Interim report – first half 2023

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Income statement (DKK millions)	First half 2023	First half 2022*	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022*	Index 23/22	Full year 2022*
Net interest income	16,540	11,370	145	8,516	8,023	106	5,779	147	25,108
Net fee income	5,693	6,537	87	2,739	2,954	93	3,157	87	12,590
Net trading income	2,772	320	-	1,160	1,612	72	-363	-	1,875
Net income from insurance business	689	-103	-	192	497	39	32	-	280
Other income	-106	959	-	-431	325	-	291	-	1,936
Total income	25,587	19,083	134	12,176	13,411	91	8,896	137	41,789
Operating expenses	12,618	12,793	99	6,338	6,280	101	6,421	99	26,478
of which resolution fund, bank tax etc.	496	491	101	243	254	96	250	97	962
Provision for Estonia matter	-	-	-	-	-	-	-	-	13,800
Impairment charges on goodwill	-	-	-	-	-	-	-	-	1,627
Profit before loan impairment charges	12,969	6,290	206	5,838	7,131	82	2,475	236	-116
Loan impairment charges	-28	426	-	-175	147	-	192	-	1,568
Profit before tax, core	12,997	5,864	222	6,013	6,984	86	2,282	263	-1,684
Profit before tax, Non-core	-25	17	-	5	-30	-	31	16	-13
Profit before tax	12,972	5,881	221	6,018	6,954	87	2,313	260	-1,697
Tax	2,794	1,343	208	1,007	1,787	56	516	195	2,883
Net profit	**10,178**	**4,538**	**224**	**5,011**	**5,167**	**97**	**1,796**	**279**	**-4,580**
Attributable to additional tier 1 etc.	-	86	-	-	-	-	5	-	86

Balance sheet (end of period) (DKK millions)	First half 2023	First half 2022*	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022*	Index 23/22	Full year 2022*
Due from credit institutions and central banks	251,568	245,598	102	251,568	295,708	85	245,598	102	191,828
Repo loans	259,077	280,561	92	259,077	253,823	102	280,561	92	247,752
Loans	1,752,598	1,819,297	96	1,752,598	1,769,827	99	1,819,297	96	1,803,955
Trading portfolio assets	559,305	661,284	85	559,305	569,575	98	661,284	85	638,799
Investment securities	287,966	286,898	100	287,966	291,620	99	286,898	100	287,078
Assets under insurance contracts	502,546	702,767	72	502,546	497,029	101	702,767	72	502,995
Other assets (including Non-core)	118,546	115,897	102	118,546	113,824	104	115,897	102	118,149
Total assets	**3,731,608**	**4,112,301**	**91**	**3,731,608**	**3,791,407**	**98**	**4,112,301**	**91**	**3,790,556**
Due to credit institutions and central banks	71,592	102,772	70	71,592	85,592	84	102,772	70	91,159
Repo deposits	238,059	217,035	110	238,059	176,323	135	217,035	110	137,920
Deposits	1,092,945	1,155,841	95	1,092,945	1,156,302	95	1,155,841	95	1,169,879
Bonds issued by Realkredit Danmark	712,186	735,183	97	712,186	724,600	98	735,183	97	711,773
Other issued bonds	308,444	307,773	100	308,444	324,000	95	307,773	100	298,068
Trading portfolio liabilities	480,024	590,249	81	480,024	510,299	94	590,249	81	554,321
Liabilities under insurance contracts	486,606	661,884	74	486,606	480,034	101	661,884	74	488,891
Other liabilities (including Non-core)	134,766	131,285	103	134,766	131,358	103	131,285	103	139,918
Subordinated debt	38,338	39,503	97	38,338	38,324	100	39,503	97	38,350
Shareholders' equity	168,648	170,775	99	168,648	164,575	102	170,775	99	160,278
Total liabilities and equity	**3,731,608**	**4,112,301**	**91**	**3,731,608**	**3,791,407**	**98**	**4,112,301**	**91**	**3,790,556**

Ratios and key figures	First half 2023	First half 2022*	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022*	Index 23/22	Full year 2022*
Dividend per share (DKK)	7.0	-		7.0	-		-		-
Earnings per share (DKK)	11.9	5.2		5.8	6.0		2.1		-5.4
Return on avg. shareholders' equity (% p.a.)	12.4	5.2		12.0	12.7		4.2		-2.8
Adj. return on avg. shareholders' equity (% p.a.)**	12.4	5.2		12.0	12.7		4.2		6.5
Net interest income as % p.a. of loans and deposits	1.13	0.76		1.18	1.09		0.77		0.83
Cost/income ratio (C/I), (%)	49.3	67.0		52.1	46.8		72.2		100.3
Adj. cost/income ratio (C/I), (%)**	49.3	67.0		52.1	46.8		72.2		63.4
Total capital ratio (%)	22.4	21.3		22.4	22.3		21.3		22.1
Common equity tier 1 capital ratio (%)	18.1	17.1		18.1	18.0		17.1		17.8
Share price (end of period) (DKK)	166.0	100.3		166.0	138.0		100.3		137.3
Book value per share (DKK)	196.4	199.0		196.4	191.7		199.0		186.7
Full-time-equivalent staff (end of period)	21,339	21,663	99	21,339	21,205	101	21,663	99	21,022

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 33.

**Comparative information for financial highlights has been restated as explained in note G3.*

***Adjusted return on average shareholders' equity and Adjusted cost/income ratio exclude the effect of the provision for Estonia matter and the impairment charges on goodwill. See Definition of Alternative Performance Measures for more detail.*

Executive summary

In the first half of 2023, Danske Bank continued to deliver on our ambitions as a leading Nordic bank. Although macroeconomic sentiment improved somewhat, as recent data points indicated, the overall operating environment remained uncertain given continued geopolitical tension and the higher interest rate regime with a potential economic slowdown looming. In this environment, we delivered a solid net profit for the first half of 2023.

The solid result was driven by higher net interest income and trading income in line with our outlook, by a part-recovery of our insurance income and by loan impairments remaining at a low level due to continually strong credit quality. Despite assets under management (AuM) having increased somewhat since 2022, fee income was, however, impacted by lower fees from assets under management and by lower activity in the housing market. Income from trading activities benefited from more constructive conditions in the financial markets in the first half of 2023 than in the same period of 2022, while insurance activities were affected by negative valuation effects. In summary, this enabled us to achieve a return on equity of 12.4% and a net profit of DKK 10,178 million in the first half of 2023.

In the current macroeconomic landscape, our solid financial results, well-capitalised balance sheet and strong liquidity position continued to allow us to help our customers navigate the macroeconomic and operating uncertainty by providing expert advisory services and credit.

Moreover, to strengthen our position further and unleash Danske Bank's full potential, we announced our new Forward '28 strategy at the Investor Day in early June, raising the bar by setting new ambitions and committing to making significant investments in our customer offerings within digital platforms, expert advisory services and sustainability. As part of the strategy, we have set new financial targets for 2026, with which we commit to delivering a return on equity of 13%, based on a cost/income ratio of around 45%, and remain committed to maintaining an attractive capital distribution policy.

In order to deliver on these ambitious targets, we announced a new and sharpened focus in each market, with clear ambitions to strengthen our position as a leading bank in the Nordic region in a digital age. For business and large corporate and institutional customers, we want to continue to build our position as the leading wholesale and business bank in the Nordic countries. For retail and private banking customers, we will, with a sharpened focus in each market, continue our strategic development to strengthen our relations with existing customers and attract new ones:

- **Denmark**: We want to reaffirm our position as the bank of choice across customer segments
- **Finland**: We want to maintain our position, serving customer needs across a broad set of segments and focusing on customers with advanced needs in primarily urban areas
- **Sweden**: We want to become the premium retail and private banking bank for business owners and customers with advanced needs
- **Norway**: We have decided to exit the market for personal customers in Norway to focus our efforts, investments and capital on other parts of our portfolio. We want to be a leading bank for business, corporate and institutional customers, and we have a very strong platform, which we look forward to further strengthening and growing.

Our steady progress within sustainability continued in the second quarter of 2023. A key focus area for us is to support our customers in their sustainable transition, which requires our advisers to be equipped with specific skills in the area of sustainability. So far this year, about 1,800 advisers and managers at Personal Customers have finalised training to integrate sustainability into our advisory services and customer dialogue. In terms of sustainable finance, we also maintained our leading position. For instance, Danske Bank recently raised equity for Green Hydrogen Systems, demonstrating our ability to also support the sustainability agenda and the green transition in the Equity Capital Markets space. Moreover, Danske Bank received the 'Best in Test' award for car loans for electric cars according to the Danish Consumer Council 'Tænk' (Think) magazine, which has reviewed the financing options of 12 different banks. Collectively, this means our value proposition within sustainability is increasingly attractive as we remain committed to supporting our customers and society even more in the green transition.

Capital and funding

Danske Bank's underlying business is strong, our treasury asset and liability management is prudent, and our capital and liquidity positions continue to be strong, with significant buffers well above the regulatory requirements. At the end of June 2023, our liquidity coverage ratio stood at 148% (31 December 2022: 151%), with an LCR reserve of DKK 551 billion (31 December 2022: DKK 570 billion), and our net stable funding ratio stood at 124%.

Personal customer business in Norway

Following the Forward '28 strategy announcement in June, Danske Bank has entered into an agreement to sell its personal customer business in Norway to Nordea. The sale of the personal customer business includes the management of 15 Danske Invest Horisont funds, which are primarily distributed to personal customers in Norway. The transaction is subject to regulatory approvals. Pending these approvals and preparation of the transfer of the customers, the transaction is expected to close in the fourth quarter of 2024.

Financials

Net interest income increased to DKK 16,540 million (H1 2022: DKK 11,370 million). Net interest income benefited from our repricing actions and further normalisation of interest rates, despite a relatively flat development in volumes and negative currency effects.

Net fee income decreased to DKK 5,693 million in the first half of 2023 (H1 2022: DKK 6,537 million) as higher activity-driven fees did not offset lower fee income due to lower investment and housing market activity.

Trading income of DKK 2,772 million in the first half of 2023 represents a significant recovery from the low level in the first half of 2022. The new fixed income strategy implemented at Large Corporates & Institutions towards the end of 2022 resulted in more stable income, generated on the basis of a lower capital base. The first half of 2023 furthermore benefited from the sale of shares taken over in connection with a loan. The successful sale resulted in a gain of DKK 327 million.

Net income from Danica Pension recovered from the level in the first half of 2022, due primarily to the more positive developments in the financial markets in the first half of 2023 and amounted to DKK 689 million.

In connection with the agreement to sell our personal customer business in Norway, we incurred a negative one-off in Other income of DKK 693 million related to prudent valuation and expected transaction costs.

Operating expenses benefited from exchange rate developments, which were partly offset by inflation. Underlying expenses continued to develop according to plan.

Credit quality was stable, with a low level of actual loan impairments so far this year and reversals given an improved macroeconomic outlook. To be prudent, we recognised additional post-model adjustments of DKK 0.2 billion related to construction sector exposure.

The effective tax rate was positively affected by the reversal of a provision of DKK 0.6 billion following a decision from the tax authorities regarding the exit from the international joint taxation scheme.

Danske IT in India

As part of our recently launched Forward '28 strategy, we have announced that Danske Bank has entered into a strategic partnership to sell Danske IT, a fully-owned subsidiary of Danske Bank headquartered in India, to Infosys, a global leader in digital services and consulting. As part of the sale, starting expectedly on 1 September 2023, 1,400 colleagues in Danske IT will transfer to Infosys. The sale supports us in the digital and technology transformation we have undertaken to be a leading bank in a digital age.

Dividend for 2023

Based on our strong performance in the first half year of 2023 and our strong capital position at the end of the period, the Board of Directors has, on the approval of the half-year report, approved an interim dividend of DKK 7 per share, corresponding to 59% of net profit for the period.

Danske Bank's dividend policy remains unchanged, targeting a dividend payout of 40-60% of net profit. Danske Bank has strong capital and liquidity positions, and the Board of Directors remains committed to our capital distribution policy.

Outlook for 2023

Net profit is expected to be in the range of DKK 18.5-20.5 billion, including the impact of the new Danish bank tax and further positive tax-related one-offs.

We expect net interest income to continue to grow on the basis of the announced central bank rate hikes and our commercial momentum, while fee income is expected to be below the level in 2022. Trading income is expected to be impacted by the release of a loss of DKK 0.8 billion from Other comprehensive income on the CET1 FX hedge related to the sale of our personal customer business in Norway which is subject to regulatory approval. Income from insurance is expected to be lower than the normalised level due to negative valuation effects and higher claims.

We expect costs in 2023 to be in the range of DKK 25-25.5 billion, reflecting our focus on cost management and despite the inflationary pressure. The outlook includes continually elevated remediation costs for approximately DKK 1.1 billion.

We expect loan impairment charges of up to DKK 1.5 billion (8 bp) due to continually strong credit quality, recoveries in the first half of the year and lower-than-expected impact in the first half from model-driven charges related to weaker macroeconomic outlook.

The outlook is subject to uncertainty and depends on volume growth and macroeconomic conditions.

Strategy execution

We are in the last six months of our Better Bank transformation cycle and are advancing further towards our stakeholder ambitions for 2023. And while we see continued progress on our ambitions towards customers, employees, shareholders and society, we are currently preparing to shift our focus to delivering on Danske Bank's Forward '28 strategy announced on 7 June.

In this context, we announced key decisions to fuel the organisation in relation to its ambition of being a focused Nordic leader with strong profitability, as evidenced by both a sizeable capital distribution and dividend potential and the ambition to grow the return on equity to 13% by 2026. In Norway, going forward, Danske Bank will focus on business, large corporate and institutional customers and will discontinue serving personal customers to apply its investment muscle in an even more targeted manner. Moreover, we entered into a strategic partnership with Infosys to further scale the IT capabilities in India and accelerate digital development. This most recent step is part of a multi-year journey to drive impactful change for customers and shareholders by furthering our development capabilities. Two years after transitioning to agile ways of working, development processes are yielding the expected outcomes while continuous adjustments to meet the needs of the organisation are implemented.

Throughout the first half of 2023, the commercial momentum has been positive across our core banking business. Despite the volatile macroeconomic environment in the Nordic economies, we progressed towards meeting our shareholder ambitions for 2023. The return on equity is projected to exceed our ambition of 8.5-9% set in 2021 and reached 12.4% at the end of the second quarter. The cost/income ratio stood at 49.3% at 30 June 2023, and the cost/income trajectory is also supported by our ongoing efforts to further simplify our business and processes. For instance, the review process to identify and close products across customer segments resulted in the discontinuation of some 80 products in the first six months of 2023. Reducing the total number of products increases efficiency in terms of maintenance and governance. At the same time, customers experience that choosing the right product for their needs becomes easier. We are now also reaping the benefits of rigorously redesigning governance and processes related to bringing new products to market, reducing the time-to-market and making the organisation more agile in responding to changing customer needs.

We are pleased to see that customers increasingly recognise our enhanced service and engagement models. The progress can be seen, for example, in the results of Voxmeter's most recent survey encompassing some 9,000 respondents, which highlights our progress. Throughout the last eight years, Voxmeter has measured satisfaction among banks' wealthy customers, and over the course of the past eight years, Voxmeter has never encountered as large an upward trend in performance as that achieved by Danske Bank this year. Similarly, the Trustpilot ratings of customers have increased from an average 2.1 to 4.3 of 5. Within the Large Corporates & Institutions segment, we saw strong performance in Foreign Exchange and are leading Nordic Prospera ratings within Interest Rates Swaps and DCM Investment Grade Issuance.

While customers' perception improved, we continue to improve Danske Bank as a workplace, and employee engagement is rising. Our workplace vision is characterised by an engaged workforce experiencing inclusion, flexibility, growth and a deep sense of belonging. We are content to see that our employee engagement levels across the Group continued the positive development that began two years ago. In the latest culture & engagement survey, the employee satisfaction & motivation index score increased further from 76 in the fourth quarter of 2022 to 77 in the second quarter of 2023, reaching the end-of-year target, as reflected in the ambition for employee engagement in our Better Bank plan. The increased engagement levels are the result of collective efforts throughout the organisation. Targeted initiatives supporting the culture and workplace transformation include strengthening leadership capabilities, a hybrid work setup that supports collaboration, well-being and productivity, as well as an emphasis on people development through regular development-focused dialogues.

Our commitment to protecting society and the integrity of the financial markets also means that we continue our efforts set out on the Compliance under Control agenda. All four of its initiatives remain on track to be completed by the end of 2023. Following the successful implementation of enhanced Market Abuse controls, we have fully implemented an effective market surveillance framework in line with regulatory obligations and market standards. The Conduct Programme was completed at the end of the second quarter of 2023 following the integration of conduct risk management and sound business culture into day-to-day operations, behaviours and decision-making. Work remains on track to complete Transaction Monitoring and Sanctions enhancements by year end and then to continue to embed all elements of Compliance Under Control initiatives into 'business as usual' as part of our commitment to maintaining an effective compliance culture and effective governance, systems and controls.

Protecting society and the integrity of the financial markets in which we operate remains central to our values and our aim to maintain a sound business culture. In terms of strengthening the robustness of our compliance and financial crime frameworks, we are approaching 90% completion of the execution of the multi-year remediation plan. Alongside the execution of the Group Financial Crime Plan, which remains a very high priority for the organisation, we also continue to progress the digitisation of some of our processes, for instance related to customer data, and as part of this, we leverage reliable third-party information when we are comfortable that this is within our risk appetite.

During the first half of 2023, we took several important steps to advance our sustainability agenda, including the launch of our Climate Action Plan and the inclusion of sustainability as one of the strategic themes in our Forward '28 strategy. Our commercial momentum recently benefited, for instance, from campaigns for homeowners to get financing for energy improvements and recognition by the Danish Consumer Council for one of the market's best loans for electric cars.

Personal Customers
We have taken a range of steps in Denmark to stabilise our position as a leading full-service retail and private banking bank and to establish a strong foundation for continued change. We have focused on home finance initiatives, attracting young customers and strengthening our retail investment and sustainability offering, while also moving towards our future digital and differentiated service model. Perception of our brand is still impacted by the remediation cases, but we see signs of a positive trajectory.

Meanwhile, we remain focused on commercial execution in Finland and Sweden and have entered into an agreement to sell our personal customer business activities in Norway to focus on business customers and large corporates and institutions. Rising interest rates and high inflation continue to dampen demand for lending, but portfolios are resilient and maintain high credit quality. In Finland, we have established a position with broad retail and private banking segment coverage, notably in urban areas, while in Sweden, we continue to have a challenger position in an attractive market with strong partnerships and relations with business owners. In both markets we have focused on improving processes in the home finance area to enable faster processing of loan applications.

In Denmark, we remain committed to being the bank of choice for the majority of customer segments. In 2023, we build on our recent commercial momentum and execute tactical initiatives within home finance, investments and service models as part of our Better Bank plan. With the Forward '28 strategy, we will sharpen our value proposition and commercial focus. We see good progress in customer satisfaction levels, which have risen following our progress in terms of closing our remediation cases.

We continue to have a digitally savvy customer base, with 90% of customers using digital channels (access to Danske Mobile Banking or Danske eBanking). During the first half of 2023, we remained the leading retail bank in terms of the distribution between online and physical meetings (with 63% being online). To balance digital self-service and personal advisory services, we continue to improve our services and offerings while moving towards a single channel platform.

We already see positive developments in relation to our digital transformation agenda. To make it easy for our customers in all markets to leverage our attractive savings accounts, we introduced a feature that enables them to open and close transaction and savings accounts directly in Danske Mobile Banking. In Finland, we now have AI-enabled instant answers to selected customer requests. This will be rolled out in Denmark in the second half of 2023 and subsequently in Sweden.

Besides our digital efforts, we have launched new products internally and with partners. This includes a new saving account product called Danske Toprente, which allows customers in Denmark to get favourable rates on fixed term deposits. 85% of all such accounts are now opened via self-service. With Tryg, we rolled out Tryg Låneforsikring, an insurance product allowing customers in Denmark to insure payments on home loans in case they lose their income. For investments, we had a silent launch in Denmark of our Danske Monthly Investments solution, which makes it easy for customers to invest a fixed amount each month in one or more funds of their choice. We plan to launch this solution in Sweden and Finland in the second half of 2023.

During and beyond 2023, we will drive momentum by focusing on three growth and profitability levers: making relationships more efficient, broadening existing relationships with customers and developing new relationships. We will continue to strengthen our private banking offering, invest in our digital solutions and start initiatives across markets to strengthen our marketing, commercial, partnership and advisory capabilities.

Business Customers
1 May 2023 marked the one-year anniversary of the Business Customers unit. The establishment of the unit has enabled us to have a dedicated focus on small and medium-sized business customers, with the ambition of being the preferred bank for businesses with advanced needs and offering an attractive value proposition for all businesses across the Nordic countries, underpinned by a strong digital foundation. In the first half of 2023, we maintained the focus on the identified must-win areas to meet our business objectives: driving cross-sales, prioritising pricing and capital productivity and establishing a cost-efficient service model.

During the first half of 2023, we saw good results driven by the market environments and stable growth in bank lending across all market areas from the level in the same period last year. Considering the currently uncertain macroeconomic development, we have adopted a cautious approach in certain segments, such as Commercial Real Estate. The rapid changes in the macroeconomic environment also resulted in several repricing actions.

To support our customers in the green transition, we launched green asset financing for transportation, which has received good traction, and we have so far financed more than 11,000 cars, trucks and busses. In 2023, the scope for green asset financing has and will continue to be broadened to capture both small and large green asset financing projects. Additionally, in collaboration with the Danish interest organisation Lederne, we have launched the ESG profile in Denmark. The ESG profile is a free digital self-service tool aimed at enabling businesses to work more strategically and systematically with sustainability. Among other things, the tool can be used to create an overview of existing ESG initiatives and to calculate relevant ESG metrics by entering different data.

