0
Return on assets (%)	0.2	0.2	0.0
Earnings per share[1]	6.7	4.6	0.8
Book value per share (DKK)	203.1	196.7	192.3
Proposed dividend per share (DKK)[2]	-	2.0	-
Share price end of period/earnings per share (DKK)[1]	16.5	21.7	105.4
Share price end of period/book value per share (DKK)	0.54	0.51	0.46

[1] After the deduction of interest on equity accounted additional tier 1 capital.

[2] For 2019, no dividends were paid in 2020. See note G1(a) in Annual Report 2020 for further information.

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first half 2021 of the Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, total equity and financial position at 30 June 2021 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting on 1 January 2021 and ending on 30 June 2021. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 23 July 2021

Executive Leadership Team

Carsten Rasch Egeriis
CEO

Berit Behring

Karsten Breum

Stephan Engels

Glenn Söderholm

Philippe Vollot

Frans Woelders

Board of Directors

Karsten Dybvad
Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Carol Sergeant
Vice Chairman

Martin Blessing

Lars-Erik Brenøe

Raija-Leena Hankonen

Bente Avnung Landsnes

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 consolidated and parent interim financial statements
We have reviewed the consolidated and parent interim financial statements of Danske Bank A/S for the financial period 1 January to 30 June 2021, pp. 25-69 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, for the Group and Parent Company, respectively, as well as the consolidated cash flow statement.

Management's responsibility for the consolidated and parent interim financial statements
Management is responsible for the preparation of the 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 the consolidated and parent interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express a conclusion on the consolidated and parent 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 consolidated and parent 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 consolidated and parent 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 for the financial period 1 January to 30 June 2021 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 Company's 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 entities.

Emphasis of matter
We draw attention to note G9 to the consolidated interim financial statements that includes a description of the contingent liability regarding the uncertainty as to the outcome of the investigations by the authorities in Estonia, Denmark, France and the USA into the terminated non-resident portfolio at Danske Bank's Estonian Branch.

We agree to the accounting treatment of this matter in the consolidated interim financial statements, and accordingly our conclusion is not modified.

Copenhagen, 23 July 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Kasper Bruhn Udam
State-Authorised
Public Accountant
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Jens Ringbæk
State-Authorised
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Supplementary information

Financial calendar

29 October 2021	Interim report – first nine months 2021
3 February 2022	Annual Report 2021
17 March 2022	Annual general meeting
29 April 2022	Interim report – first quarter 2022
22 July 2022	Interim report – first half 2022
28 October 2022	Interim report – first nine months 2022

Contacts

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Links

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

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