To further strengthen our digital value proposition towards our corporate customers, District Marketplace was rolled out to more than 100,000 users in Denmark in the first half of 2023. Marketplace enables our customers to conveniently and seamlessly self-serve to get the most popular everyday banking products digitally. Marketplace was launched in Sweden last year and quickly gained traction among our business customers. Today, 11% of customers visiting Marketplace in Sweden buy a product digitally, and 23% of the customers who ordered a product on Marketplace later return to order additional products. The next step is to launch Marketplace in Norway and Finland, while adding more products and increasing the adoption rate in Sweden and Denmark. The work of digitalising customer journeys will continue to have high priority and is a key focus area in our new strategy.

In the context of the new Forward '28 strategy, Business Customers will build on the strong momentum we have across the four Nordic countries. Going forward, we aim to be the market leader for Nordic business customers with advanced needs, international needs and sustainable transformation ambitions. We will offer our customers everyday banking solutions in a convenient and digital-first setup and provide expert advice enabled by a highly skilled, engaged and diverse business banking team.

Large Corporates & Institutions
Our ambition in 2023 is to develop and strengthen our position as a leading Nordic wholesale bank while making a positive contribution to the Group's ambition for the return on equity.

Despite the uncertainty in the macroeconomic environment, we are progressing with the execution of our commercial initiatives communicated in September 2021 and saw a strong performance in the first half of 2023.

In Equity Capital Markets, we saw that the improved market conditions during the second quarter of the year led to a market window for picking up ECM transactions, and we supported several customers in raising capital. Within M&A Advisory, we remained in a leading position among the Nordic banks, however, market activity in the Nordic countries was relatively low in the first half of 2023 relative to the same period last year. Our Debt Capital Markets business is experiencing a constructive market that enabled several of our bond-issuing customers to be active across all the Nordic markets.

Our ambition to meet the Group's sustainability targets through excelling in sustainable finance and responsible investments is showing good traction. Within the market for green bonds, we are in the top nine in Bloomberg's Global Green Bonds league table, we have arranged more European issuer green bonds than any other arranger, and we are the leading Nordic arranger of sustainable bonds as well as the leading arranger of sustainable bonds from Nordic issuers. In addition, we have established a new dedicated team in Loan Capital Markets to accelerate our efforts within Project & Renewable Energy Finance and take a more holistic approach. We have therefore strengthened our value proposition within sustainability during the first half year and can support our customers and society even more in the green transition.

Within responsible investments, net zero is an important long-term strategic goal, and we strive for a leading position in the Nordic countries by continuing to integrate sustainability into our products and advisory services. We have started mapping out how we can better meet customer demand from a sustainability perspective and further develop sustainability-related reporting.

Finally, we saw our efforts in supporting customers reflected in positive customer satisfaction ratings according to Prospera research by Kantar, among which is a Nordic number one position within DCM Investment Grade Issuance and Interest Rates Swaps and Nordic top two positions within Daily Banking areas such as Cash Management, Foreign Exchange and Trade Finance. Additionally, we saw a positive trend for customers in Sweden driven not only by the market in general but also by our focused efforts, supporting our strategic ambition to grow our business outside Denmark.

We are therefore confident that the finalisation of our LC&I Better Bank strategy in 2023 will create a solid foundation for the execution of our Forward '28 strategy, where the focus will be on becoming the leading wholesale bank in the Nordic countries. To do that, we will target our efforts on continuing the corporate growth journey outside Denmark, strengthening and leveraging our one corporate platform and deepening our relations with Nordic institutions.

Sustainability

At Danske Bank, we are committed to playing a leading role in supporting a just and sustainable transition to a low-carbon society. And as Denmark's largest bank and one of the largest financial institutions in the Nordic countries, we have the responsibility and ability to make a difference – for our around 3.3 million customers and more broadly in the societies we are a part of. We contribute by providing specialist financial advice and by financing our customers' transition to a more sustainable future.

During the first half of 2023, we took several important steps to advance our sustainability agenda. These included the launch of our Climate Action Plan and the inclusion of sustainability as one of the strategic themes in our Forward '28 strategy. The Climate Action Plan represents a significant step up in our efforts to support the goals of the Paris Agreement. The new climate goals in our Climate Action Plan have been set in line with the criteria and recommendations provided by the Science Based Targets initiative (SBTi), and we are now awaiting validation of our new goals by the STBi. The Climate Action Plan covers the entire Danske Bank Group, including Danica Pension and Realkredit Danmark, and it sets specific 2030 targets for carbon emission reductions in relation to customers, investees, pension investments and Danske Bank's own activities such as buildings and air travel.

Supporting our customers in their sustainable transitions requires that our advisers are equipped with the necessary skills in the relevant areas of sustainability. In the first half of 2023, around 1,800 advisers and leaders at Personal Customers completed the first new module of sustainability dialogue training. This training is designed to build skills and develop behaviour to integrate sustainability into our advisory services and customer dialogue.

In the spring of 2023, Finans Danmark and the Danish Business Authority launched the campaign Fyr dit Fyr ('Banish your Boiler'), which provides access to favourable financing to Danish homeowners who are looking to replace their oil and gas boiler with a greener alternative. At Danske Bank, we are supporting this campaign with a flexible loan for energy-efficiency improvements. Our aim is to make it easy for our customers to make a sustainable choice, and we provide our customers with a high degree of flexibility when we help them switch to greener heating sources.

We are making strong progress with most of our sustainable finance targets. Having already provided DKK 327 billion in sustainable financing, including green loans and arranged sustainability bonds, we have now surpassed our sustainable financing target of DKK 300 billion by 2023, and we are also very close to reaching our 2023 target for Danica Pension's investments in the green transition. The Nordic sustainable finance market showed record volumes in the first half of 2023, and we have been very active in arranging sustainable bonds for our customers. Danske Bank now ranks number 9 in Bloomberg's Global Green Bonds league table (up on our number 17 ranking at year-end 2022), and we arranged more green bonds from European borrowers than any other arranger in the first half of 2023.

Sustainable Finance Targets

(DKK billions)	H1 2023	FY 2022
DKK 300 billion in sustainable financing by 2023, including green loans and arranged sustainability bonds	327	273
DKK 150 billion in funds with sustainability objectives by 2030	52	52
DKK 50 billion invested in the green transition by Danica Pension by 2023	49	38

As part of our Climate Action Plan, we complemented our 2023 targets for reducing our own CO_2 emissions with a new 80% reduction target for scope 1 and 2 emissions by 2030. Our projection based on the first half year indicates that we are on track to achieve our 2023 target of a 40% CO_2 reduction. With continued focus on more efficient utilisation of floorspace in our own premises, we are seeing a decrease in CO_2 emissions from heat consumption of around 40% compared with the same period last year. On the other hand, as travel patterns are stabilising at a new post-pandemic level, we are seeing a more than 100% increase in air travel emissions compared with the same period last year.

Danske Bank has an increased focus on building and fostering a culture of inclusion to attract, retain and grow talent. Among leaders and employees, increased ownership is driving gender diversity through a top-down approach with a new Diversity & Inclusion Council and through a bottom-up approach that includes sponsoring key and upcoming networks and participation in initiatives and events. This is creating new insights, connections and increased collaboration, all of which are key to creating a sense of belonging, and it enables us to benefit from the diversity that exists across the organisation.

At both leadership and senior leadership levels, the percentage of women remains on par with the level at year-end 2022 (39% and 34% respectively), with the respective targets for 2023 being 40% and 35%.

By the end of 2022, we had already reached our 2023 target of supporting 2 million people with financial literacy tools. All in all, we have now supported 2.3 million people (year-end 2022: 2.1 million). In the first half of 2023, we have facilitated dialogues with stakeholders on how to teach children about managing money at a time when children are already gaming and gambling before they have developed their own good money habits.

Our support of entrepreneurship has increasingly focused on providing banking services for start-ups and scale-ups. As a consequence, we have sold the digital platform The Hub to Norway's MESH Community. As at the end of the first half of 2023, around 7,600 (year-end 2022: 7,231) start-ups and scale-ups have used The Hub to recruit talent. We continue to follow the number of companies supported by The Hub, and we are happy to see that new jobs continue to be created; however, we recognise that it is unlikely that the target we previously set of supporting 10,000 start-ups and scale-ups by year-end 2023 will be achieved.

Financial review

H1 2023 vs H1 2022

Net profit increased to DKK 10,178 million (H1 2022: DKK 4,538 million) as a result of significant increases in net interest income, net trading income and income from insurance business. Net profit also benefited from a decline in both operating expenses and loan impairment charges.

Income

Net interest income increased to DKK 16,540 million (H1 2022: DKK 11,370 million) and developed in line with our expectations. The increase was due primarily to repricing actions and income from deposits driven by the rise in market rates.

Net fee income was down to DKK 5,693 million (H1 2022: DKK 6,537 million). Higher income on everyday banking services, such as cash management, was more than offset by lower fees from assets under management and fees on advisory services. Service fees increased due to repricing actions and the transfer of customers to a subscription fee service model implemented in mid-2022, but the increase was offset by a decline in the fees for new lending generated by our commercial real estate business that was caused by the slowdown in the housing market.

Net trading income increased to DKK 2,772 million (H1 2022: DKK 320 million), driven by the fixed income strategy implemented at Large Corporates & Institutions towards the end of 2022, which resulted in more stable income that was generated on the basis of continually high customer activity and with very limited drawdowns despite a challenging market environment. The first half of 2023 furthermore benefited from the sale of shares taken over in connection with a loan. The successful sale resulted in a gain of DKK 327 million.

Net income from Danica Pension recovered and amounted to DKK 689 million (H1 2022: loss of DKK 103 million), due primarily to more positive developments in the financial markets in the first half of 2023. Danica Pension saw a rise in new health & accident claims, and Danica Pension was also not able to recognise the full risk allowance in the first half of 2023. The first half of last year also benefited from a reduction of technical provisions related to the health & accident business.

Other income amounted to a loss of DKK 106 million (H1 2022: DKK 959 million). The development was due mainly to a provision related to prudent valuation and expected transaction costs, amounting to DKK 693 million, in connection with the agreement to sell our personal customer business in Norway. Furthermore, in the first half of 2022, other income was positively affected by a one-off gain of DKK 421 million due to the sale of our activities in Luxembourg.

Operating expenses

Operating expenses amounted to DKK 12,618 million (H1 2022: DKK 12,793 million) as underlying expenses continued to develop according to plan. Operating expenses benefited from exchange rate developments, which were partly offset by inflation.

The Resolution fund, bank tax etc. item continued to increase and stood at DKK 496 million (H1 2022: DKK 491 million).

Loan impairment charges

Loan impairments in core business segments remained low overall in the first half of 2023, amounting to a net reversal of DKK 28 million (H1 2022: charges of DKK 426 million).

Impairments reflect successful workout activities and continued post-pandemic economic recoveries, contributing to overall stable credit quality. The macroeconomic situation, mainly in terms of declining property prices and interest rate hikes, continues to impact impairments, and the macroeconomic landscape remains uncertain and develops at a fast pace. We continue to apply significant post-model adjustments related to the macroeconomic uncertainty and remain watchful of any possible credit deterioration.

Personal Customers saw an increase in impairment charges in the first half of 2023 that was driven by a combination of updated macroeconomic scenarios and falling property prices. Underlying credit quality remained stable.

Business Customers had impairment charges lower than the charges in the first half of 2022, while Large Corporates & Institutions saw an increasing net loan impairment reversal owing to successful restructuring within the shipping, oil & gas industry and post-pandemic recoveries resulting in a decline in charges made against facilities to individual customers.

Loan impairment charges

	First half 2023		First half 2022	
(DKK millions)	Charges	% of net credit exposure[1]	Charges	% of net credit exposure[1]
Personal Customers	478	0.12	325	0.07
Business Customers	142	0.04	198	0.06
Large Corporates & Institutions	-522	-0.28	-145	-0.10
Northern Ireland	-131	-0.49	38	0.14
Group Functions	5	0.55	10	0.50
Total core	**-28**	**-0.00**	**426**	**0.04**

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

A low GDP, rising interest rates and downward pressure on property prices remained the primary drivers of the macroeconomic scenarios. The scenario weights were updated from the end of 2022 and were as follows: The base-case scenario has a probability of 60% (2022: 70%), the upside scenario has a probability of 20% (2022: 10%) and the downside scenario has a probability of 20% (2022: 20%).

Tax

The tax expense of DKK 2,794 million (H1 2022: DKK 1,343 million) corresponds to an effective tax rate of 21.5% (H1 2022: 22.8%). The effective tax rate in the first half of 2023 was positively affected by reversal of a provision of DKK 576 million following a final decision from the tax authorities regarding the exit from the international joint taxation scheme in 2019, which more than offset the increase in the tax rate applicable to financial institutions to 25.2% in 2023 from 22% in 2022.

Q2 2023 vs Q1 2023

Net profit decreased to DKK 5,011 million (Q1 2023: DKK 5,167 million). The result was positively affected by an increase in net interest income and lower loan impairment charges, but the effect was more than offset by decreases in the other income lines.

- **Net interest income** increased to DKK 8,516 million (Q1 2023: DKK 8,023 million), driven by increased margins on deposits as a consequence of rising market rates and repricing actions.
- **Net fee income** amounted to DKK 2,739 million (Q1 2023: DKK 2,954 million), with the decline driven by lower refinancing and loan establishment fees. Activity-driven fees increased slightly, while investment fees were on par with the preceding quarter, continuing the positive trend from the first quarter of 2023 against the level at the end of 2022. We saw lower income from M&A advisory services, with the decrease being partly offset by the effect of improved debt capital markets and an increase in assets under management.
- **Net trading income** decreased to DKK 1,160 million (Q1 2023: DKK 1,612 million) as market conditions were more supportive in the first quarter. However, our customer franchise at Large Corporates & Institutions continued to provide stable value, although at a lower level than in the first quarter. The second quarter was furthermore affected by the sale of shares taken over in connection with a loan. The successful sale resulted in a gain of DKK 327 million.
- **Net income from Danica Pension** decreased to DKK 192 million (Q1 2023: DKK 497 million). The insurance service result increased DKK 33 million, driven by a better result on group life insurance products and an increase in income from unit-linked insurance contracts, and this offset the effect of Danica Pension not being able to recognise the full risk allowance. The financial result decreased due to negative investment results on insurance products where Danica Pension has the investment risk, due mainly to the effect of developments in the real estate market and in interest rates in the second quarter. The investment returns on Danica Pension's equity capital also decreased in the second quarter.
- **Other income** decreased to a loss of DKK 431 million (Q1 2023: DKK 325 million) due mainly to a provision related to prudent valuation and expected transaction costs, amounting to DKK 693 million, in connection with the agreement to sell our personal customer business in Norway.
- **Operating expenses** amounted to DKK 6,338 million (Q1 2023: DKK 6,280 million) and were flat relative to the first quarter.
- **Loan impairment reversals** for core business segments amounted to DKK 175 million in the second quarter (Q1 2023: charges of DKK 147 million). Impairment reversals were driven by resilient credit quality and reversals of charges on facilities to individual customers owing to successful workout activities and continued post-pandemic recoveries.
- **Tax** amounted to DKK 1,007 million (Q1 2023: DKK 1,787 million). The effective tax rate was positively affected by reversal of a provision of DKK 576 million following a decision from the tax authorities regarding the exit from the international joint taxation scheme in 2019.

DKK 5,011 million

Net profit

for the second quarter of 2023

Lending and deposits

Lending stood at DKK 1,753 billion (end-2022: DKK 1,804 billion). Mortgage lending at nominal value at Realkredit Danmark amounted to DKK 804 billion (end-2022: DKK 802 billion). Lending volumes in Sweden and Norway were negatively affected by the depreciation of the currencies.

At Large Corporates & Institutions, we have seen an increase of 3% in lending volumes in General Banking since the end of June 2022. The increase reflected the volatile operating environment but was also the result of our strategic ambition to grow our business in Sweden, where we have reached the ambition set in 2021 to have welcomed 40 new Large Corporates & Institutions customers by 2023. Relative to the level at the end of 2022, total lending decreased 3%, due mainly to a decrease in lending volumes in Norway as a result of the depreciation of the Norwegian krone.

Bank lending volumes at Business Customers increased in all four markets from the level in the same period last year. Mortgage lending in Denmark at nominal value increased 3%, however, measured at fair value, the increase was only 1%. Combined with the depreciation of currencies, total lending ended on par with the level in the same period last year. Relative to the level at the end of 2022, total lending decreased 1%.

At Personal Customers, the market share of bank lending in Denmark continued to increase despite a slowdown in the inflow of Danske Bolig Fri (home finance) volumes in the second quarter of 2023. The slowdown in Danske Bolig Fri volumes was a result of the general slowdown in the housing market, which had a negative effect on mortgage volumes in all four Nordic countries. We saw a positive inflow of bank lending volumes in Denmark of 12%, driven by customers looking for a flexible way to finance their homes in an uncertain interest rate environment. Total lending volumes across markets decreased 5% from the level at the end of 2022, mainly due to the depreciation of the currencies in Sweden and Norway.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 60.8 billion. Lending to personal customers accounted for DKK 13.7 billion of this amount.

In Denmark, our market share of bank lending, excluding repo loans, to personal customers increased to 20.4% at the end of May 2023 (end-2022: 20.1%), and for business customers, the market share decreased to 21.3% (end-2022: 23.0%). The market share in Denmark, including mortgage lending, decreased, however, to 24.3% at the end of May 2023 (end-2022: 24.6%). In Finland, our market share of lending increased to 9.7% as at the end of May 2023 (end-2022 9.6%) and in Norway, our market share of lending decreased from 6.2% to 6.0% as at the end of May 2023. In Sweden, we maintained our market share of lending at the end-2022 level of 5.4%.

Deposits amounted to DKK 1,093 billion at the end of June 2023 (end-2022: DKK 1,170 billion). Deposit volumes in Sweden and Norway decreased, due mainly to the depreciation of the currencies.

Deposit volumes in Personal Customers in Denmark increased, driven primarily by the new savings products launched in the first quarter of 2023. In addition, deposit volumes in Norway decreased due to the announcement of Danske Bank exiting the retail market in Norway and a changed scope of the Akademikerne agreement.

In Finland, we saw a good increase in deposit volumes in our Business Customers segment. The increase was driven by the public sector, however, it was offset primarily by a conscious decision to reduce deposits in Norway.

In Denmark, our market share of deposits decreased to 27.4% at the end of May 2023 (end-2022: 28.3%). In Finland, Sweden and Norway, our market share of deposits also decreased from the end-2022 levels.

Credit exposure

Credit exposure from lending activities in core business segments increased to DKK 2,536 billion (end-2022: DKK 2,513 billion). The increase was driven by higher deposits with central banks, while the decrease in exposure to Personal Customers Norway and Sweden was mainly impacted by weaker NOK and SEK exchange rates.

Risk Management 2022, section 3, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remained strong in the first half of 2023 for all business units. However, we remain vigilant for any possible deterioration related to the uncertainty mentioned in the loan impairment charges section above.

Stage 3 loans in core segments (DKK millions)	30 June 2023	31 Dec. 2022
Gross exposure	29,946	32,132
Allowance account	8,041	8,251
Net exposure	**21,905**	**23,881**
Collateral (after haircut)	**19,588**	**22,442**
Stage 3 coverage ratio (%)	78	85

The stage 3 coverage ratio is calculated as allowance account stage 3 exposures relative to gross stage 3 net of collateral (after haircuts).

Total gross credit exposure in stage 3 decreased to DKK 29.9 billion (end-2022: DKK 32.1 billion), corresponding to 1.2% of total gross exposure. Stage 3 exposure was concentrated on personal customers, shipping, oil and gas, commercial property and agriculture, which combined accounted for 65% of total gross exposure in stage 3.

Total gross exposure in stage 2 has decreased DKK 26.1 billion since the end of 2022, primarily in the business and personal customers segments, due mainly to portfolio development.

The allowance account amounted to 1.05% (end-2022: 1.02%) of lending and guarantees.

Allowance account by business units (DKK millions)	30 June 2023 Accum. impairm. charges	30 June 2023 % of credit exposure[1]	31 Dec. 2022 Accum. impairm. charges	31 Dec. 2022 % of credit exposure[1]
Personal Customers	5,443	0.70	5,427	0.66
Business Customers	10,246	1.57	10,235	1.58
Large Corporates & Institutions	2,907	0.80	3,050	0.76
Northern Ireland	771	1.33	863	1.56
Group Functions	33	3.20	31	0.78
Total	**19,400**	**1.05**	**19,605**	**1.02**

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

Interest rate risk in the banking book

Danske Bank is exposed to interest rate risk in the banking book resulting from providing the Group's core banking customers with conventional banking products and from the Group's funding and liquidity management activities at Group Treasury (for more details, please see section 5.3.3 of our Risk Management 2022 report).

As part of managing the interest rate risk in the banking book, the Group holds high-rated bonds. To ensure aligned accounting treatment across the banking book, these bonds are held at amortised cost. As interest rates have risen, asset values in the banking book, including bonds held at amortised cost, have fallen. This should be seen in light of the significant increase in net interest income from deposits and the corresponding impact on liability values. The carrying amount and fair value of the Group's hold-to-collect bond instruments can be seen in note G13.

Funding and liquidity

The second quarter of 2023 was still somewhat affected by equity and interest rate volatility due to high inflation prints, focus on the US debt ceiling, numerous central bank interest rate hikes and a continuously tense geopolitical situation. The credit markets were active, with decent supply and stable investor appetite for Danske Bank issues.

At the end of June 2023, the Group had issued covered bonds of DKK 14.3 billion, senior debt of DKK 23.7 billion and non-preferred senior debt of DKK 16.1 billion, thus bringing total long-term wholesale funding to DKK 54.1 billion.

Our strategy is to be a regular issuer in the EUR benchmark format and in the domestic USD market for senior and non-preferred senior bonds in the Rule 144A format. Our strategy of securing more funding directly in our main lending currencies, including NOK and SEK, remains in place. The benchmark issues are expected to be supplemented by private placements of bonds.

From time to time, we will make issues 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 hand and our capital targets on the other. Any issuance of subordinated debt may cover part of our funding need. Note G7 provides more information about bond issues in 2023.

Danske Bank's liquidity position remained robust. At the end of June 2023, our liquidity coverage ratio stood at 148% (31 December 2022: 151%), with an LCR reserve of DKK 551 billion (31 December 2022: DKK 570 billion), and our net stable funding ratio stood at 124%.

At 30 June 2023, the total nominal value of outstanding long-term funding, excluding debt issued by Realkredit Danmark, was DKK 372 billion (31 December 2022: DKK 357 billion).

Capital ratios and requirements

At the end of June 2023, the Group's total capital ratio was 22.4%, and its CET1 capital ratio was 18.1%, against 22.1% and 17.8%, respectively, at the end of 2022. The movement in the capital ratios in the first half of 2023 was driven by realised net profit after reserved dividend and a decrease in the total REA, which was partly counterbalanced by a decline in the IFRS 9 add-back.

During the first half of 2023, the total REA decreased approximately DKK 13 billion due mainly to a decline in the REA for credit 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 2023, the Group's solvency need ratio was 10.9%, an increase of 0.2 percentage points from the level at the end of 2022.

A combined buffer requirement (CBR) applies to financial institutions in addition to the solvency need ratio. At the end of June 2023, the Group's CBR was 7.5%, an increase of 0.5 percentage points due to increases in the national countercyclical buffer rates in Denmark and Norway from 2.0% to 2.5% as well as a rise in the Swedish buffer rate from 1.0% to 2.0%.

Following a recommendation from the European Systemic Risk Board (ESRB) on reciprocity on the 4.5% systemic risk buffer (SyRB) implemented by the Norwegian authorities, the Danish minister for Business, Industry and Financial Affairs has decided to reciprocate the 4.5% Norwegian SyRB (on Norwegian exposures), effective from 4 August 2023. The Norwegian SyRB has, however, been part of the Group's ongoing and ordinary capital planning process, and the implementation will not have any implications for the Group's capital targets.

Capital ratios and requirements

(% of the total REA)	30 June 2023	Fully phased-in*
Capital ratios		
CET1 capital ratio	18.1	17.9
Total capital ratio	22.4	22.2
Capital requirements (incl. buffers)**		
CET1 requirement	13.7	14.3
- portion from countercyclical buffer	2.0	2.0
- portion from capital conservation buffer	2.5	2.5
- portion from Norwegian SyRB	0.0	0.5
- portion from SIFI buffer (O-SII)	3.0	3.0
Solvency need ratio	10.9	10.9
Total capital requirement	**18.3**	**18.9**
Buffer to requirement		
CET1 capital	4.4	3.6
Total capital	4.1	3.3

** Based on fully phased-in rules and requirements, including the fully phased-in impact of IFRS 9 and the 4.5% SyRB for Norwegian exposures from August 2023.*

*** 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 2023. The 4.5% SyRB for Norwegian exposures from August 2023 is included in the fully phased-in requirements.*

The calculation of the solvency need ratio and the combined capital buffer requirement is described in more detail in section 6 of Risk Management 2022, which is available at danskebank.com/ir.

Minimum requirement for own funds and eligible liabilities

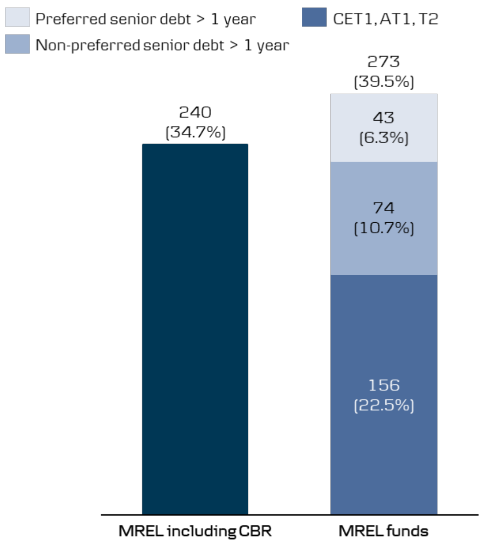
The Danish FSA sets the MREL at two times the solvency need plus one time the SIFI buffer and one time the capital conservation buffer. Furthermore, the CBR must be met in addition to the MREL. In the annual MREL decision from the Danish FSA, the (backward-looking) MREL was set at 26.7% of the total REA adjusted for Realkredit Danmark.

At the end of June 2023, the point-in-time requirement including the CBR was equivalent to DKK 240 billion, or 34.7% of the total REA adjusted for Realkredit Danmark. Taking the deduction of capital and debt buffer requirements for Realkredit Danmark into account, MREL-eligible liabilities amounted to DKK 273 billion. In addition, an MREL of 6% of the leverage ratio exposure (LRE) is in place. The LRE-based requirement equalled 22.4% of the total REA adjusted for Realkredit Danmark, making the REA-based requirement the binding constraint.

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

At the end of June 2023, the subordination requirement was equivalent to DKK 202 billion. The backward-looking subordination requirement, as set by the Danish FSA, was 28.5% of the total REA adjusted for Realkredit Danmark. MREL-eligible subordinated liabilities stood at DKK 230 billion.

MREL requirement and eligible funds; Q2 2023; DKK billions (% of total REA)



Note: The requirement and eligible funds are adjusted for Realkredit Danmark's capital and debt buffer requirements.

Leverage ratio

At the end of June 2023, the Group's leverage ratio was 5.0% under the transitional rules and 4.9% under the fully phased-in rules.

Capital targets and capital distribution

The CET1 capital ratio target of above 16% was re-affirmed at the Group's Investor Update on 7 June 2023 and ensures a sufficiently prudent buffer in relation to the capital requirement. Danske Bank fully meets this capital target.

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

Based on our strong performance in the first half of 2023 and our strong capital position at the end of the period, the Board of Directors has, on the approval of the half-year report, approved an interim dividend of DKK 7 per share, corresponding to 59% of net profit for the period.

Danske Bank's dividend policy remains unchanged, targeting a dividend of 40-60% of net profit.

Danske Bank has strong capital and liquidity positions, and the Board of Directors remains committed to our capital distribution policy.

The Supervisory Diamond

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

At the end of June 2023, 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

As part of the EU Banking Package 2021 and in order to implement Basel IV, the European Commission adopted proposals in October 2021. On 27 June 2023, the EU co-legislators reached a provisional political agreement on the proposals for implementing Basel IV.

On the basis of the Group's current and updated analysis of the EU Banking Package 2021, including the provisional agreement, the Group's current capital planning takes into account the expected REA impact of the initial implementation in 2025. The fully phased-in impact of the EU Banking Package on the Group depends on the final legal text, which is still outstanding. Taking into account the transitional arrangements with regard to the output floor, the Group currently expects the output floor to restrict the Group at the earliest in 2033, when the transitional arrangements are set to lapse.

Credit ratings

On 10 July 2023, Moody's revised its outlook for Danske Bank to Positive from Stable, while affirming all ratings. There were no other credit rating changes in the second quarter of 2023.

Danske Bank's credit ratings

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

Environmental, Social and Governance (ESG) ratings

Moody's ESG Solutions downgraded Danske Bank to 60 from 61 in April 2023 due to a lowering of the social assessment partially offset by an improvement in environment and governance.

Danske Bank's ESG ratings	Score at 30 June 2023	Score at 31 March 2023
CDP Worldwide, UK	B	B
ISS ESG, USA	C+ Prime	C+ Prime
MSCI ESG Ratings, USA	BBB	BBB
Sustainalytics, USA	Medium Risk	Medium Risk
Moody's ESG Solutions, USA	60	61

Estonia matter

As announced on 13 December 2022, Danske Bank has reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. The aggregate amounts payable to the US and Danish authorities were paid in January 2023. The coordinated resolutions marked the end of the criminal and regulatory investigations into Danske Bank by the authorities in Denmark and the United States.

As part of the Bank's agreement with DoJ, Danske Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025, and Danske Bank is committed to continuing to improve its compliance programmes. Danske Bank has taken extensive remediation action to address those failings to prevent any similar occurrences, and the Bank remains in contact with DoJ as a matter of post-resolution obligations set forth in the agreement with DoJ.

The Bank remains subject to a criminal investigation by authorities in France and has posted bail in the amount of DKK 80 million. The Bank continues to cooperate with the authorities.

Civil claims

Danske Bank is subject to ongoing litigation in relation to the Estonia matter. This includes, inter alia, an action against Danske Bank (and other defendants) in the US and a number of court cases initiated against Danske Bank in Denmark. These civil claims were not included in the coordinated resolutions with DoJ, SEC, and SCU. Danske Bank will continue to defend itself vigorously against these claims. The timing of completion of any such civil claims (pending or threatening) and their outcome are uncertain and could be material.

Update on the debt collection case

As announced on 31 August 2022, Danske Bank has chosen an accelerated solution for its debt collection customers, whereby approximately 90,000 debt collection customers in Denmark will have their debt to the bank set to zero, and Danske Bank will not collect this debt. In the fourth quarter of 2022, we began communicating to customers whose debt is set to zero and at present, about 80% of the debt in approximately 90,000 active customer cases has been set to zero.

Furthermore, Danske Bank has decided to pay compensation on the basis of a data-driven model to the customers who were at risk of having been subject to overcollection related to the issues in the historical debt collection systems.

The work involved in paying compensation to the debt collection customers who may have been subject to overcollection has begun and we expect the compensation payout to the vast majority of these customers to be completed by the end of 2023.

In the third quarter of 2022, operating expenses were impacted by a one-off amount of DKK 600 million, whereas write-downs of debt increased loan impairment charges by a one-off amount of DKK 650 million, which includes part of the compensation to customers. It was furthermore communicated that further sample checks related to the customer compensation model were needed, and this work has now resulted in us taking a more conservative approach, which is to the benefit of our debt collection customers. This approach impacted our operating expenses by a further DKK 310 million in the fourth quarter of 2022 to cover compensation to debt collection customers for potential overcollection of debt.

Danske Bank continues to have a dialogue with and report progress with the debt collection case to the impartial reviewers appointed by the Danish FSA.

Personal customer business in Norway

Following the Forward '28 strategy announcement in June, Danske Bank has entered into an agreement to sell its personal customer business in Norway to Nordea. The sale of the personal customer business includes the management of 15 Danske Invest Horisont funds, which are primarily distributed to personal customers in Norway. The transaction is subject to regulatory approvals. Pending these approvals and preparation of the transfer of the customers, the transaction is expected to close in the fourth quarter of 2024.

Danske Bank enters into strategic partnership with Infosys

As part of our recently launched Forward '28 strategy, we announced our ambition to be a leading bank in a digital age. To support us in this digital and technology transformation, we now enter into a strategic partnership with Infosys, a global leader in digital services and consulting.

As part of the partnership, Danske Bank will sell Danske IT, a fully-owned subsidiary of Danske Bank headquartered in Bengaluru, India, to Infosys. Danske IT covers IT development and operations for Danske Bank. The deal is subject to customary authority approval, expected in the second half of 2023. As part of the sale, starting expectedly 1 September 2023, our 1,400 colleagues in Danske IT will transfer to Infosys, which employs more than 300,000 people globally.

Business units

Our five commercial business units support our strategy for each customer segment.

Personal Customers

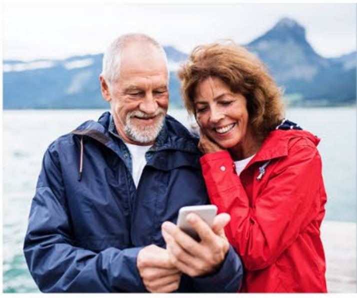
Our Personal Customers unit provides advisory services to personal customers and Private Banking customers in Denmark, Sweden, Norway and Finland. Our advisers and experts are there to help customers when and how it best suits the individual customer – at online meetings, via our websites or if so required over the phone or at a branch.
When our customers need to make important financial decisions about, for example, their home, investments or pension, we offer customised advice that is based on their current situation and needs. And with our intuitive digital solutions, we aim to make it as easy as possible for our customers to do most of their banking business whenever and wherever they want.

Business Customers

We offer our customers advice that adds value to their business, no matter whether the customer is a sole proprietor or an entity in a multinational group. Our strategic advisory services are always based on the needs of the business, for example in connection with growth, an acquisition, a change of ownership, strategic development or international expansion.
Our business customers have access to the market's most innovative digital solutions that make day-to-day banking easy and pave the way for new insights and opportunities.

Large Corporates & Institutions

Large Corporates & Institutions caters to the most complex financing and transaction needs of large corporate and institutional customers, and we help them to prosper and grow.
We offer expertise in financing, risk management, investments and financial advisory services, and our customers have access to our award-winning transaction banking solutions.
Thanks to our extensive network and our many years of experience, we serve as intermediary between issuers and investors with a view to creating financing and investment opportunities. Our goal is to be an inspirational partner that understands the customers' strategic agendas and offers tailored solutions to meet their needs.



Danica Pension

Danica Pension's strategy is based on our ambition to be our customers' financial security provider and thereby enhance customer satisfaction. We focus on proactively helping our customers – both personal and business customers – to ensure that they have the right pension, insurance and healthcare solutions, while we also generate attractive returns after costs and contribute to creating a more sustainable society.

Northern Ireland

Danske Bank is the leading bank in Northern Ireland, serving personal, business and corporate customers. The business is also a growing bank in targeted sectors across the rest of the United Kingdom. We support our customers through face-to-face, online and mobile solutions. Our focus in Northern Ireland is on remaining a stable, strong and risk-astute bank, consolidating our market-leading position alongside pursuing prudent low-cost growth opportunities in the rest of the UK.

Personal Customers

In the first half of 2023, Personal Customers saw an increase in net interest income of 81% from the same period last year, mainly as a result of repricing actions and higher income from deposits that was driven by market developments. Although there have been small signs of improvement in the housing market and more optimism on the financial markets, we have seen only initial signs of a pick-up in activity.

Profit before tax in the first half of 2023 amounted to DKK 3,620 million, an increase of 109% from the same period in 2022 that was driven by higher net interest income and lower operating expenses due to a reduction in the number of FTEs. Following the agreement to sell our personal customer business in Norway to Nordea, a provision of DKK 693 million was made in the second quarter of 2023. Credit quality remained solid, but due to the macroeconomic outlook, loan impairment charges increased to DKK 478 million.

Personal Customers (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Net interest income	7,017	3,871	181	3,611	3,405	106	1,935	187	8,778
Net fee income	2,022	2,555	79	950	1,072	89	1,219	78	4,730
Net trading income	171	220	78	86	85	101	116	74	444
Other income	-650	508	-	-670	20	-	45	-	987
Total income	8,560	7,154	120	3,977	4,583	87	3,315	120	14,939
Operating expenses	4,462	5,097	88	2,209	2,253	98	2,530	87	10,104
of which resolution fund, bank tax etc.	85	81	105	44	41	107	41	107	161
Profit before loan impairment charges	4,098	2,057	199	1,768	2,330	76	785	225	4,836
Loan impairment charges	478	325	147	66	412	16	327	20	927
Profit before tax	**3,620**	**1,732**	**209**	**1,702**	**1,918**	**89**	**458**	**-**	**3,909**
Loans, excluding reverse transactions before impairments	767,784	830,890	92	767,784	788,736	97	830,890	92	805,120
Allowance account, loans	4,810	5,233	92	4,810	4,901	98	5,233	92	4,727
Deposits, excluding repo deposits	413,514	420,252	98	413,514	411,316	101	420,252	98	410,806
Covered bonds issued	607,405	607,496	100	607,405	602,840	101	607,496	100	612,997
Allocated capital (average)	29,575	31,170	95	29,439	29,713	99	30,881	95	30,898
Net interest income as % p.a. of loans and deposits	1.19	0.62	-	1.23	1.15	-	0.62	-	0.71
Profit before loan impairment charges as % p.a. of allocated capital	27.7	13.2	-	24.0	31.4	-	10.2	-	15.7
Profit before tax as % p.a. of allocated capital (avg.)	24.5	11.1	-	23.1	25.8	-	5.9	-	12.7
Cost/income ratio (%)	52.1	71.2	-	55.5	49.2	-	76.3	-	67.6
Full-time-equivalent staff	4,288	4,874	88	4,288	4,277	100	4,874	88	4,262

Fact Book Q2 2023 provides financial highlights at customer type level for Personal Customers. Fact Book Q2 2023 is available at danskebank.com/ir.

Business initiatives

Although inflation levels have decreased, core inflation continued to be at an elevated level. In these challenging times, we have provided specialist expertise to our customers when they make important financial decisions and need a financial sparring partner, especially in relation to home ownership and important life events. In general, we saw good progress in customer satisfaction scores across markets, and, as an example, on Trustpilot in Denmark, we went from a score of 2.1 to a score of 4.3 of 5.

The positive development in income was driven by higher net interest income on deposits as a result of the increase in deposit margins on the back of several central bank rate hikes across all markets combined with prudent repricing actions. Lending margins, however, continued to be under pressure from the rise in market rates.

Despite minor improvements, the housing market remained challenged by low customer activity relative to same period last year, which resulted in lower income from establishment fees and less remortgaging activity. In the financial markets, optimism has started to spark, leading to some improvement in assets under management and subsequently investment fees. However, our competitive savings products continued to be more attractive for our customers in the current, high interest rate environment. This also influenced customer investment appetite, keeping assets under management at a lower level than at the beginning of 2022.

Following our Forward '28 strategy announcement in June, we have entered into an agreement to sell our personal customer business in Norway to Nordea. The transaction is subject to regulatory approvals. Pending these approvals and preparation of the transfer of the customers, the transaction is expected to close in the fourth quarter of 2024.

H1 2023 vs H1 2022

Profit before tax amounted to DKK 3,620 million (H1 2022: DKK 1,732 million) and was driven by the effect of higher net interest income from deposits and lower operating expenses, which was partly offset by a provision related to prudent valuation and expected transaction costs for the sale of our personal customer business in Norway. The financial results were adversely affected by the depreciation of the Swedish krona and the Norwegian krone.

Net interest income increased to DKK 7,017 million (H1 2022: DKK 3,871 million) due primarily to repricing actions and higher income from deposits driven by the rise in market rates, with some of the effect being offset by the allocation from Group Treasury to Personal Customers of interest rate risk related to deposits.

Deposit volumes in Denmark increased 4%, driven primarily by the new savings products launched in the first quarter. Total deposit volumes decreased 2%, due mainly to the depreciation of the currencies in Sweden and Norway. In addition, deposit volumes in Norway decreased as a result of the changed scope of the Akademikerne agreement as well as the announcement of Danske Bank exiting the personal customers market in Norway.

There was a positive inflow of bank lending volumes in Denmark of 12%, driven by customers looking for a flexible way to finance their homes in an uncertain interest rate environment. The market share of bank lending in Denmark also continued to increase, despite a slowdown in the inflow of Danske Bolig Fri (home finance) volumes in the second quarter of 2023. The slowdown in Danske Bolig Fri volumes was a result of the general slowdown in the housing market, which also had a negative effect on mortgage volumes in all four Nordic countries. The depreciation of the currencies in Norway and Sweden had a negative effect of DKK 25 billion. Total lending across markets decreased 10%.

Net fee income decreased to DKK 2,022 million (H1 2022: DKK 2,555 million). Fee income from financing activity decreased due to lower customer activity driven by the general slowdown in the housing market. Income from investment fees decreased as a result of the uncertainty in the financial markets, but with an uplift in activity in the first half of 2023 from the level at the end of 2022.

Net trading income decreased to DKK 171 million (H1 2022: DKK 220 million) due to lower customer activity.

Other income amounted to DKK a negative 650 million (H1 2022: DKK 508 million). The development was due mainly to a provision related to prudent valuation and expected transaction costs, amounting to DKK 693 million, in connection with the agreement to sell our personal customer business in Norway, as well as the year-earlier period benefiting from a one-off gain of DKK 421 million on the sale of our customer portfolio in Luxembourg.

Operating expenses decreased to DKK 4,462 million (H1 2022: DKK 5,097 million) driven by fewer FTEs and the divestment of MobilePay as well as prudent cost control.

Loan impairment charges amounted to DKK 478 million in the first half of 2023 against charges of DKK 325 million in the first half of 2022. The level of impairment charges was driven by a combination of updated macroeconomic scenarios and decreasing property prices. Underlying credit quality remained stable.

Credit exposure

Credit exposure decreased to DKK 849 billion at the end of June 2023 (end-2022: DKK 883 billion), driven mainly by lower exposure in Personal Customers Norway and Sweden, where exposure was impacted mainly by weaker NOK and SEK currency exchange rates.

Q2 2023 vs Q1 2023

Profit before tax in the second quarter of 2023 decreased to DKK 1,702 million (Q1 2023: DKK 1,918 million) driven by a provision related to prudent valuation and expected transaction costs for the sale of the personal customer business in Norway.

- **Net interest income** increased 6%, driven by higher margins on deposits as a consequence of rising market rates and repricing actions. Some of the effect was offset by the allocation from Group Treasury to Personal Customers of the cost of hedging the interest rate risk related to deposits.

- **Net fee income** decreased 11% from the preceding quarter, driven by lower refinancing and loan establishment fees. Activity-driven fees increased slightly, while investment fees were on par with the preceding quarter, continuing the positive trend from the first quarter of 2023 relative to the end of 2022.

- **Other income** decreased to a loss of DKK 670 million due mainly to a provision related to prudent valuation and expected transaction costs, amounting to DKK 693 million, in connection with the agreement to sell our personal customer business in Norway.

- **Operating expenses** decreased 2% due to seasonality in IT expenses.

- The second quarter of 2023 **saw loan impairment charges** of DKK 66 million (Q1 2023: DKK 412 million). Credit exposure decreased to DKK 849 billion at the end of June (end-March 2023: DKK 867 billion), due mainly to a decline in exposure in Personal Customers Norway and Sweden, where exposure was impacted mainly by weaker NOK and SEK currency exchange rates.

- **Total lending** volumes decreased 4% due to the slowdown in the housing market and depreciation of currencies.

- **Deposit volumes** increased 1% owing to an increase in Denmark of 2% driven by the new savings products launched in the first quarter of 2023.

DKK 1,702 million

Profit before tax

for the second quarter of 2023

Business Customers

Business Customers continued to benefit from slightly better market conditions. Profitability increased, driven primarily by higher income from deposits that was a result of repricing actions and the rise in market rates. We saw growth in lending volumes across markets. Despite small improvements in the economy and more stability on the financial markets, customer activity remained somewhat subdued, which affected activity-driven fees and fees from new lending. We continued to support our customers in navigating through these challenging times with expert financial advisory services and continued to see high customer satisfaction.

In the first half of 2023, profit before tax amounted to DKK 4,957 million, an improvement of 77% from the level in the same period in 2022.

Business Customers (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Net interest income	5,864	4,083	144	2,936	2,927	100	2,110	139	9,175
Net fee income	893	906	99	438	456	96	426	103	1,825
Net trading income	261	243	107	139	122	114	134	104	517
Other income	536	431	124	250	287	87	231	108	847
Total income	7,555	5,663	133	3,763	3,792	99	2,902	130	12,364
Operating expenses	2,455	2,665	92	1,209	1,246	97	1,352	89	5,356
of which resolution fund, bank tax etc.	127	112	113	65	63	103	54	120	224
Profit before loan impairment charges	5,099	2,997	170	2,554	2,546	100	1,550	165	7,008
Loan impairment charges	142	198	72	-7	149	-	86	-	578
Profit before tax	**4,957**	**2,799**	**177**	**2,561**	**2,396**	**107**	**1,464**	**175**	**6,430**
Loans, excluding reverse transactions before impairments	633,909	634,239	100	633,909	635,948	100	634,239	100	639,557
Allowance account, loans	9,012	8,474	106	9,012	9,153	98	8,474	106	8,938
Deposits, excluding repo deposits	261,293	290,934	90	261,293	279,388	94	290,934	90	285,177
Covered bonds issued	352,061	348,195	101	352,061	349,891	101	348,195	101	344,445
Allocated capital (average)	39,457	39,869	99	39,525	39,389	100	39,417	100	39,623
Net interest income as % p.a. of loans and deposits	1.29	0.88	-	1.30	1.28	-	0.91	-	0.99
Profit before loan impairment charges as % p.a. of allocated capital	25.8	15.0	-	25.8	25.9	-	15.7	-	17.7
Profit before tax as % p.a. of allocated capital (avg.)	25.1	14.0	-	25.9	24.3	-	14.9	-	16.2
Cost/income ratio (%)	32.5	47.1	-	32.1	32.9	-	46.6	-	43.3
Full-time-equivalent staff	1,677	1,696	99	1,677	1,664	101	1,696	99	1,635

Fact Book Q2 2023 provides financial highlights at customer type level for Business Customers. Fact Book Q2 2023 is available at danskebank.com/ir.

Business initiatives

Although the macroeconomic environment was challenging, the economy in general improved during the first half of 2023. Inflation was still at an elevated level but slowed down, due primarily to energy prices being back at normalised levels. The central banks continued to hike market rates during the first half of 2023 to get inflation under control. We continued to support our customers navigate through these challenging times by providing financial advisory services across customer segments. Customer satisfaction was high among our business customers. For medium-sized businesses, we were ranked number one on customer satisfaction in Norway and Finland. In Denmark, we saw a positive trend for both small and medium-sized businesses and were ranked number two in both segments.

The rising market rates and repricing of deposits were the primary factors behind the positive effect on total income for the first half of 2023. Trading income rose due to an increased need for hedging that was driven by fluctuations in exchange rates. Income from the sale of used assets continued to be at a high level, with both high sales prices and high volumes.

Despite small improvements in the economy and more stability on the financial market, customer activity remained at a lower level than in the year-earlier period. As a result, loan establishment fees, income from remortgaging activity and investment income were subdued. However, there was better traction on the capital markets with an uplift in income from corporate finance transactions and derivative products in commercial real estate.

Our commercial property portfolio remained stable even though the sector felt the impact of the rising market rates and widening credit spreads. The commercial real estate portfolio is well diversified across the four Nordic markets and on property segments, that is, residentials, offices, etc. The overall exposure to the sector has been stable for the past five years. Property prices are adjusting to the higher interest rates that affect loan-to-value ratios in the portfolio.

We continued to have a strong focus on helping our customers mitigate the risk by supporting their ability to generate cash flow resilience and de-risk their portfolio and by supporting them on ESG investments.

H1 2023 vs H1 2022

Profit before tax amounted to DKK 4,957 million (H1 2022: DKK 2,799 million). The increase was driven by income from deposits as a result of repricing actions and rising market rates as well as lower operating expenses. The financial performance was adversely affected by the depreciation of currencies.

Net interest income increased 44%, driven by higher income on deposits following repricing actions and market rate developments. Some of the effect was offset by the allocation from Group Treasury to Business Customers of the cost of hedging the interest rate risk related to deposits.

We saw a good increase in deposit volumes in Finland driven by the public sector. The effect was, however, offset primarily by a conscious decision to reduce deposits in Norway. Combined with the depreciation of the currencies in Sweden and Norway, total deposit volumes decreased 10%.

Bank lending volumes increased in all four markets from the level in the same period last year. Mortgage lending in Denmark at nominal value increased 3%, however, measured at fair value, the increase was only 1%. Combined with the depreciation of currencies, total lending ended on par with same period last year.

Net fee income decreased slightly to DKK 893 million (H1 2022: DKK 906 million). Service fees increased due to repricing actions as well as the transfer of customers to a subscription fee service model implemented in mid-2022. The increase in service fees was offset by a decline in fees from new lending related to our commercial real estate business caused by the slowdown in the housing market.

Net trading income increased to DKK 261 million (H1 2022: DKK 243 million), driven by FX volatility resulting in increased demand for hedging.

Operating expenses stood at DKK 2,455 million, a decrease of 8% from the same period last year. The decrease was driven by fewer FTEs and lower IT costs.

Credit quality remained solid in the first half of 2023. Loan impairment charges amounted to DKK 142 million, which was comparable to the level in the first half of 2022.

Credit exposure

Credit exposure decreased to DKK 736 billion at the end of June 2023 (end-2022: DKK 745 billion), driven mainly by lower exposure to the Commercial Property and Other Commercials exposure categories.

Q2 2023 vs Q1 2023

Profit before tax in the second quarter of 2023 increased to DKK 2,561 million (Q1 2023: DKK 2,396 million). The increase was driven by higher trading income, lower operating expenses and reversals of loan impairment charges.

- **Net interest income** increased slightly and stood at DKK 2,936 million (Q1 2023: DKK 2,927 million), driven by an increase in deposit margins that was partly offset by the allocation from Group Treasury to Business Customers of the cost of hedging the interest rate risk related to deposits.
- **Net fee income** decreased 4%, driven by fees from new lending due to the slowdown in the housing market as well as a reduction in income from service fees.
- **Net trading income** increased to DKK 139 million (Q1 2023: DKK 122 million) due to FX volatility and an increased need for hedging.
- **Other income decreased** 13% due to extraordinarily high income from the sale of used assets in the first quarter of 2023.
- **Operating expenses** decreased 3%. The decrease in expenses was driven primarily by seasonality in IT expenses.
- **Deposit volumes** increased in Sweden, Denmark and Finland but the increase was offset by a conscious decision to reduce deposits in Norway as well as the depreciation of currencies.
- **Lending volumes** were on par with the preceding quarter, driven by an increase in Denmark, Norway and Finland, the effect of which was offset by a decrease in Sweden as well as the depreciation of currencies.
- The second quarter of 2023 saw **loan impairment reversals** of DKK 7 million (Q1 2023: net charges of DKK 149 million). The low level of impairments was driven by successful workout activities. Credit exposure increased to DKK 736.3 million at the end of the second quarter of 2023 from DKK 735.8 billion at the end of the first quarter of 2023.

DKK 2,561 million

Profit before tax

for the second quarter of 2023

Large Corporates & Institutions

During the first half of 2023, market volatility decreased, but risks remained, stemming from an uncertain monetary policy outlook, sticky inflation and tight labour markets. We maintain a close dialogue with our customers and support them with advisory services and credit and risk management solutions, and we are strategically well positioned to meet the increased demand arising from the sustainable transition. We continue to see a positive underlying momentum with a robust credit portfolio and signs of improved activity in the capital markets. Moreover, with an increasing market share in cash management services – exemplified by new house bank mandates across all Nordic countries – and with a continued inflow of new customers in Sweden, we continued to see growth in net interest income. In addition, we are proud to have maintained our leading position in sustainable finance, arranging more green bonds for European borrowers than any other arranger in the first half of 2023.

Profit before tax amounted to DKK 5,006 million, an increase of 125% from the same period last year, due primarily to higher net trading income and net interest income.

Large Corporates & Institutions (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Net interest income	3,414	2,611	131	1,741	1,674	104	1,328	131	5,605
Net fee income	2,641	2,932	90	1,290	1,351	95	1,419	91	5,732
Net trading income	1,960	27	-	754	1,207	62	-710	-	1,489
Other income	12	2	-	6	6	100	1	-	2
Total income	8,028	5,572	144	3,790	4,238	89	2,037	186	12,828
Operating expenses	3,543	3,491	101	1,791	1,752	102	1,747	103	6,966
of which resolution fund, bank tax etc.	246	254	97	122	124	98	138	88	504
Profit before loan impairment charges	4,485	2,081	216	1,999	2,486	80	290	-	5,861
Loan impairment charges	-522	-145	-	-130	-392	33	-233	56	-774
Profit before tax	**5,006**	**2,226**	**225**	**2,129**	**2,877**	**74**	**523**	**-**	**6,635**
Loans, excluding reverse trans. before impairments	311,833	311,269	100	311,833	307,127	102	311,269	100	322,539
of which loans in General Banking	279,489	270,910	103	279,489	278,819	100	270,910	103	281,266
Allowance account, loans (incl. credit institutions)	1,898	1,231	154	1,898	1,724	110	1,231	154	2,048
Deposits, excluding repo deposits	325,772	352,697	92	325,772	378,066	86	352,697	92	389,486
of which deposits in General Banking	270,837	302,542	90	270,837	320,672	84	302,542	90	336,580
Covered bonds issued	29,287	24,217	121	29,287	29,356	100	24,217	121	27,495
Allocated capital (average)	40,167	42,393	95	40,449	39,882	101	43,864	92	42,138
Net interest income as % p.a. of loans and deposits	1.02	0.80	-	1.06	0.97	-	0.80	-	0.81
Profit before loan impairment charges as % p.a. of allocated capital	22.3	9.8	-	19.8	24.9	-	2.6	-	13.9
Profit before tax as % p.a. of allocated capital (avg.)	24.9	10.5	-	21.1	28.9	-	4.8	-	15.7
Cost/income ratio (%)	44.1	62.7	-	47.3	41.3	-	85.8	-	54.3
Full-time-equivalent staff	2,103	2,097	100	2,103	2,079	101	2,097	100	2,054

Total income (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
General Banking	4,154	3,270	127	2,099	2,056	102	1,645	128	6,936
Markets	2,362	577	-	945	1,417	67	-313	-	2,387
of which xVA*	-39	-99	39	-1	-38	3	30	-	-48
Asset Management	998	1,151	87	510	488	105	573	89	2,313
of which performance fees	13	86	15	2	12	17	66	3	174
Investment Banking & Securities (IBS)	513	574	89	236	277	85	132	179	1,193
Total income	**8,028**	**5,572**	**144**	**3,790**	**4,238**	**89**	**2,037**	**186**	**12,828**

**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 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Institutional clients*	382,518	392,855	97	382,518	374,767	102	392,855	97	366,005
Retail clients*	312,695	311,399	100	312,695	305,956	102	311,399	100	300,848
Total assets under management**	**695,213**	**704,254**	**99**	**695,213**	**680,723**	**102**	**704,254**	**99**	**666,853**

**Split of Assets under management between Institutional and Retail clients was adjusted in Q2 23, restating comparative information accordingly.*
***Includes assets under management from Group entities.*

Business initiatives
The volatility stemming from central bank rate hikes continued in the first half of 2023. Nonetheless, the overall macroeconomic environment stabilised somewhat and made capital markets more constructive during the second quarter of 2023.

As a result, debt and equity capital markets started to see improved conditions, and we are pleased to have helped our customers capitalise on this opportunity, which resulted in high activity in Debt Capital Markets. Among other things, we acted as Joint Bookrunner on Storskogen's SEK 2 billion 3.75y senior unsecured bond transaction, which is the largest SEK high-yield corporate bond issue for the year to date. Also, we maintained our leading position among Nordic banks in the European debt capital markets in terms of volumes supported.

In Equity Capital Markets, we were the leading ECM adviser in Denmark during the first half of 2023 as we participated in several transactions, such as supporting NKT in raising DKK 2,740 million to strengthen their capital base and Green Hydrogen Systems in their growth journey with a DKK 719 million Rights Issue, which also demonstrated our ability to support the sustainability agenda and the green transition in the equity capital markets space.

In M&A advisory, activity remained relatively subdued across the Nordic countries relative to same period last year. We have, however, started to see M&A opportunities materialise. As an example, we provided advisory services in relation to the S Bank acquisition of Handelsbanken Finland, which, among other transactions, contributed to a top M&A league table position in Finland.

While demand for advisory services increased, we supported our customers in transactions where many different competencies were needed. For example, we teamed up with and assisted Sobi in launching a bid for listed US company CTI BioPharma. A complex transaction that involved Coverage, Loan Capital Markets, Corporate Finance, Equity Capital Markets and Foreign Exchange as well as various support functions.

The more constructive capital markets also supported the Nordic sustainable finance market, which saw record volumes in the first and second quarters of the year. Thus, we are pleased to have supported issuers and investors in a substantial number of transactions, ranging from Nordic locals such as forestry company Sveaskog, for whom we structured and arranged the world's first EU taxonomy aligned green bond in the forestry sector, to arrangement of an EUR 5.25 billion green bond for the Federal Republic of Germany and an EUR 3 billion green bond for German development bank KfW. As a result, we were ranked number 9 in Bloomberg's Global Green Bonds league table and arranged more green bonds from European borrowers than any other arranger in the first half of 2023. Also, we are proud to have maintained our position as the leading Nordic arranger in the Bloomberg Sustainable Bond League table as well as to be the leading arranger of sustainable bonds from Nordic borrowers in the first half of 2023.

H1 2023 vs H1 2022
Profit before tax increased to DKK 5,006 million (H1 2022: DKK 2,226 million) as a result of higher net trading income and net interest income.

Net interest income increased to DKK 3,414 million (H1 2022: DKK 2,611 million) as a result of higher deposit margins. Lending volumes in General Banking increased 3% from the level at the end of the first half of 2022, driven by both new credit facilities and customers drawing more on existing facilities. The high growth in lending volumes reflected not only the volatile operating environment but also our strategic ambition to grow our business in Sweden, and we are proud that we already in the second quarter of 2023 reached the ambition set in 2021 to have welcomed 40 new large corporate customers by 2023.

Net fee income declined to DKK 2,641 million (H1 2022: DKK 2,932 million), with the decline caused primarily by lower fees from assets under management and fees from advisory services, despite better market conditions and improved activity in the latter part of the second quarter. Income in Asset Management was lower than the level recorded in the first half of 2022, mainly because of the lower level of assets under management (AuM) at the beginning of 2023 that was the result of declining asset prices and negative net sales in the second half of 2022 as well as lower performance fees. However, AuM increased through the first half of 2023, partly on the back of recovering financial markets and a strong investment performance relative to both peers and benchmark, which should also support future sales. In addition, net sales were positive as a result of the continually strong development in the institutional segment.

Net trading income increased to DKK 1,960 million (H1 2022: DKK 27 million) as we saw an improved result in our Rates & Credit business in the first half of 2023. However, the increase was also driven by our fixed income strategy implemented towards the end of 2022, which resulted in more stable income that was generated on the basis of continually high customer activity and with very limited drawdowns despite a challenging market environment.

Operating expenses increased somewhat and ended the period at DKK 3,543 million (H1 2022: DKK 3,491 million). The increase was the result of higher provisions for performance-based compensation and higher IT costs, with the effect being slightly offset by lower underlying costs. The number of full-time equivalent staff was more or less stable at 2,103 (H1 2022: 2,097).

The overall credit quality of our portfolio remained strong in the first half of 2023, with the general rating trend being stable. Loan impairments amounted to a net reversal of DKK 522 million (H1 2022: reversal of DKK 145 million), driven by post-pandemic recoveries and successful restructuring within the shipping, oil and gas sectors.

Credit exposure

Net credit exposure from lending activities amounted to DKK 654 billion at the end of the first half of 2023 (end-2022: DKK 648 billion). The small increase was due to exposure increases in the Financials and Pharma and medical devices industries, which were, however, offset by decreases in the Utilities and infrastructure and Public institutions industries.

Q2 2023 vs Q1 2023

Profit before tax decreased to DKK 2,129 million (Q1 2023: DKK 2,877 million), due primarily to lower trading income.

- **Net interest income** increased to DKK 1,741 million (Q1 2023: DKK 1,674 million), driven by an increase in deposit margins, which was to a small extent offset by the effect of lower deposit volumes and by the allocation from Group Treasury to Large Corporates & Institutions of the cost of hedging the interest rate risk related to deposits.

- **Net fee income** decreased and stood at DKK 1,290 million (Q1 2023: DKK 1,351 million), mainly as a result of lower income from Debt Capital Markets advisory services due to a strong first quarter, with the effect being partly offset by an increase in assets under management.

- **Net trading income** decreased to DKK 754 million (Q1 2023: DKK 1,207 million) as market conditions were more supportive in the first quarter. However, our customer franchise continued to provide stable value, although at a lower level than in the first quarter.

- **Operating expenses** increased to DKK 1,791 million (Q1 2023: DKK 1,752 million), driven primarily by higher underlying costs and higher IT costs, with the effect being to a small extent offset by lower performance-based compensation.

- **Loan impairment charges** amounted to a net reversal of DKK 130 million (Q1 2023: net reversal of DKK 392 million). Reversals in the second quarter were due to continued post-pandemic recoveries and successful restructuring within the shipping, oil and gas sectors.

DKK 2,129 million

Profit before tax

for the second quarter of 2023

Danica Pension

In the first half of 2023, the financial markets were overall more stable and positive than in the tumultuous 2022. However, the optimistic start to the year was affected by instability in the global financial sector following a liquidity crisis among a number of US and European banks. The financial markets have since stabilised, and this favoured our customers' pension savings.

Net income in Danica Pension amounted to DKK 689 million in the first half of 2023 and recovered from the level in the same period in 2022 as the net financial result improved due to the positive developments in the financial markets.

Danica Pension (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Insurance service result	435	705	62	234	201	116	361	65	1,895
Net financial result	242	-858	-	-47	289	-	-355	13	-1,679
Other income	13	51	25	5	7	71	26	19	-1,562
Net income before tax in Danica Pension	**689**	**-103**	**-**	**192**	**497**	**39**	**32**	**-**	**-1,347**
Goodwill impairment	-	-	-	-	-	-	-	-	1,627
Net income from Danica Pension excl. Goodwill	**689**	**-103**	**-**	**192**	**497**	**39**	**32**	**-**	**280**
Liabilities under insurance contracts	500,555	687,928	73	500,555	497,090	101	687,928	73	507,146
Liabilities under pooled unit-linked investment contracts	20,850	18,566	112	20,850	20,604	101	18,566	112	20,469
Allocated capital (average)	19,552	21,083	93	19,586	19,518	100	20,264	97	20,326
Net income as % p.a. of allocated capital	14.1	-2.0	-	3.9	10.2	-	0.6	-	-26.5
Solvency coverage ratio	191	184	-	191	180	-	184	-	187
Full-time-equivalent staff	898	957	-	898	902	-	957	-	881

Asset under management (DKK millions)									
Insurance	418,185	415,018	101	418,185	412,906	101	415,018	101	403,789

Danica Pension has changed the format of reporting to align with IFRS 17, which was implemented on 1 January 2023. Business unit reporting for Danica Pension has been changed accordingly, and comparative figures have been restated. See note G2 for more information.

Business initiatives

The first half of 2023 was generally characterised by optimistic financial markets at the beginning of the year, yielding strong, positive returns on customers' pension savings. However, for a short period, uncertainty spread in the financial sector following a liquidity crisis among a number of US and European banks, which offset part of the positive returns. Following that period, markets stabilised, which resulted in lower inflation and a continuation of the overall positive returns in the first half of 2023. However, uncertainty regarding a potential global recession put a slight damper on the uptrend.

In June 2023, Danske Bank launched its new Forward '28 strategy in which Danica Pension plays a role in ensuring that customers enjoy the benefits offered by both the banking and pension business units of the Group. The new strategy outlines how a customer can receive advice from a fully holistic perspective, including housing, pension savings and investment of free assets. Some customers have relatively complex finances, which is the reason why the strategy emphasises a holistic yet also specialised approach to help establish more profound customer relations across the business units.

H1 2023 vs H1 2022

Net income in Danica Pension amounted to DKK 689 million (H1 2022: loss of DKK 103 million) due primarily to more positive developments in the financial markets in 2023 than in 2022.

The insurance service result decreased to DKK 435 million (H1 2022: DKK 705 million) as Danica Pension saw a rise in new health & accident claims, which, however, is a general trend in society. Danica Pension was also not able to recognise the full risk allowance in the first half of 2023, whereas this was possible in the first half of 2022. The first half of 2022 also benefited from a reduction of technical provisions related to the health & accident business.

The net financial result increased to DKK 242 million (H1 2022: loss of DKK 858 million). The increase was driven mainly by positive investment results on insurance products where Danica Pension has the investment risk and positive investment returns on Danica Pension's equity capital.

Assets under management increased DKK 3 billion from the level at the end of June 2022, due mainly to the positive development in the financial markets in the first half of 2023.

Premiums increased 9% from the same period in 2022 following an increase in both single and regular premiums due to an inflow of new business customers.

Q2 2023 vs Q1 2023

Net income in Danica Pension decreased to DKK 192 million (Q1 2023: DKK 497 million). The insurance service result increased from the first quarter 2023 result, while the net financial result decreased.

- **The insurance service result** saw an increase of DKK 33 million caused by a better insurance service result on group life insurance products and an increase in income from unit-linked insurance contracts, which offset the effect of Danica Pension not being able to recognise the full risk allowance.

- **The net financial result** decreased in the second quarter and amounted to a negative DKK 47 million (Q1 2023: DKK 289 million) due to negative investment results on insurance products where Danica Pension has the investment risk. The negative investment results were due mainly to the effect of the development in real estate prices and in interest rates in the second quarter. The investment returns on Danica Pension's equity capital also decreased in the second quarter of 2023.

- **Total premiums** decreased 6% due to a decrease in regular premiums as the first quarter of 2023 included yearly regular premiums from group life insurance products.

- **Assets under management** increased DKK 5 billion due to the positive developments in the financial markets in the second quarter of 2023.

DKK 192 million

Net income in Danica Pension

for the second quarter of 2023

Northern Ireland

Our focus in Northern Ireland is on remaining a stable, strong and risk-astute bank, consolidating our market-leading position in Northern Ireland alongside pursuing prudent low-cost growth opportunities in the rest of the UK. This is supported by a continually strong income and profitability performance, with profit before tax of DKK 941 million in the first half of 2023.

Northern Ireland (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Net interest income	1,236	823	150	637	599	106	444	143	1,900
Net fee income	168	164	102	85	83	102	88	97	335
Net trading income	53	-209	-	-61	114	-	-66	92	-342
Other income	10	15	67	5	5	100	12	42	21
Total income	1,466	793	185	665	801	83	477	139	1,914
Operating expenses	657	623	105	338	319	106	315	107	1,290
Profit before loan impairment charges	809	169	-	327	482	68	162	202	623
Loan impairment charges	-131	38	-	-108	-24	-	19	-	168
Profit before tax	**941**	**131**	**-**	**435**	**506**	**86**	**143**	**-**	**456**
Loans, excluding reverse transactions before impairments	57,064	58,313	98	57,064	55,435	103	58,313	98	53,761
Allowance account, loans	742	711	104	742	818	91	711	104	824
Deposits, excluding repo deposits	98,700	99,977	99	98,700	94,667	104	99,977	99	94,562
Allocated capital (average)*	6,105	6,063	101	6,376	5,831	109	6,020	106	6,080
Net interest income as % p.a. of loans and deposits	1.59	1.02		1.61	1.56		1.09		1.19
Profit before tax as % p.a. of allocated capital (avg.)	30.8	4.3		27.3	34.7		9.5		7.5
Cost/income ratio (%)	44.8	78.6		50.8	39.8		66.0		67.4
Full-time-equivalent staff	1,285	1,256	102	1,285	1,305	98	1,256	102	1,288

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

Business initiatives

The strategy in Northern Ireland aligns with Danske Bank's Forward '28 strategy. In addition to advisory services, digitisation and sustainability, our key focus also includes simplicity and efficiency – all of which is underpinned by ensuring high levels of employee engagement.

In the first half of 2023 we have introduced digital enhancements that make it easier for personal customers to open and operate savings accounts and that further improve the customer journey for residential mortgages – alongside extending our mortgage product offering.

We are a local leader in the area of sustainability and have seen increased demand from business customers who want to take part in a climate action programme that we co-developed with Business in the Community. Last year, 55 of our business customers went through the programme, and we expect that 130 customers will have completed it by the end of 2023.

We also continue to offer support to customers facing challenges as a result of continually high inflation and rising interest rates.

H1 2023 vs H1 2022

Profit before tax increased to DKK 941 million (H1 2022: loss of DKK 131 million), with actions taken in response to higher UK interest rates and increased transactional activity supporting a strong underlying income performance.

Net interest income increased to DKK 1,236 million (H1 2022: DKK 823 million), driven by actions taken in response to higher UK interest rates, supported by modest lending growth (in local currency). Moreover, deposits were broadly unchanged year-on-year (in local currency), with high post-pandemic balances maintained.

Net fee income amounted to DKK 168 million (H1 2022: DKK 164 million), with strong underlying activity levels delivering year-on-year growth.

Net trading income reflects mark-to-market movements on the bank's hedging portfolio, given a combination of the expectation for UK interest rates and the remaining life cycle of the hedging instruments. With market expectations continuing to fluctuate, trading income remains volatile. However, the first-half and full-year 2022 performance saw much more significant adverse mark-to-market movements than the performance in the current half year.

Operating expenses stood at DKK 657 million (H1 2022: DKK 623 million), up 5% year-on-year, and rose less than the inflation rate due to the bank's continued cost focus. Staff numbers have reverted to more normal levels following higher attrition and vacancy levels during 2022, and efficiency priorities remain in focus.

Loan impairment charges remained low overall, amounting to a net reversal in the first half of 2023. The macroeconomic outlook improved marginally, and the loan portfolio remains strong, driven by a conservative risk appetite and astute handling of existing and new lending opportunities.

Q2 2023 vs Q1 2023

The second quarter of 2023 saw a profit before tax of DKK 435 million (Q1 2023: DKK 506 million).

- **Net interest income** increased to DKK 637 million (Q1 2023: DKK 599 million), reflecting pricing actions taken in response to higher UK interest rates.
- **Net fee income** of DKK 85 million (Q1 2023: DKK 83 million) as underlying activity levels remained strong.
- **Net trading income** of a negative DKK 61 million (Q1 2023: DKK 114 million) reflected mark-to-market movements on the hedging portfolio given ongoing market volatility.
- **Operating expenses** increased to DKK 338 million (Q1 2023: DKK 319 million), including an annual pay uplift in the second quarter.
- **Loan impairment charges** amounted to a net reversal in the first half of 2023 and remain low overall.

DKK 435 million

Profit before tax

for the second quarter of 2023

Non-core

Non-core mainly comprises legacy credit exposures as well as non-strategic private equity investments. The winding up of the Non-core activities is proceeding according to plan. Profit before tax in the first half of 2023 amounted to a loss of DKK 25 million, against a profit of DKK 17 million in the first half of 2022.

Non-core (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Total income	-1	21	-	16	-17	-	7	229	23
Operating expenses	24	65	37	12	12	100	39	31	101
Profit before loan impairment charges	-25	-44	57	4	-29	-	-32	-	-78
Loan impairment charges	-	-61	-	-	-	-	-63	-	-66
Profit before tax	**-25**	**17**	**-**	**5**	**-30**	**-**	**31**	**16**	**-13**
Loans, excluding reverse transactions before impairments*	1,145	1,364	84	1,145	1,121	102	1,364	84	1,207
Allowance account, loans	-	47	-	-	-	-	47	-	39
Deposits, excluding repo deposits	1,896	2,174	87	1,896	2,101	90	2,174	87	2,112
Allocated capital (average)	639	710	90	634	644	98	683	93	668
Net interest income as % p.a. of loans and deposits	-0.24	-0.27		-0.24	-0.24		-0.43		-0.11
Profit before tax as % p.a. of allocated capital (avg.)	-7.8	4.8		3.2	-18.6		18.2		-1.9
Cost/income ratio (%)	-	-		-	-		-		-
Full-time-equivalent staff	12	37	32	12	14	86	37	32	25

Loan impairment charges (DKK millions)									
Non-core banking*	-	-	-	-	-	-	-	-	-1
Non-core conduits etc.	-	-61	-	-	-	-	-63	-	-64
Total	**-**	**-61**	**-**	**-**	**-**	**-**	**-63**	**-**	**-66**

** Loans, excluding reverse transactions before impairments includes loans held for sale in the Baltics.*

Initiatives

The Non-core unit focuses on actively managing down legacy assets and portfolios by way of divestment, refinancing with other credit institutions or amortisation.

The winding up of the remaining Non-core activities is proceeding according to plan. Residual portfolios in Luxembourg and Lithuania have been fully exited, resulting in a steady decrease in operating expenses.

The closing of the subsidiary bank in Luxembourg is well underway, and the voluntary solvent liquidation process is expected to be completed in the fourth quarter of 2023.

H1 2023 vs H1 2022

Profit before tax amounted to a loss of DKK 25 million (H1 2022: profit of DKK 17 million). The reduction in income and expenses reflects the general progress made with the winding-up activities across Non-core.

At the end of June 2023, total lending showed yet another decrease and stood at DKK 1.1 billion.

Q2 2023 vs Q1 2023

The Non-core unit posted a profit before tax of DKK 5 million in the second quarter of 2023 (Q1 2023: loss of DKK 30 million).

- **Total income** amounted to DKK 16 million (Q1 2023: loss of DKK 17 million). Total income in the second quarter of 2023 consisted of miscellaneous income items relating to the non-strategic portfolio, while the negative income in the first quarter was due mainly to value adjustments of the non-strategic portfolio.
- **Operating expenses** amounted to DKK 12 million (Q1 2023: DKK 12 million).
- **Total lending** was unchanged at DKK 1.1 billion (Q1 2023: DKK 1.1 billion).

DKK 5 million

Profit before tax

for the second quarter of 2023

Group Functions

Group Functions includes Group Treasury, Technology & Services and other Group functions. In addition, Group Functions includes eliminations.

In the first half of 2023, the loss before tax increased to DKK 2,217 million from a loss of DKK 921 million in the first half of 2022 due to an increase in the cost of hedging the interest rate risk related to deposits at Group Treasury, although the effect was partly offset by the sale of shares taken over in connection with a loan. The successful sale resulted in a gain of DKK 327 million.

Group Functions (DKK millions)	First half 2023	First half 2022	Index 23/22	Q2 2023	Q1 2023	Index Q2/Q1	Q2 2022	Index 23/22	Full year 2022
Net interest income	-991	-19	-	-409	-582	70	-38	-	-350
Net fee income	-31	-20	155	-24	-8	300	6	-	-32
Net trading income	327	40	-	243	84	289	164	148	-232
Other income	-15	4	-	-21	7	-	2	-	78
Total income	-710	5	-	-211	-499	42	133	-	-536
Operating expenses	1,502	916	164	792	710	112	478	166	2,762
of which resolution fund, bank tax etc.	38	43	88	12	26	46	17	71	74
of which impairment charges, other intangible assets	-	24	-	-	-	-	24	-	24
Provision for Estonia matter	-	-	-	-	-	-	-	-	13,800
Profit before loan impairment charges	-2,212	-912	243	-1,002	-1,209	83	-345	290	-17,098
Loan impairment charges	5	10	50	4	1	-	-7	-	669
Profit before tax	**-2,217**	**-921**	**241**	**-1,006**	**-1,210**	**83**	**-337**	**299**	**-17,767**
Full-time-equivalent staff	11,077	10,746	103	11,077	10,965	101	10,746	103	10,878

Profit before tax (DKK millions)									
Group Treasury	-563	-126	-	22	-585	-	-25	-	-933
Own shares and issues	1	99	1	-97	98	-	138	-	71
Additional tier 1 capital	-1	86	-	-1	-	-	5	-	89
Group support functions	-1,654	-980	169	-930	-724	128	-455	204	-16,993
Total Group Functions	**-2,217**	**-921**	**241**	**-1,006**	**-1,210**	**83**	**-337**	299	**-17,767**

Comparative information for Group Functions has been restated as explained in note G2.

Business initiatives

Group Functions supports the business units by allocating capital, interest-bearing capital and long-term funding costs through the Group Treasury setup that is established to handle, for example, the pricing of funding. Group Treasury also manages the Group's liquidity bond portfolio and the investment of shareholders' equity for Danica Pension and Realkredit Danmark. Operating expenses related to the sub-units within Group Functions are allocated to the business units. This is done to ensure cost efficiency throughout the Group.

H1 2023 vs H1 2022

Group Functions posted a loss before tax of DKK 2,217 million (H1 2022: loss of DKK 921 million).

Net interest income decreased to a net expense of DKK 991 million (H1 2022: net expense of DKK 19 million) due primarily to an increase in the cost of hedging the interest rate risk related to deposits, which from 2023 is being accounted for as net interest income instead of as net trading income. From May 2023, these costs were allocated to the business units.

Net trading income increased to DKK 327 million (H1 2022: DKK 40 million) due to the sale of shares taken over in connection with a loan. The successful sale resulted in a gain of DKK 327 million.

Operating expenses, after allocation to the business units, increased from the level in the first half of 2022 and amounted to DKK 1,502 million (H1 2022: DKK 916 million), mainly as a result of increased salary costs driven by salary increases and a higher number of FTEs combined with a lower allocation of costs to the business units.

Loan impairment charges amounted to DKK 5 million (H1 2022: DKK 10 million).

The number of full-time-equivalent staff increased 3% to 11,077.

Q2 2023 vs Q1 2023

Group Functions posted a loss before tax of DKK 1,006 million (Q1 2023: loss of DKK 1,210 million). Total income improved due a lower net interest expense in Group Treasury and to the sale of shares taken over in connection with a loan. The successful sale resulted in a gain of DKK 327 million.

- **Net interest income** improved to a net expense of DKK 409 million (Q1 2023: net expense of DKK 582 million) due primarily to increased allocation from Group Treasury to the business unites of the cost of hedging the interest rate risk related to deposits.

- **Net trading income** increased to DKK 243 million (Q1 2023: DKK 84 million) due mainly to the sale of shares taken over in connection with a loan. The successful sale resulted in a gain of DKK 327 million.

- **Operating expenses,** after allocation to the business units, amounted to DKK 792 million (Q1 2023: DKK 710 million).

- **Loan impairment charges** amounted to DKK 4 million (Q1 2023: DKK 1 million).

DKK -1,006 million

Profit before tax

for the second quarter of 2023

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. Notes G1 and G3 to the financial statements describe 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, and any interim dividends that are approved during the year by the Board of Directors.
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 0 million (full-year 2022: DKK 86 million). The denominator represents equity, excluding additional tier 1 capital and other non-controlling interests equal to an increase in the average of the quarterly average equity of DKK 56 million (2022: reduction of 2,340 million) compared to a simple average of total equity (beginning and end of the period).
Adjusted return on average shareholders' equity (% p.a.)	Net profit, excluding the provision for the Estonia matter and the goodwill impairment charge, divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. The numerator and denominator are adjusted as per Return on average shareholders' equity above.
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 at the end of the period, the ratio for 2023 would be 1.16% (2022: 0.84%) due to the daily average of the sum of loans and deposits being DKK 71.3 billion higher (2022: DKK 39.9 billion higher) than if calculating the ratio by applying the end-of-period sum of loans and deposits. The purpose of the ratio is to show whether 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 and provision for Estonia matter and impairment charges on goodwill divided by total income. All amounts are from the financial highlights.
Adjusted cost/income ratio (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges as % of 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 -28 million (2022: DKK 1,568 million) from the financial highlights annualised. The denominator is the sum of Loans at amortised cost of DKK 1,081.7 billion (2022: DKK 1,026.1 billion), Loans at fair value of DKK 724.1 billion (2022: DKK 809.9 billion) and guarantees of DKK 81.4 billion (2022: DKK 81.0 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 19.4 billion (2022: DKK 19.6 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 909.3 billion (2022: DKK 1,081.7 billion), Loans at fair value of DKK 725.0 billion (2022: DKK 724.1 billion) and guarantees of DKK 80.9 billion (2022: DKK 81.4 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 2022 included November 2022 data for Finland and Norway as December 2022 data was not available at the time of publication of Annual Report 2022. This was subsequently updated to December 2022 data in Interim report – first half 2023.

Financial statements

Income statement – Danske Bank Group

Note	(DKK millions)	First half 2023	First half 2022*	Q2 2023	Q2 2022*	Full year 2022*
G4	Interest income calculated using the effective interest method**	32,216	12,510	17,153	6,488	31,697
G4	Other interest income**	8,694	9,246	3,591	5,721	18,288
G4	Interest expense	26,315	9,330	13,883	4,986	24,634
	Net interest income	14,595	12,426	6,861	7,223	25,351
G4	Fee income	7,735	9,052	3,890	4,390	17,305
	Fee expenses	2,063	2,531	1,179	1,268	4,824
G4	Net trading income or loss	4,775	-711	2,865	-1,768	1,581
G4	Gain or loss on sale of disposal groups	-693	836	-693	421	1,420
G4	Other income	2,236	2,417	1,052	1,197	4,785
G6	Insurance service result and other insurance income	447	756	-49	388	2,235
	Net return on investments backing insurance liabilities	13,026	-58,421	13,026	-34,670	-60,302
	Net finance income or expense from insurance	-12,784	57,147	-12,784	33,899	57,932
	Operating expenses	14,329	14,726	7,146	7,369	30,251
G9,G11	Provision for Estonia matter	-	-	-	-	13,800
	Impairment charges on goodwill	-	-	-	-	1,627
	Profit before loan impairment charges	12,944	6,246	5,842	2,442	-195
G5	Loan impairment charges	-28	365	-175	129	1,502
	Profit before tax	12,972	5,881	6,018	2,313	-1,697
	Tax	2,794	1,343	1,007	516	2,883
	Net profit	**10,178**	**4,538**	**5,011**	**1,796**	**-4,580**
	Portion attributable to					
	Shareholders of Danske Bank A/S (the Parent Company)	10,178	4,452	5,011	1,791	-4,666
	Additional Tier 1 capital holders	-	86	-	5	86
	Net profit	**10,178**	**4,538**	**5,011**	**1,796**	**-4,580**
	Earnings per share (DKK)	11.9	5.2	5.8	2.1	-5.4
	Diluted earnings per share (DKK)	11.8	5.2	5.8	2.1	-5.4

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

** Q2 2023 is affected by adjustments made for Q1 2023 between Interest income calculated using the effective interest method and Other interest income.

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2023	First half 2022**	Q2 2023	Q2 2022**	Full year 2022**
Net profit	10,178	4,538	5,011	1,796	-4,580
Other comprehensive income					
Remeasurement of defined benefit pension plans	-115	-426	-131	-496	-968
Tax*	-16	-77	-36	-96	-179
Items that will not be reclassified to profit or loss	**-99**	**-349**	**-96**	**-400**	**-789**
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	-4,533	-2,613	-2,159	-2,973	-4,481
Hedging of units outside Denmark	2,260	1,424	1,097	1,563	2,463
Unrealised value adjustments of bonds at fair value (OCI)	-60	-1,323	-184	-703	-1,546
Realised value adjustments of bonds at fair value (OCI)	-14	19	-15	7	-14
Tax*	-539	-484	-295	-393	-674
Items that are or may be reclassified subsequently to profit or loss	**-1,808**	**-2,009**	**-966**	**-1,713**	**-2,904**
Total other comprehensive income	**-1,906**	**-2,358**	**-1,062**	**-2,113**	**-3,693**
Total comprehensive income	**8,271**	**2,180**	**3,949**	**-316**	**-8,273**
Portion attributable to					
Shareholders of Danske Bank A/S (the Parent Company)	8,271	2,094	3,949	-321	-8,359
Additional Tier 1 capital holders	-	86	-	5	86
Total comprehensive income	**8,271**	**2,180**	**3,949**	**-316**	**-8,273**

* A positive amount is a tax expense, and a negative amount is a tax income

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

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 June 2023	31 December 2022*	30 June 2022*
	Assets			
	Cash in hand and demand deposits with central banks	231,516	175,052	209,680
	Due from credit institutions and central banks	105,155	60,786	115,940
	Trading portfolio assets	559,305	638,799	661,286
	Investment securities	288,277	287,423	287,254
	Loans at amortised cost	910,422	1,082,818	1,083,740
	Loans at fair value	903,801	932,677	944,084
	Assets under pooled schemes and unit-linked investment contracts	67,820	66,739	66,221
	Assets under insurance contracts	502,546	502,995	701,140
G8	Assets held for sale	120,665	350	250
	Intangible assets	6,093	6,045	7,997
	Tax assets	3,904	5,199	5,401
G9	Other assets	32,104	31,673	29,308
	Total assets	**3,731,608**	**3,790,556**	**4,112,301**
	Liabilities			
	Due to credit institutions and central banks	186,661	138,777	168,493
	Trading portfolio liabilities	480,024	554,321	590,251
	Deposits	1,184,882	1,262,293	1,309,329
G7	Issued bonds at fair value	722,204	723,923	742,327
G7	Issued bonds at amortised cost	205,314	192,682	194,162
	Deposits under pooled schemes and unit-linked investment contracts	68,428	66,725	66,660
	Liabilities under insurance contracts	486,606	488,891	661,884
G8	Liabilities in disposal groups held for sale	32,949	-	-
	Tax liabilities	2,074	2,103	2,190
G9	Other liabilities	62,369	68,978	60,261
G7	Non-preferred senior bonds	93,113	93,235	106,467
G7	Subordinated debt	38,338	38,350	39,503
	Total liabilities	**3,562,960**	**3,630,278**	**3,941,526**
	Equity			
	Share capital	8,622	8,622	8,622
G10	Foreign currency translation reserve	-4,903	-2,630	-1,801
	Reserve for bonds at fair value (OCI)	-1,600	-1,526	-1,270
	Retained earnings	166,529	155,812	165,224
	Total equity	168,648	160,278	170,775
	Total liabilities and equity	**3,731,608**	**3,790,556**	**4,112,301**

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

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company)							
	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2023	8,622	-2,630	-1,526	155,852	-	160,318	-	160,318
Effect of changes in accounting policy*	-	-	-	-40	-	-40	-	-40
Restated total equity as at 1 January 2023	8,622	-2,630	-1,526	155,812	-	160,278	-	160,278
Net profit	-	-	-	10,178	-	10,178	-	10,178
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-115	-	-115	-	-115
Translation of units outside Denmark	-	-4,533	-	-	-	-4,533	-	-4,533
Hedging of units outside Denmark	-	2,260	-	-	-	2,260	-	2,260
Unrealised value adjustments	-	-	-60	-	-	-60	-	-60
Realised value adjustments	-	-	-14	-	-	-14	-	-14
Tax	-	-	-	555	-	555	-	555
Total other comprehensive income	**-**	**-2,273**	**-74**	**441**	-	-1,906	**-**	**-1,906**
Total comprehensive income	**-**	**-2,273**	**-74**	**10,618**	-	8,271	**-**	**8,271**
Transactions with owners								
Acquisition of own shares and additional tier 1 capital	-	-	-	-13,390	-	-13,390	-	-13,390
Sale of own shares and additional tier 1 capital	-	-	-	13,489	-	13,489	-	13,489
Total equity as at 30 June 2023	**8,622**	**-4,903**	**-1,600**	**166,529**	-	**168,648**	**-**	**168,648**
Total equity as at 1 January 2022	8,622	-612	34	161,439	1,724	171,207	5,497	176,704
Effect of changes in accounting policy*	-	-	-	-707	-	-707	-	-707
Restated total equity as at 1 January 2022	8,622	-612	34	160,732	1,724	170,500	5,497	175,997
Net profit	-	-	-	4,452	-	4,452	86	4,538
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-426	-	-426	-	-426
Translation of units outside Denmark	-	-2,613	-	-	-	-2,613	-	-2,613
Hedging of units outside Denmark	-	1,424	-	-	-	1,424	-	1,424
Unrealised value adjustments	-	-	-1,323	-	-	-1,323	-	-1,323
Realised value adjustments	-	-	19	-	-	19	-	19
Tax	-	-	-	561	-	561	-	561
Total other comprehensive income	**-**	**-1,189**	**-1,304**	**135**	**-**	**-2,358**	**-**	**-2,358**
Total comprehensive income	**-**	**-1,189**	**-1,304**	**4,587**	**-**	**2,094**	**86**	**2,180**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-164	-164
Dividends paid	-	-	-	19	-1,724	-1,705	-	-1,705
Redemption of additional tier 1 capital	-	-	-	-	-	-	-5,419	-5,419
Acquisition of own shares and additional tier 1 capital	-	-	-	-10,321	-	-10,321	-	-10,321
Sale of own shares and additional tier 1 capital	-	-	-	10,221	-	10,221	-	10,221
Tax	-	-	-	-15	-	-15	-	-15
Total equity as at 30 June 2022	**8,622**	**-1,801**	**-1,270**	**165,224**	**-**	**170,775**	**-**	**170,775**

* See note G2(a) for details on changes in accounting policy.

Dividend

Based on our strong performance in the first half year of 2023 and our strong capital position at the end of the period, the Board of Directors has on the approval of the half-year report approved an interim dividend of DKK 7 per share, corresponding to 59% of net profit for the period.

Statement of capital – Danske Bank Group

(DKK millions)	30 June 2023	31 December 2022*
Share capital (DKK)	8,621,846,210	8,621,846,210
Number of shares	862,184,621	862,184,621
Number of shares outstanding	858,778,466	858,392,752
Average number of shares outstanding for the period	858,581,349	858,331,842
Average number of shares outstanding, including dilutive shares, for the period	859,871,059	859,511,104

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

Total capital and total capital ratio

(DKK millions)	30 June 2023	31 December 2022*
Total equity	168,648	160,318
Revaluation of domicile property at fair value	216	217
Tax effect of revaluation of domicile property at fair value	-28	-28
Total equity calculated in accordance with the rules of the Danish FSA	168,835	160,506
Common equity tier 1 capital instruments	168,835	160,506
Adjustment to eligible capital instruments	-532	-222
IFRS 9 reversal due to transitional rules	1,738	3,063
Prudent valuation	-1,281	-1,338
Prudential filters	-450	-567
Expected/proposed dividends	-6,107	-
Intangible assets of banking operations	-5,765	-5,529
Minimum Loss Coverage for Non-Performing Exposures	-1,057	-500
Deferred tax on intangible assets	336	242
Deferred tax assets that rely on future profitability, excluding temporary differences	-340	-352
Defined benefit pension plan assets	-1,439	-1,424
Statutory deduction for insurance subsidiaries	-4,555	-4,683
Common equity tier 1 capital	**149,385**	**149,197**
Additional tier 1 capital instruments	15,090	15,300
Tier 1 capital	**164,474**	**164,497**
Tier 2 capital instruments	20,751	20,765
Total capital	**185,225**	**185,261**
Total risk exposure amount	**825,516**	**838,193**
Common equity tier 1 capital ratio (%)	18.1%	17.8%
Tier 1 capital ratio (%)	19.9%	19.6%
Total capital ratio (%)	22.4%	22.1%

* Comparative information has not been restated. See note G2(a) for more detail.

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.

Cash flow statement – Danske Bank Group

(DKK millions)	First half 2023	First half 2022*	Full Year 2022*
Cash flow from operations			
Profit before tax	12,972	5,881	-1,697
Tax paid	-1,481	-3,147	-3,025
Adjustment for non-cash operating items	3,643	659	21,459
Cash flow from operations before changes in operating capital	**15,134**	**3,393**	**16,737**
Changes in operating capital			
Amounts due to/from credit institutions and central banks	46,432	-6,649	-35,969
Trading portfolio	5,196	63,431	49,989
Acquisition/sale of own shares and additional tier 1 capital	99	-100	-249
Investment securities	-854	-6,312	-6,481
Loans at amortised cost and fair value	80,940	23,714	34,905
Deposits	-44,462	17,299	-29,737
Issued bonds at amortised cost and fair value	8,461	-127,502	-150,465
Assets/liabilities under insurance contracts	-1,837	-8,505	16,156
Other assets/liabilities	-11,806	8,622	-4,243
Cash flow from operations	**97,303**	**-32,609**	**-109,357**
Cash flow from investing activities			
Sale of businesses	-	1,314	2,032
Acquisition of intangible assets	-299	-563	-560
Acquisition of tangible assets	-451	-179	-826
Sale of tangible assets	5	2	4
Cash flow from investing activities	**-745**	**574**	**650**
Cash flow from financing activities			
Issue of non-preferred senior bonds	16,101	20,052	20,052
Redemption of non-preferred senior bonds	-13,773	-20,438	-30,590
Dividends paid	-	-1,705	-1,705
Redemption of equity accounted additional tier 1 capital	-	-5,419	-5,419
Paid interest on equity accounted additional tier 1 capital	-	-164	-164
Principal portion of lessee lease payments	-296	-312	-611
Cash flow from financing activities	**2,032**	**-7,986**	**-18,437**
Cash and cash equivalents as at 1 January	232,531	362,997	362,997
Foreign currency translation	791	-1,060	-3,322
Change in cash and cash equivalents	98,590	-40,021	-127,144
Cash and cash equivalents, end of period	**331,912**	**321,916**	**232,531**
Cash and cash equivalents, end of period			
Cash in hand	6,865	6,670	6,630
Demand deposits with central banks	224,651	203,010	168,422
Amounts due from credit institutions and central banks within three months	100,396	112,236	57,479
Total	**331,912**	**321,916**	**232,531**

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

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 2022.

On 1 January 2023, the Group implemented a new standard, IFRS 17, and the amendments to IAS 1, IAS 8 and IAS 12. Further information on the changes to accounting policies and presentation in 2023 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 2022. Annual Report 2022 provides a full description of the significant accounting policies.

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 2022) 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 2022). An overview of the classification and measurement basis for financial instruments can be found in note G1(c) of the Annual Report 2022.

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. Note G14 provides information on the scenarios as at 30 June 2023.

Management applies judgement when determining the need for post-model adjustments. As at 30 June 2023, the post-model adjustments amounted to DKK 6.8 billion (31 December 2022: DKK 6.6 billion) which are predominantly linked to macroeconomic uncertainties related to inflation and increasing interest rates, and other sector-specific factors that ensure prudent coverage of expected credit losses for the Group's credit exposures. On the types of risks covered by post-model adjustments, more information can be found in note G14.

Note G15 of the Annual Report 2022 and the section on credit risk in note G14 in the Interim report – first half 2023 provide more details on expected credit losses. As at 30 June 2023, financial assets covered by the expected credit loss model accounted for about 54.9% of total assets (31 December 2022: 55.7%).

Notes – Danske Bank Group

G1. Significant accounting policies and estimates continued

(b) Significant accounting estimates continued

Fair value measurement of financial instruments
At the end of June 2023, 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 2023, the adjustments totalled DKK 0.1 billion (31 December 2022: DKK 0.2 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note G13 of this report and note G33(a) of the Annual Report 2022 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, with focus on replacing existing benchmark interbank offered rates (IBORs) with alternative risk-free rates, reached a major goal on 30 June 2023 with the cessation of USD LIBOR. As at 30 June 2023, the Group completed the transition of all legacy USD LIBOR contracts to the new regulatory approved reference rates. The Group continues to monitor this area of regulation to ensure continued compliance, including the potential need for similar cessation / transition work in the future. Following IASB's project 'Interest Rate Benchmark Reform' 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 2022.

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 2023, goodwill amounted to DKK 4.4 billion (31 December 2022: DKK 4.4 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 decline in income, increase in loan impairment charges, decline in the market value of assets under management, major restructurings, macroeconomic developments etc. No indications of impairment have been noted at the end of June 2023.

Goodwill mainly consists of DKK 2.1 billion (31 December 2022: DKK 2.1 billion) in Markets, DKK 1.8 billion (31 December 2022: DKK 1.8 billion) in Asset Management and DKK 0.5 billion (31 December 2022: DKK 0.5 billion) in General Banking (all part of the business segment Large Corporates & Institutions) showing significant amounts of excess value in the impairment tests in 2022.

Note G19 of the Annual Report 2022 provides more information about impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts
Liabilities under insurance contracts are measured using either the General Measurement Model (GMM), Variable Fee Approach (VFA) or Premium Allocation Approach (PAA). GMM and VFA both comprise fulfilment cash flows, which are estimates of the present value of future cash flows for insurance contracts, adjusted for time value of money and financial risks related to future cash flows, and a risk adjustment for non-financial risk. Such estimates include actuarial computations, that rely on a number of variables, including mortality and disability rates, as well as discount rates. Note G2 provides more information on the measurement of insurance liabilities.

Notes – Danske Bank Group

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

(a) Changes in accounting policies

On 1 January 2023, the Group implemented IFRS 17, and the amendments to IAS 1, IAS 8 and IAS 12. The sections below explain in further details the changes to accounting policies implemented.

IFRS 17, Insurance contracts

On 1 January 2023, the Group implemented IFRS 17, Insurance Contracts. Under IFRS 17, insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder, by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Insurance contracts with direct participation features are those which, at inception, (i) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items, (ii) the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items, and (iii) the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

In Danske Bank Group, insurance contracts are held by the wholly owned subsidiary Danica Pension (Danica).

Insurance contracts are divided into portfolios and groups. Each portfolio of insurance contracts are contracts that are subject to similar risks and are managed together. The Group has four portfolios of insurance contracts, based on an assessment of similar risks and whether they are managed together:

- an average-rate portfolio
- a unit-linked portfolio
- a portfolio of legacy life insurance product in run-off
- a portfolio containing health and accident insurance contracts.

Each portfolio of contracts is divided into (i) groups of contracts that are onerous at initial recognition (ii) groups of contracts that at initial recognition, have no significant possibility of becoming onerous subsequently, and (iii) groups of remaining contracts in the portfolio. Groups of insurance contracts issued are initially recognised from the earliest of the (i) the beginning of the coverage period of the group, (ii) the date when the first payment from a policyholder becomes due, or (iii) for a group of onerous contracts, when the group becomes onerous. Furthermore, each group is divided into annual cohorts so that each group only includes contracts issued no more than one year apart.

The Group measures insurance contracts using the General Measurement Model (GMM, or Building Block approach, BBA), Variable Fee Approach (VFA) or Premium Allocation Approach (PAA). Groups of insurance contracts under GMM or VFA are initially measured as the total of fulfilment cash flows (which comprise estimated future cash flows, an adjustment for time value of money and financial risks related to future cash flows, and a risk adjustment for non-financial risk) and contractual service margin (CSM; unearned profit that will be recognised as the Group provides insurance contract services). An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition are in total a net outflow. The loss from onerous insurance contracts is recognised immediately in profit or loss, and no CSM is recognised on the balance sheet on initial recognition.

At each reporting date, the group of insurance contracts is subsequently measured as the sum of the liability for remaining coverage (comprising fulfilment cash flows relating to future service and CSM) and liability for incurred claims (comprising fulfilment cash flows relating to past service).

VFA is applied to the majority of insurance contracts, since they meet the definition of insurance contracts with direct participation features. Legacy life insurance products in run-off are measured using BBA.

Health and accident insurance contracts are measured under PAA, which means the liability for remaining coverage is measured on initial recognition at premiums received less any acquisition cash flows paid and any amounts arising from the derecognition of insurance acquisition cash flows asset. The Group will apply the annual cohort exemption from the EU to the average-rate portfolio.

IFRS 17 has not changed the method of discounting cash flows for insurance contracts, and the Group will continue to apply the European Insurance and Occupational Pension Authority (EIOPA) yield curve including a volatility adjustment.

The risk adjustment for non-financial risk under IFRS 17 corresponds to the risk margin under IFRS 4. However, changes in the risk adjustment are recognised either in the Income statement or in the CSM, whereas changes in the risk margin under IFRS 4 were recognised only in the Income statement.

Notes – Danske Bank Group

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

The key impacts of the implementation of IFRS 17 are:

- Life insurance products and Health and Accident products have been disaggregated, as they are subject to different risks and therefore cannot be managed together under IFRS 17. This has resulted in a decrease of DKK 1.4 billion in the Group's equity as at 1 January 2022
- Premiums are no longer recognised in profit or loss at their due dates. Instead, the CSM is recognised in insurance revenue as services are provided over the expected coverage period of the group of insurance contracts.
- Benefits are no longer recognised in profit or loss when paid. Instead, insurance service expenses are recognised when incurred, comprising incurred claims and other incurred insurance expenses.
- Changes in insurance obligations during the year due to additional provisions for benefit guarantees and the tax on pension returns are no longer under Net trading income or loss.
- The return on assets earmarked for insurance contracts is no longer carried under Net interest income and Net trading income or loss. This is now presented as Net return on investments backing insurance liabilities.
- The Group has simplified its reporting of Danica, and now reports the majority of Danica's assets and liabilities under Assets under insurance contracts and Liabilities under insurance contracts respectively in the Balance sheet. Previously, an allocation of Danica's assets and liabilities (equating to Danica's equity) were consolidated on a line-by-line basis in the Balance sheet.
- The presentation of the Income statement has been changed from 2023: the line items Net premiums and Net insurance benefits are removed, and new lines in relation to insurance are added: Insurance service result and other insurance income, Net return on investments backing insurance liabilities and Net financa income or expense from insurance. The Income statement has thus been restated for 2022.

Changes in accounting policies as a result of IFRS 17 have been applied using the fair value approach, since the full retrospective approach is impracticable to apply due to relevant data not being available or high resource consumption.

In addition, the following changes have been made to accounting policies as a result of IFRS 17 implementation:

- When, and only when, the Group reacquires its own equity instruments (i.e. own shares) to be included in investment funds that provides investors with benefits determined by units in the fund, and for which financial liabilities are recognised for the amounts to be paid to those investors, IAS 32 has been amended with an optional election not to deduct these shares from equity, and account for them as financial assets held at fair value through profit or loss. The Group has applied this election to its own shares in Pooled schemes and Unit-linked investment contracts which meet the IAS 32 election criteria. The same election applies to the Group's own shares that are included as underlying items of direct participation contracts (Assets under insurance contracts).
- When, and only when the Group repurchases its own financial liabilities to be included in investment funds that provides investors with benefits determined by units in the fund, and for which financial liabilities are recognised for the amounts to be paid to those investors, or includes the own financial liabilities as underlying items of direct participating contracts, IFRS 9 has been amended with an optional election to not derecognise the financial liabilities, and to account for the repurchased instruments as financial assets held at fair value through profit or loss. The Group has applied this election to own bonds in Assets under insurance contracts which meet the IFRS 9 election criteria.

The impact of the changes in IAS 32 and IFRS 9 accounting policies resulted in an increase of DKK 0.7 billion in the Group's equity and the Group's assets as at 1 January 2022.

At the transition date of 1 January 2022, the Group:

- Identified, recognised and measured each group of insurance contracts and reinsurance contracts according to IFRS 17
- Derecognised previously reported balances that would not have existed if IFRS 17 had always been applied
- Reclassified Danica's assets and liabilities to Assets under insurance contracts and Liabilities under insurance contracts respectively where relevant
- Recognised own shares and own bonds as assets that were underlying items of direct participating contracts at fair value
- Recognised own shares that were reacquired to be held in investment funds on behalf of customers
- Recognised the resulting net differences in equity.

The DKK 1.4 billion decrease in the Group's equity from IFRS 17 implementation and DKK 0.7 billion increase from the IAS 32 and IFRS 9 accounting policy changes result in a net decrease in equity of DKK 0.7 billion as at 1 January 2022, which is presented in the Statement of changes in equity. The impact of these changes increases the Group's 2022 result by DKK 0.5 billion. The impact on the Group's equity as at 31 December 2022 is a net decrease of DKK 40 million, as result of the increase in the Group's 2022 result and the direct impact on equity from the change in treatment of own shares.

A reconciliation of balances between 31 December 2021 and 1 January 2022 is presented below, showing the impact of IFRS 17 (including the reclassification of Danica's assets and liabilities), the change in treatment of the Group's own shares, and the change in treatment of the Group's own bonds.

Ratios for regulatory requirements in 2022 have not been restated as a result of the changes described above. The overall impact on equity at 31 December 2022 of DKK 40 million is immaterial, and therefore the Group's total capital and capital ratios for 2022 will not be revised nor resubmitted to regulators, and will remain as published in the Annual Report 2022.

Notes – Danske Bank Group

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

Amendment to IAS 1, Presentation of financial statements

The first amendment to IAS 1 provides a more general approach to classifying liabilities as current or non-current, based on the contractual arrangements in place at the reporting date, rather than based on whether management intends to exercise a right to defer a settlement of the liability.

The second amendment to IAS 1 requires disclosure of material accounting policy information, rather than significant accounting policies. Accounting policy information is considered to be material if users of the financial statements need it to understand other material information in the financial statements. If immaterial accounting policy information is disclosed, it should not obscure material accounting policy information.

The amendments have no impact on the financial statements.

Amendment to IAS 8, Accounting policies, changes in accounting estimates and errors

The amendments introduce a definition of accounting estimates – monetary amounts in financial statements that are subject to measurement uncertainty – and clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. Similarly, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments have no impact on the financial statements.

Amendment to IAS 12, Income taxes

The first amendment to IAS 12 clarifies how entities should account for deferred tax on assets and liabilities arising from a single transaction such as leases and decommissioning obligations.

The main change is that the initial recognition exemption in IAS 12 does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The second amendment introduces an exception to the requirement of IAS 12 that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD Pillar Two income taxes.
The amendments have no impact on the financial statements.

Notes – Danske Bank Group

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

The table below shows a reconciliation of the Group's balances between 31 December 2021 and 1 January 2022, showing the impact of IFRS 17 (including the reclassification of Danica's assets and liabilities), the change in treatment of the Group's own shares, and the change in treatment of the Group's own bonds.

Effect of changes in accounting policy as at 1 January 2022

(DKK millions)	31 December 2021	IFRS 17	Remeasurements IAS 32 – own shares	Remeasurements IFRS 9 – own bonds	1 January 2022
Assets					
Cash in hand and demand deposits with central banks	293,386	-	-	-	293,386
Due from credit institutions and central banks	71,156	-7	-	-	71,149
Trading portfolio assets	509,590	-164	-	-	509,426
Investment securities	303,777	-22,835	-	-	280,942
Loans at amortised cost	1,027,442	-	-	-	1,027,442
Loans at fair value	1,024,461	-	-	-	1,024,461
Assets under pooled schemes and unit-linked investment contracts	76,654	-	151	-	76,805
Assets under insurance contracts	547,806	29,731	507	44,590	622,634
Assets held for sale	28,800	-	-	-	28,800
Intangible assets	8,819	-2,628	-	-	6,191
Tax assets	4,510	-	-	-	4,510
Other assets	39,433	-4,097	-	-	35,336
Total assets	**3,935,834**	**-**	**658**	**44,590**	**3,981,082**
Liabilities					
Due to credit institutions and central banks	172,976	-	-	-	172,976
Trading portfolio liabilities	374,959	-	-	-	374,959
Deposits	1,292,030	-	-	-	1,292,030
Issued bonds at fair value	794,909	-	-	44,426	839,335
Issued bonds at amortised cost	223,854	-	-	-	223,854
Deposits under pooled schemes and unit-linked investment contracts	76,982	-	-	-	76,982
Liabilities under insurance contracts	588,736	2,247	-	-	590,983
Liabilities in disposal groups held for sale	29,577	-	-	-	29,577
Tax liabilities	1,864	-460	-	-	1,404
Other liabilities	56,268	-422	-	164	56,010
Non-preferred senior bonds	107,654	-	-	-	107,654
Subordinated debt	39,321	-	-	-	39,321
Total liabilities	**3,759,130**	**1,365**	**-**	**44,590**	**3,805,085**
Equity					
Share capital	8,622	-	-	-	8,622
Foreign currency translation reserve	-612	-	-	-	-612
Reserve for bonds at fair value (OCI)	34	-	-	-	34
Retained earnings	161,439	-1,365	658	-	160,732
Proposed dividends	1,724	-	-	-	1,724
Shareholders of Danske Bank A/S (the Parent Company)	171,207	-1,365	658	-	170,500
Additional tier 1 capital holders	5,497	-	-	-	5,497
Non-controlling interests	**-**	**-**	**-**	**-**	**-**
Total equity	**176,704**	**-1,365**	**658**	**-**	**175,997**
Total liabilities and equity	**3,935,834**	**-**	**658**	**44,590**	**3,981,082**

Notes – Danske Bank Group

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

b) Changes in financial highlights and segment reporting

On 1 January 2023, the Group implemented IFRS 17, Insurance contracts, resulting in the restatement of 2022. See note G2(a) for details of the changes in accounting policy. At the same time, the Group has simplified its reporting of Danica Pension, by stopping the allocation of Danica's equity to Group Treasury (within Group Functions). The table below shows the restated amounts in the financial highlights and segment reporting for first half 2022:

Changes in financial highlights and segment reporting – first half 2022 restated

(DKK millions)	Financial Highlights first half 2022	Implementation of IFRS 17	Elimination of own shares	Elimination of own bonds	Adjusted Financial Highlights
Net interest income	11,440	-70	-	-	11,370
Net fee income	6,537	-	-	-	6,537
Net trading income	175	232	-87	-	320
Net income from insurance business	-38	-65	-	-	-103
Other income	959	-	-	-	959
Total income	19,073	97	-87	-	19,083
Operating expenses	12,793	-	-	-	12,793
of which resolution fund, bank tax etc,	491	-	-	-	491
of which impairment charges, other intangible assets	24	-	-	-	24
Profit before loan impairment charges	6,280	97	-87	-	6,290
Loan impairment charges	426	-	-	-	426
Profit before tax (core)	**5,854**	**97**	**-87**	**-**	**5,864**
Profit before tax, Non-core	17	-	-	-	17
Profit before tax	5,871	97	-87	-	5,881
Loans, excluding reverse transactions	1,819,297	-	-	-	1,819,297
Other assets (including Non-core)	2,254,696	-	671	37,638	2,293,005
Total assets	**4,073,992**	**-**	**671**	**37,638**	**4,112,301**
Deposits, excluding repo deposits	1,155,841	-	-	-	1,155,841
Other liabilities (including Non-core)	2,746,757	1,290	-	37,638	2,785,686
Allocated capital	171,394	-1,290	671	-	170,775
Total liabilities and equity	**4,073,992**	**-**	**671**	**37,638**	**4,112,301**
Profit before tax as % p,a, of allocated capital (avg,)	6,9	-	-	-	6,8
Cost/income ratio (%)	67,1	-	-	-	67,0
Full-time-equivalent staff, end of period	21,663	-	-	-	21,663

Notes – Danske Bank Group

G3. Business segments

a) Business model and business segmentation

The Group's commercial activities are organised in five reporting business units:

- Personal Customers, which serves personal customers across all markets
- Business Customers, which serves small and medium-sized business customers across all markets, and includes the Group's Asset Finance operations
- Large Corporates & Institutions, which serves large corporates and institutional customers across all Nordic markets
- Danica Pension, which specialises in pension schemes, life insurance policies and health insurance policies in Denmark
- Northern Ireland, which serves retail and commercial customers through a network of branches and business centres in Northern Ireland alongside digital channels.

Besides the five commercial business units, the Group's reportable segments under IFRS 8 include Non-core and Group Functions.

Business segments
first half 2023

(DKK millions)	Personal Customers	Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	7,017	5,864	3,414	-	1,236	-	-907	-83	16,540	-1,944	14,595
Net fee income	2,022	893	2,641	-	168	-	-124	93	5,693	-21	5,672
Net trading income	171	261	1,960	-	53	-	390	-63	2,772	2,003	4,775
Net income from insurance business	-	-	-	689	-	-	-	-	689	-689	-
Other income*	-650	536	12	-	10	-	1,365	-1,380	-106	1,648	1,542
Insurance service result and other insurance income	-	-	-	-	-	-	-	-	-	447	447
Net return on investments backing insurance liabilities	-	-	-	-	-	-	-	-	-	13,026	13,026
Net finance income or expense from insurance	-	-	-	-	-	-	-	-	-	-12,784	-12,784
Total income	8,560	7,555	8,028	689	1,466	-	723	-1,432	25,587	1,686	27,273
Operating expenses	4,462	2,455	3,543	-	657	-	2,848	-1,346	12,618	1,711	14,329
of which resolution fund, bank tax etc,	85	127	246	-	-	-	38	-	496	-496	-
Profit before loan impairment charges	4,098	5,099	4,485	689	809	-	-2,125	-86	12,969	-25	12,944
Loan impairment charges	478	142	-522	-	-131	-	5	-	-28	-	-28
Profit before tax, core	3,620	4,957	5,006	689	941	-	-2,130	-86	12,997	-25	12,972
Profit before tax, Non-core	-	-	-	-	-	-25	-	-	-25	25	-
Profit before tax	**3,620**	**4,957**	**5,006**	**689**	**941**	**-25**	**-2,130**	**-86**	**12,972**	**-**	**12,972**
Loans, excluding reverse transactions	762,975	624,897	309,934	-	56,322	-	26,031	-27,560	1,752,598	1,144	1,753,743
Other assets (including Non-core)	343,389	181,043	3,557,392	546,144	66,678	1,509	4,404,443	-7,121,589	1,979,010	-1,144	1,977,865
Total assets	**1,106,364**	**805,940**	**3,867,326**	**546,144**	**123,000**	**1,509**	**4,430,475**	**-7,149,149**	**3,731,608**	**-**	**3,731,608**
Deposits, excluding repo deposits	413,514	261,293	325,772	-	98,700	-	2,749	-9,083	1,092,945	1,896	1,094,841
Other liabilities (including Non-core)	663,670	505,188	3,500,409	546,144	18,437	2,244	4,373,990	-7,140,066	2,470,015	-1,896	2,468,120
Allocated capital	29,180	39,460	41,145	-	5,862	-	53,001	-	168,648	-	168,648
Total liabilities and equity	**1,106,364**	**805,940**	**3,867,326**	**546,144**	**123,000**	**2,244**	**4,429,740**	**-7,149,149**	**3,731,608**	**-**	**3,731,608**
Profit before tax as % p,a, of allocated capital (avg,)	24.5	25.1	24.9	7.0	30.8	-	-12.1	-	15.8	-	15.8
Cost/income ratio (%)	52.1	32.5	44.1	-	44.8	-	-	-	49.3	-	52.5
Full-time-equivalent staff, end of period	4,288	1,677	2,103	898	1,285	12	11,077	-	21,339	-	21,339

* Other income in the IFRS financial statements column includes Gain or loss on sale of disposal groups.

Notes – Danske Bank Group

G3. Business segments continued

Business segments
First half 2022

(DKK millions)	Personal Customers	Business Customers	Large Corporates & Institutions	Danica*	Northern Ireland	Non-core	Group Functions*	Eliminations*	Financial highlights*	Reclassification*	IFRS financial statements*
Net interest income	3,871	4,083	2,611	-	823	-	-1	-18	11,370	1,056	12,426
Net fee income	2,555	906	2,932	-	164	-	-4	-16	6,537	-15	6,522
Net trading income	220	243	27	-	-209	-	42	-2	320	-1,031	-711
Net income from insurance business	-	-	-	-103	-	-	-	-	-103	103	-
Other income**	508	431	2	-	15	-	1,309	-1,306	959	2,293	3,253
Insurance service result and other insurance income	-	-	-	-	-	-	-	-	-	756	756
Net return on investments backing insurance liabilities	-	-	-	-	-	-	-	-	-	-58,421	-58,421
Net finance income or expense from insurance	-	-	-	-	-	-	-	-	-	57,147	57,147
Total income	7,154	5,663	5,572	-103	793	-	1,347	-1,342	19,083	1,889	20,971
Operating expenses	5,097	2,665	3,491	-	623	-	994	-78	12,793	1,933	14,726
of which resolution fund, bank tax etc,	81	112	254	-	-	-	43	-	491	-491	-
of which impairment charges, other intangible assets	-	-	-	-	-	-	24	-	24	-24	-
Profit before loan impairment charges	2,057	2,997	2,081	-103	169	-	352	-1,264	6,290	-44	6,246
Loan impairment charges	325	198	-145	-	38	-	10	-	426	-61	365
Profit before tax, core	1,732	2,799	2,226	-103	131	-	342	-1,264	5,864	17	5,881
Profit before tax, Non-core	-	-	-	-	-	17	-	-	17	-17	-
Profit before tax	**1,732**	**2,799**	**2,226**	**-103**	**131**	**17**	**342**	**-1,264**	**5,881**	**-**	**5,881**
Loans, excluding reverse transactions	825,657	625,765	310,039	-	57,601	-	29,713	-29,479	1,819,297	1,316	1,820,613
Other assets (including Non-core)	316,326	202,859	3,482,262	730,320	60,024	1,956	4,540,645	-7,041,386	2,293,005	-1,316	2,291,688
Total assets	**1,141,982**	**828,624**	**3,792,301**	**730,320**	**117,625**	**1,956**	**4,570,359**	**-7,070,865**	**4,112,301**	**-**	**4,112,301**
Deposits, excluding repo deposits	420,252	290,934	352,697	-	99,977	-	1,859	-9,878	1,155,841	2,174	1,158,015
Other liabilities (including Non-core)	691,396	498,675	3,395,531	711,235	12,178	2,539	4,535,789	-7,061,658	2,785,686	-2,174	2,783,511
Allocated capital	30,334	39,015	44,072	19,085	5,470	-	32,127	671	170,775	-	170,775
Total liabilities and equity	**1,141,982**	**828,624**	**3,792,301**	**730,320**	**117,625**	**2,539**	**4,569,775**	**-7,070,865**	**4,112,301**	**-**	**4,112,301**
Profit before tax as % p,a, of allocated capital (avg,)	11.1	14.0	10.5	-1.0	4.3	-	1.8	-	6.8	-	6.8
Cost/income ratio (%)	71.2	47.1	62.7	-	78.6	-	73.8	-	67.0	-	70.2
Full-time-equivalent staff, end of period	4,874	1,696	2,097	957	1,256	37	10,746	-	21,663	-	21,663

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

** Other income in the IFRS financial statements column includes Gain or loss on sale of disposal groups.

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 85 in Annual Report 2022. Net income from insurance business is presented before elimination of intra-group transactions. The decomposition of the reclassification between the IFRS income statement and Financial highlights is shown in the tables below.

Reclassification first half 2023

(DKK millions)	IFRS financial statements	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Danica Pension	Non-core	Total re-classifica-tion	Financial highlights
Net interest income	14,595	-	1,940	-	4	1,944	16,540
Net fee income	5,672	-	21	-	-	21	5,693
Net trading income	4,775	-	-2,000	-	-3	-2,003	2,772
Net income from insurance business	-	-	-	689	-	689	689
Other income*	1,542	-1,687	39	-	-	-1,648	-106
Insurance service result and other insurance income	447	-	-	-447	-	-447	-
Net return on investments backing insurance liabilities	13,026	-	-	-13,026	-	-13,026	-
Net finance income or expense from insurance	-12,784	-	-	12,784	-	12,784	-
Total income	27,273	-1,687	-	-	1	-1,686	25,587
Operating expenses	14,329	-1,687	-	-	-24	-1,711	12,618
Profit before loan impairment charges	12,944	-	-	-	25	25	12,969
Loan impairment charges	-28	-	-	-	-	-	-28
Profit before tax, core	12,972	-	-	-	25	25	12,997
Profit before tax, Non-core	-	-	-	-	-25	-25	-25
Profit before tax	**12,972**	**-**	**-**	**-**	**-**	**-**	**12,972**

* Other income in the IFRS financial statements column includes Gain or loss on sale of disposal groups.

Reclassification first half 2022

(DKK millions)	IFRS financial statements*	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Danica Pension*	Non-core	Total re-classifica-tion*	Financial highlights*
Net interest income	12,426	-	-1,062	-	5	-1,056	11,370
Net fee income	6,522	-	20	-	-5	15	6,537
Net trading income	-711	-	1,043	-	-11	1,031	320
Net income from insurance business	-	-	-	-103	-	-103	-103
Other income**	3,253	-1,868	-2	-415	-9	-2,293	959
Insurance service result and other insurance income	756	-	-	-756	-	-756	-
Net return on investments backing insurance liabilities	-58,421	-	-	58,421	-	58,421	-
Net finance income or expense from insurance	57,147	-	-	-57,147	-	-57,147	-
Total income	20,971	-1,868	-	-	-21	-1,889	19,083
Operating expenses	14,726	-1,868	-	-	-65	-1,933	12,793
Profit before loan impairment charges	6,246	-	-	-	44	44	6,290
Loan impairment charges	365	-	-	-	61	61	426
Profit before tax, core	5,881	-	-	-	-17	-17	5,864
Profit before tax, Non-core	-	-	-	-	17	17	17
Profit before tax	**5,881**	**-**	**-**	**-**	**-**	**-**	**5,881**

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

** Other income in the IFRS financial statements column includes Gain or loss on sale of disposal groups.

Notes – Danske Bank Group

G4. Income

(a) Interest income and interest expense

Negative interest income during first half 2023 amounted to DKK 3 million (30 June 2022: DKK 1,108 million). Negative interest expenses amounted to DKK 4 million (30 June 2022: DKK 2,190 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 2022 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Fee income first half 2023

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	2,059	343	2,402	1,484	3,886
Money transfers, account fee, cash management and other fees	1,931	-142	1,790	513	2,303
Lending and Guarantees	1,117	301	1,419	66	1,484
Capital markets	584	-523	61	-	61
Total	**5,693**	**-21**	**5,672**	**2,063**	**7,735**

Fee income first half 2022

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment*	2,528	310	2,838	1,831	4,669
Money transfers, account fee, cash management and other fees	1,880	-118	1,762	644	2,406
Lending and Guarantees	1,459	307	1,766	55	1,821
Capital markets	669	-513	156	-	156
Total	**6,537**	**-15**	**6,522**	**2,531**	**9,052**

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

(c) Gain or loss on sale of disposal groups

Gain or loss on sale of disposal groups for the six months ending 30 June 2023 includes the prudent evaluation and expected costs directly attributable to the sale of personal customers business in Norway, as announced on 19 July 2023. See note G8 for more detail. During the first half 2022, Gain or loss on sale of disposal groups included a gain of DKK 421 million on the sale of business activities in Luxembourg and a gain of DKK 415 million on the sale of Danica Pensjonforsikring AS (Danica Pension business segment in Norway).

(d) Other income

Other income amounted to DKK 2,236 million for the six months ending 30 June 2023 (30 June 2022: DKK 2,417 million). Other income includes income from lease assets, investment property and real estate brokerage, and income from holdings in associates.

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 2023	30 June 2022
ECL on new assets	1,562	2,092
ECL on assets derecognised	-1,499	-4,298
Impact of net remeasurement of ECL (incl. changes in models)	169	1,970
Write-offs charged directly to income statement	460	897
Received on claims previously written off	-566	-173
Interest income, effective interest method	-153	-123
Total	**-28**	**365**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2022	2,717	6,807	13,223	22,746
Transferred to stage 1 during the period	866	-813	-54	-
Transferred to stage 2 during the period	-306	628	-322	-
Transferred to stage 3 during the period	-18	-369	387	-
ECL on new assets	476	636	980	2,092
ECL on assets derecognised	-476	-766	-3,056	-4,298
Impact of net remeasurement of ECL (incl. changes in models)	-158	719	1,409	1,970
Write-offs debited to the allowance account	-	-2	-2,758	-2,760
Foreign exchange adjustments	-15	-65	134	54
Other changes	-18	2	33	17
ECL allowance account as at 30 June 2022	**3,068**	**6,777**	**9,975**	**19,820**
ECL allowance account as at 1 January 2023	**3,273**	**8,082**	**8,290**	**19,645**
Transferred to stage 1 during the period	1,548	-1,485	-63	-
Transferred to stage 2 during the period	-179	368	-189	-
Transferred to stage 3 during the period	-12	-297	309	-
ECL on new assets	332	926	303	1,562
ECL on assets derecognised	-234	-784	-481	-1,499
Impact of net remeasurement of ECL (incl. changes in models)	-1,289	1,321	136	169
Write-offs debited to the allowance account	-	-	-180	-180
Foreign exchange adjustments	-37	-167	-95	-299
Other changes	-	-6	10	4
ECL allowance account as at 30 June 2023	**3,403**	**7,957**	**8,041**	**19,401**

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 note G14.

Notes – Danske Bank Group

G6. Insurance service result and other insurance income

The Group implemented IFRS 17, Insurance contracts on 1 January 2023, as described in note G2(a).

Net insurance result

(DKK millions)	30 June 2023	30 June 2022
Insurance revenue	2,763	2,584
Insurance service expenses	2,298	1,857
Net expenses from reinsurance	30	22
Insurance service result	435	705
Other insurance related income	13	51
Insurance service result and other insurance income	**447**	**756**

Notes – Danske Bank Group

G7. Issued bonds, subordinated debt and additional tier 1 capital

Issued bonds at fair value

(DKK millions)	30 June 2023	31 December 2022*
Bonds issued by Realkredit Danmark (covered bonds)	712,186	711,773
Commercial papers and certificates of deposits	7,434	9,119
Structured retail notes	2,583	3,032
Issued bonds at fair value, total	722,204	**723,923**

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

Issued bonds at amortised cost

(DKK millions)	30 June 2023	31 December 2022*
Commercial papers and certificates of deposits	5,913	-
Preferred senior bonds*	56,185	48,356
Covered bonds	140,718	140,829
Structured retail notes*	2,498	3,498
Issued bonds at amortised cost, total	**205,314**	**192,682**
Non-preferred senior bonds	**93,113**	**93,235**

* DKK 3,498 million of Structured retail notes that were included in Preferred senior bonds as at 31 December 2022 is now presented in a separate line.

Further information on issued bonds at fair value through profit or loss can be found in note G16 of the Annual Report 2022. 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 2023	Issued	Redeemed	Foreign currency translation	30 June 2023
Commercial papers and certificate of deposits	9,128	29,496	25,023	-249	13,352
Preferred senior bonds*	59,348	23,700	17,422	-789	64,837
Covered bonds	156,740	14,325	5,410	-75	165,579
Non-preferred senior bonds	100,586	16,146	13,660	-1,736	101,336
Other issued bonds	**325,801**	**83,667**	**61,515**	**-2,849**	**345,104**

* Preferred senior bonds includes structured retail notes.

Nominal value (DKK millions)	1 January 2022	Issued	Redeemed	Foreign currency translation	31 December 2022
Commercial papers and certificate of deposits	23,712	13,445	26,709	-1,321	9,128
Preferred senior bonds*	67,724	1,400	14,630	4,854	59,348
Covered bonds	165,067	39,600	39,605	-8,322	156,740
Non-preferred senior bonds	108,104	20,100	30,530	2,913	100,586
Other issued bonds	**364,607**	**74,545**	**111,475**	**-1,876**	**325,801**

* Preferred senior bonds includes structured retail notes.

Subordinated debt and additional tier 1 capital

As at 30 June 2023, the nominal value of subordinated debt, including liability accounted additional tier 1 capital, amounted to DKK 40,273 million (31 December 2022: DKK 40,514 million). During the six months ended 30 June 2023, the Group did not issue or redeem any additional tier 1 or tier 2 capital instruments. During 2022, the Group redeemed EUR 750 million of additional tier 1 capital accounted for as equity.

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 6.4.3 of Risk Management 2022 for further information). As at 30 June 2023, distributable items for Danske Bank A/S amounted to DKK 136.3 billion (31 December 2022: DKK 126.7 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 2023 the common equity tier 1 capital ratio was 21.0% (31 December 2022: 20.3%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

G8. Assets held for sale and Liabilities in disposal groups held for sale

Assets held for sale and Liabilities in disposal groups held for sale include assets and liabilities that fall under IFRS 5.

(DKK millions)	30 June 2023	31 December 2022
Assets held for sale		
Loans held for sale	120,361	-
Other	304	350
Total	**120,665**	**350**
Liabilities in disposal groups		
Deposits held for sale	32,949	-
Total	**32,949**	**-**

As announced on July 19 2023, Danske Bank has entered into an agreement to sell our personal customers business Norway. The sale will include loans and deposits. On reclassification to held for sale, a loss of DKK 0.7 billion was recognised in relation to prudent evalutation and expected costs directly attributable to the sale, and is included in Gain or loss on sale of disposal groups.

In June 2023, Danske Bank also announced that it will sell Danske IT, a fully-owned subsidiary of Danske Bank, to Infosys. As part of the sale, colleagues in Danske IT will transfer to Infosys. The deal is subject to customary authority approval, which is expected during the second half of 2023, with the sale expected also in the second half of 2023. The sale will include approximately DKK 0.3 billion of assets and DKK 0.2 billion of liabilities. The assets and liabilities are not included in the table above.

Assets held for sale also includes lease assets (where the Group acts as a lessor) put up for sale at the end of the lease and properties taken over by the Group under non-performing loan agreements. The Group expects to sell the properties through a real estate agent within 12 months from the date of acquisition. The properties comprise properties in Denmark and in other countries.

G9. Other assets and Other liabilities

(A) Other assets and other liabilities (DKK millions)	30 June 2023	31 December 2022*
Other assets		
Accrued interest and commissions due	6,771	2,256
Prepayments, accruals and other amounts due	13,325	17,048
Defined benefit pension plan, net assets	1,545	1,486
Investment property	159	146
Tangible assets	7,425	7,586
Right of use lease assets	2,315	2,615
Holdings in associates	564	536
Total	**32,104**	**31,673**
Other liabilities		
Sundry creditors	41,235	35,822
Estonia settlement	-	15,300
Accrued interest and commissions due	11,459	7,634
Defined benefit pension plans, net liabilities	338	366
Other staff commitments	1,498	1,804
Lease liabilities	2,439	2,743
Loan commitments and guarantees etc,	2,550	2,627
Reserves subject to a reimbursement obligation	4	4
Provisions, including litigations	2,847	2,678
Total	**62,369**	**68,978**

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

In the table above, Provisions, including litigations includes customer relations, regulatory and legal proceedings, restructuring costs and other provisions.

Notes – Danske Bank Group

G10. 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 36,584 million (31 December 2022: DKK 34,573 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. The Group's net investment in its subsidiaries Danske Hypotek AB (Sweden) and Danske Mortgage Bank Plc (Finland) is 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 2023, the structural FX hedge position totalled DKK 40,750 million (31 December 2022: DKK 41,350 million) and a loss of DKK 2,203 million has been recognised in Other comprehensive income during the first half 2023, primarily due to a weakening of NOK against DKK throughout the first half 2023. For the same reason, a loss of DKK 1,222 million was recognised in Other comprehensive income during the first half of 2022.

Notes – Danske Bank Group

G11. 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 2023	31 December 2022
Financial guarantees	4,914	5,512
Other guarantees	76,015	75,884
Total	80,929	**81,396**

(b) Commitments (DKK millions)	30 June 2023	31 December 2022
Loan commitments shorter than 1 year	248,320	236,062
Loan commitments longer than 1 year	199,930	199,888
Other unutilised commitments	15,232	15,196
Total	463,481	**451,146**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 195 billion (31 December 2022: DKK 216 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

As announced on 13 December 2022, Danske Bank has reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. The aggregate amounts payable to the US and Danish authorities were paid in January 2023. The coordinated resolutions marked the end of the criminal and regulatory investigations into Danske Bank by the authorities in Denmark and the United States.

As part of the Bank's agreement with DoJ, Danske Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025 and Danske Bank committed to continue improving its compliance programs. Danske Bank has taken extensive remediation action to address those failings to prevent any similar occurrences, and the Bank remains in contact with DoJ as a matter of post-resolution obligations set forth in the agreement with DoJ.

The Bank remains subject to a criminal investigation by authorities in France and has posted bail in the amount of DKK 80 million. The Bank continues to cooperate with the authorities.

The civil claims filed against Danske Bank by institutional investors can be summarised to six case complexes with a current total claim amount of approximately DKK 12.8 billion. One of the case complexes has partly been referred to the Eastern High Court, while the remaining case complexes are stayed or pending before the Copenhagen City Court. The civil claims were not included in the coordinated resolutions with DoJ, SEC, and SCU. Danske Bank will continue to defend itself vigorously against these claims. The timing of completion of such civil claims (pending or threatening) and their outcome are uncertain and could be material.

Danske Bank has been procedurally notified in two claims filed against Thomas F. Borgen. 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. The first case was dismissed in the first instance and subsequently appealed by the claimants. The original claim amount for both claims was approximately DKK 3.2 billion but has been reduced to approximately DKK 1.7 billion.

An action has been filed in the United States District Court for the Eastern District of New York against Danske Bank and others. The complaint sought unspecified punitive and compensatory damages. On 29 December 2022, the action was dismissed by the court and on 27 January 2023, the complainants filed an appeal of the dismissal. The timing of the completion of the lawsuit and the outcome are uncertain.

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 G9.

Notes – Danske Bank Group

G11. Guarantees, commitments and contingent liabilities continued

(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 and the UK. 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.

With effect from 1 April 2022, Danske Bank A/S is no longer 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 had been jointly and severally liable.

Notes – Danske Bank Group

G12. Assets provided or received as collateral

As at 30 June 2023, the Group had deposited securities (including bonds issued by the Group) worth DKK 47.0 billion as collateral with Danish and international clearing centres and other institutions (31 December 2022: DKK 30.6 billion).

As at 30 June 2023, the Group had provided cash and securities (including bonds issued by the Group) worth DKK 77.8 billion as collateral for derivatives transactions (31 December 2022: DKK 90.4 billion).

As at 30 June 2023, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts and unit-linked investment contracts worth DKK 431.7 billion (31 December 2022: DKK 417.5 billion) as collateral for policyholders' savings of DKK 415.3 billion (31 December 2022: DKK 404.6 billion).

As at 30 June 2023, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 729.4 billion (31 December 2022: DKK 728.6 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 292.9 billion (31 December 2022: DKK 306.3 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 2023			31 December 2022		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	28,517	28,517	-	22,917	22,917
Trading and investment securities	218,616	60,598	279,214	139,807	72,697	212,504
Loans at fair value	-	724,994	724,994	-	724,051	724,051
Loans at amortised cost	-	304,900	304,900	-	328,800	328,800
Assets under insurance contracts and unit-linked investment contracts	-	409,201	409,201	-	347,673	347,673
Other assets	-	-	-	-	93	93
Total	218,616	1,528,210	1,746,825	139,807	1,496,231	1,636,038
Own issued bonds	29,686	50,487	80,172	31,064	76,754	107,818
Total, including own issued bonds	**248,301**	**1,578,696**	**1,826,998**	**170,871**	**1,572,985**	**1,743,856**

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 218.6 billion as at 30 June 2022 (31 December 2022: DKK 139.8 billion).

As at 30 June 2023, the Group had received securities worth DKK 309.9 billion (31 December 2022: DKK 303.8 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 2023, the Group had sold securities or provided securities as collateral worth DKK 123.1 billion (31 December 2022: DKK 119.2 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. Note G41 of the Annual Report 2022 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

G13. Fair value information for financial instruments

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

	30 June 2023		31 December 2022*	
(DKK millions)	Instruments held at Fair value	Instruments held at Amortised cost	Instruments held at Fair value	Instruments held at Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	231,516	-	175,052
Due from credit institutions and central banks	76,556	28,598	38,147	22,639
Trading portfolio assets	559,305	-	638,799	-
Investment securities	134,729	153,548	135,850	151,573
Loans at amortised cost	-	910,422	-	1,082,818
Loans at fair value	903,801	-	932,677	-
Assets under pooled schemes and unit-linked investment contracts	67,820	-	66,739	-
Assets under insurance contracts	450,986	-	465,720	-
Loans held for sale	-	120,361	-	-
Total	**2,193,198**	**1,444,444**	**2,277,932**	**1,432,082**
Financial liabilities				
Due to credit institutions and central banks	120,718	65,942	52,252	86,525
Trading portfolio liabilities	480,024	-	554,321	-
Deposits	130,488	1,054,394	97,917	1,164,375
Issued bonds at fair value	722,204	-	723,923	-
Issued bonds at amortised cost	-	205,314	-	192,682
Deposits under pooled schemes and unit-linked investment contracts	68,428	-	66,725	-
Liabilities held for sale	-	32,949	-	-
Non-preferred senior bonds	-	93,113	-	93,236
Subordinated debt	-	38,338	-	38,350
Loan commitments and guarantees	-	2,550	-	2,627
Total	**1,521,862**	**1,492,600**	**1,495,138**	**1,577,795**

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

Liabilities under insurance contracts are measured using the General Measurement Model, Variable Fee Approach or Premium Allocation Approach as defined by IFRS 17. Liabilities under insurance contracts are therefore not included in the table above.

Investment securities at fair value includes bonds measured at fair value through other comprehensive income, see the table on bonds in note G14. 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 at fair value 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 2022 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 re-classification 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.

Notes – Danske Bank Group

G13. Fair value information for financial instruments continued

Financial instruments at amortised cost

The liquidity portfolio managed by Group Treasury includes different portfolios with different business models (see note G13 in Annual Report 2022 for further description of business models). Bonds held within a business model for the purpose of collecting contractual cash flows (hold to collect) and with cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. For bonds classified as hold-to-collect, amortised cost exceeded fair value as at 30 June 2023 with DKK 11,828 million (31 December 2022: DKK 11,758 million). This portfolio mainly contains Danish mortgage bonds and central and local government bonds and has a weighted average rating factor of 4.0, following Moody's numerical rating factor to scale, which corresponds to a strong Aa1 rating. The interest rate risk duration for the portfolio is 3.1 years. Without any reinvestments, respectively 19%, 61% and 20% of this portfolio will reach maturity within a period of 1 year, between 1 to 5 years, and after 5 years. The difference between amortised cost and fair value will reduce along with time to maturity of the bonds running off. Note G13 and G33 (b) in Annual Report 2022 provides information on the business models and the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost, respectively.

Notes – Danske Bank Group

G13. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 June 2023				
Financial assets				
Due from credit institutions and central banks	-	76,556	-	76,556
Derivatives	6,756	366,541	1,217	374,515
Trading portfolio bonds	158,146	17,882	-	176,028
Trading portfolio shares	8,660	-	103	8,763
Investment securities, bonds	103,943	30,260	-	134,203
Investment securities, shares	-	-	525	525
Loans at fair value	-	903,801	-	903,801
Assets under pooled schemes and unit-linked investment contracts	67,820	-	-	67,820
Assets under insurance contracts, bonds	175,271	27,459	2,868	205,598
Assets under insurance contracts, shares	142,425	4,927	34,889	182,241
Assets under insurance contracts, derivatives	933	61,457	757	63,147
Total	**663,954**	**1,488,883**	**40,359**	**2,193,198**
Financial liabilities				
Due to credit institutions and central banks	-	120,718	-	120,718
Derivatives	6,644	349,247	1,015	356,906
Obligations to repurchase securities	120,551	2,541	26	123,118
Deposits	-	130,488	-	130,488
Issued bonds at fair value	722,204	-	-	722,204
Deposits under pooled schemes and unit-linked investment contracts	-	68,428	-	68,428
Total	**849,399**	**671,422**	**1,041**	**1,521,862**

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2022*				
Financial assets				
Due from credit institutions and central banks	-	38,147	-	38,147
Derivatives	6,942	421,917	1,263	430,123
Trading portfolio bonds	183,205	17,190	-	200,395
Trading portfolio shares	8,198	-	83	8,281
Investment securities, bonds	97,209	37,454	-	134,663
Investment securities, shares	-	-	1,187	1,187
Loans at fair value	-	932,677	-	932,677
Assets under pooled schemes and unit-linked investment contracts	66,739	-	-	66,739
Assets under insurance contracts, bonds	188,260	23,834	3,369	215,463
Assets under insurance contracts, shares	124,338	4,788	47,045	176,171
Assets under insurance contracts, derivatives	817	72,406	863	74,086
Total	**675,708**	**1,548,413**	**53,810**	**2,277,932**
Financial liabilities				
Due to credit institutions and central banks	-	52,252	-	52,252
Derivatives	4,967	429,138	1,036	435,141
Obligations to repurchase securities	113,830	5,327	23	119,180
Deposits	-	97,917	-	97,917
Issued bonds at fair value	723,923	-	-	723,923
Deposits under pooled schemes and unit-linked investment contracts	-	66,725	-	66,725
Total	**842,721**	**651,358**	**1,059**	**1,495,138**

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

Notes – Danske Bank Group

G13. 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.

(DKK millions)	Carrying amount	Sensitivity (change in fair value) Increase	Decrease	Gains/losses for the period Realised	Unrealised
30 June 2023					
Unlisted shares					
allocated to insurance contract policyholders	34,889	-	-	935	-1,086
other	602	60	60	318	-89
Illiquid bonds	2,868	60	60	1	-114
Derivatives, net fair value	959	-	-	-	-81
31 December 2022					
Unlisted shares					
allocated to insurance contract policyholders	47,045	-	-	6,423	-706
other	1,247	125	125	175	-31
Illiquid bonds	3,369	67	67	-128	-61
Derivatives, net fair value	1,090	-	-	-	-420

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 2023 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 2023			31 December 2022		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	48,292	3,369	1,090	46,573	5,300	2,504
Value adjustment through profit or loss	78	-113	-81	5,861	-189	-420
Acquisitions	1,463	131	128	20,800	107	186
Sale and redemption	-14,342	-519	-250	-24,942	-1,849	-42
Transferred from quoted prices and observable input	-	-	-1	-	-	-
Transferred to quoted prices and observable input	-	-	74	-	-	-1,136
Fair value end of period	**35,492**	**2,868**	**959**	**48,292**	**3,369**	**1,090**

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

G14. Risk management notes

The consolidated financial statements for 2022 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions) 30 June 2023	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	224.7	224.7	-	-	-	-
Due from credit institutions and central banks	105.2	28.6	-	76.6	-	-
Trading portfolio assets	559.3	-	-	374.5	184.8	-
Investment securities	288.3	-	-	-	288.3	-
Loans at amortised cost	910.4	909.3	1.1	-	-	-
Loans at fair value	903.8	725.0	-	178.8	-	-
Assets under pooled schemes and unit-linked investment contracts	67.8	-	-	-	-	67.8
Assets under insurance contracts	502.5	-	-	-	-	502.5
Assets held for sale	120.4	120.4	-	-	-	-
Off-balance-sheet items						
Guarantees	80.9	80.9	-	-	-	-
Loan commitments shorter than 1 year	248.3	247.0	1.3	-	-	-
Loan commitments longer than 1 year	199.9	199.9	-	-	-	-
Other unutilised commitments	15.2	-	-	-	0.1	15.2
Total	**4,226.7**	**2,535.7**	**2.5**	**629.9**	**473.1**	**585.5**
31 December 2022*						
Balance sheet items						
Demand deposits with central banks	168.4	168.4	-	-	-	-
Due from credit institutions and central banks	60.8	22.7	-	38.1	-	-
Trading portfolio assets	638.8	-	-	430.1	208.7	-
Investment securities	287.5	-	-	-	287.5	-
Loans at amortised cost	1,082.8	1,081.7	1.2	-	-	-
Loans at fair value	932.7	724.1	-	208.6	-	-
Assets under pooled schemes and unit-linked investment contracts	66.7	-	-	-	-	66.7
Assets under insurance contracts	503.0	-	-	-	-	503.0
Assets held for sale	-	-	-	-	-	-
Off-balance-sheet items						
Guarantees	81.4	81.4	-	-	-	-
Loan commitments shorter than 1 year	236.1	234.8	1.3	-	-	-
Loan commitments longer than 1 year	199.9	199.9	-	-	-	-
Other unutilised commitments	15.2	-	-	-	0.1	15.1
Total	**4,273.2**	**2,512.8**	**2.5**	**676.9**	**496.2**	**584.8**

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

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 195 billion at 30 June 2023 (31 December 2022: DKK 216 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.

The Group's definition of default for accounting aligns with the regulatory purposes. All exposures in stage 3 are considered default. This includes all non-performing loans. A small amount of credit exposure in stage 3 can be found outside default. This is due to impairment staging being updated monthly (after each month-end), whereas default is updated daily. For the same reason, some credit exposure in default is outside stage 3. The stage 3 coverage ratio is 78% (31 December 2022: 85%).

For further details about the Group's credit risk management and the use of information on expected credit losses for risk management purposes, see Risk Management 2022.

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 173 in Annual report 2022.

30 June 2023	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	110.3	0.1	-	-	-	-	110.3	0.1	-	91.5	-	-
2	0.01	0.03	301.4	0.1	-	-	-	-	301.4	0.1	-	193.2	-	-
3	0.03	0.06	535.5	0.6	-	0.1	-	-	535.4	0.6	-	263.0	0.3	-
4	0.06	0.14	614.6	1.4	-	0.5	-	-	614.1	1.4	-	294.7	0.4	-
5	0.14	0.31	456.6	7.9	-	0.4	0.1	-	456.2	7.8	-	148.6	4.8	-
6	0.31	0.63	261.3	43.0	-	0.6	0.8	-	260.7	42.1	-	91.1	20.9	-
7	0.63	1.90	82.4	48.9	0.1	1.0	2.0	-	81.3	46.9	0.1	25.9	15.5	-
8	1.90	7.98	11.7	27.8	0.1	0.7	3.1	-	11.0	24.7	-	2.4	4.7	-
9	7.98	25.70	1.0	6.1	0.1	-	0.8	-	1.0	5.3	0.1	0.2	2.3	-
10	25.70	99.99	0.3	13.7	0.4	-	1.2	0.2	0.3	12.6	0.3	-	3.6	0.1
11 (default)	100.00	100.00	0.1	0.3	29.3	-	-	7.9	0.1	0.3	21.4	-	0.1	2.1
Total			**2,375.3**	**149.9**	**29.9**	**3.4**	**8.0**	**8.0**	**2,371.9**	**141.9**	**21.9**	**1,110.7**	**52.7**	**2.3**

31 December 2022	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	135.9	0.1	-	-	-	-	135.9	0.1	-	115.2	-	-
2	0.01	0.03	233.5	0.2	-	-	-	-	233.5	0.2	-	116.8	0.1	-
3	0.03	0.06	540.9	0.8	-	0.1	-	-	540.8	0.8	-	262.9	0.3	-
4	0.06	0.14	630.6	1.9	-	0.6	-	-	630.0	1.9	-	298.0	0.9	-
5	0.14	0.31	463.1	14.0	-	0.4	0.1	-	462.7	13.9	-	148.1	7.7	-
6	0.31	0.63	235.8	54.3	-	0.5	0.9	0.1	235.3	53.3	-	76.1	21.4	-
7	0.63	1.90	75.5	59.5	-	0.9	2.6	-	74.6	56.9	-	24.2	20.7	-
8	1.90	7.98	7.3	29.9	-	0.4	2.8	-	6.8	27.0	-	1.7	4.3	-
9	7.98	25.70	0.9	3.1	0.1	-	0.7	-	0.9	2.4	0.1	0.2	0.2	0.1
10	25.70	99.99	0.6	12.0	0.2	-	0.9	0.1	0.6	11.1	0.1	0.3	2.1	-
11 (default)	100.00	100.00	0.2	0.4	31.6	0.3	-	8.1	-	0.4	23.5	-	0.1	1.3
Total			**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,043.5**	**58.0**	**1.4**

*Net exposure, ex collateral as at 31 December 2022 has been restated.

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 2023	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	272.5	1.0	0.3	-	-	-	272.5	1.0	0.3	269.9	-	-
Financials	144.7	2.9	0.3	-	0.1	0.1	144.6	2.8	0.2	128.8	2.2	0.2
Agriculture	54.1	5.0	2.6	0.3	0.8	0.7	53.8	4.2	1.8	13.2	0.8	-
Automotive	26.4	2.7	0.2	-	0.1	0.1	26.3	2.6	0.1	21.4	1.5	-
Capital goods	88.4	9.4	1.6	0.1	0.2	0.6	88.3	9.1	1.0	80.1	7.4	0.1
Commercial property*	248.1	40.1	2.8	0.5	2.0	0.7	247.5	38.1	2.1	38.7	5.7	0.1
Construction and building materials	44.6	7.3	1.2	0.3	0.7	0.5	44.3	6.6	0.7	31.7	3.9	0.2
Consumer goods	76.9	7.3	1.3	0.1	0.5	0.4	76.8	6.9	0.9	62.1	5.0	0.3
Hotels, restaurants and leisure	11.8	2.5	0.8	-	0.1	0.2	11.8	2.4	0.6	2.9	0.8	0.1
Metals and mining	15.2	0.7	-	-	-	-	15.2	0.6	-	13.0	0.4	-
Other commercials	11.5	0.5	0.3	0.1	-	0.1	11.3	0.5	0.2	7.9	0.1	-
Pharma and medical devices	53.2	3.0	-	-	-	-	53.2	2.9	-	50.6	2.5	-
Private housing co-ops and non-profit associations	186.7	4.1	0.6	0.1	0.3	0.1	186.7	3.8	0.5	28.0	0.7	0.1
Pulp, paper and chemicals	42.1	3.7	0.3	-	0.1	0.1	42.0	3.6	0.2	31.1	2.7	-
Retailing	29.7	4.0	1.8	0.1	0.4	0.5	29.7	3.6	1.3	19.3	2.8	0.5
Services	60.4	7.3	0.7	0.2	0.3	0.3	60.2	7.0	0.4	50.5	5.6	-
Shipping, oil and gas	37.0	1.0	3.9	-	-	0.7	37.0	0.9	3.2	22.0	0.4	-
Social services	26.8	0.9	0.7	-	0.1	0.1	26.7	0.8	0.6	11.7	0.4	0.4
Telecom and media	19.8	3.0	0.2	-	0.1	0.1	19.8	2.9	0.1	14.9	2.2	-
Transportation	14.4	2.4	0.3	-	0.1	0.1	14.4	2.3	0.2	6.4	0.7	-
Utilities and infrastructure	85.3	2.9	-	0.1	0.2	-	85.1	2.7	-	64.8	2.4	-
Personal customers	826.0	38.4	10.1	1.4	1.8	2.6	824.6	36.7	7.5	141.8	4.4	-
Total	**2,375.3**	**149.9**	**29.9**	**3.4**	**8.0**	**8.0**	**2,371.9**	**141.9**	**21.9**	**1,110.7**	**52.7**	**2.3**

*As at 30 June 2023, DKK 133 billion of the net exposure in Commercial property is towards residential assets.

As at 30 June 2023, oil and gas exposures (within the Shipping, oil and gas industry) represent a gross exposure of DKK 19.4 billion (31 December 2022: DKK 19.3 billion) and expected credit losses of DKK 0.5 billion (31 December 2022: DKK 0.7 billion). Those exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of June 2023.

Notes – Danske Bank Group

Credit exposure continued

31 December 2022	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	225.8	1.3	-	-	-	-	225.8	1.3	-	223.1	-	-
Financials	116.6	3.9	0.3	0.1	0.2	0.1	116.5	3.7	0.2	104.0	2.7	0.1
Agriculture	54.9	5.9	2.9	0.2	0.9	0.8	54.6	5.1	2.1	14.1	0.8	-
Automotive	25.4	2.3	0.2	-	0.1	0.1	25.4	2.2	0.1	20.7	0.9	-
Capital goods	87.3	9.2	1.3	0.1	0.3	0.7	87.2	8.9	0.7	79.0	7.2	-
Commercial property	250.6	46.9	3.6	0.4	2.2	0.7	250.3	44.7	2.9	44.9	7.9	-
Construction and building materials	43.6	8.6	1.2	0.1	0.5	0.5	43.5	8.1	0.7	32.4	4.6	0.1
Consumer goods	72.4	7.6	0.9	0.1	0.4	0.2	72.3	7.2	0.6	57.1	5.2	0.3
Hotels, restaurants and leisure	10.3	4.2	1.0	-	0.1	0.3	10.3	4.0	0.8	5.1	0.8	0.1
Metals and mining	13.9	1.1	-	-	-	-	13.9	1.1	-	11.8	0.8	-
Other commercials	15.4	0.8	0.2	0.3	-	0.1	15.1	0.8	0.2	11.9	0.3	-
Pharma and medical devices	42.3	3.7	-	-	0.1	-	42.2	3.6	-	39.6	3.2	-
Private housing co-ops and non-profit associations	187.4	3.8	0.6	0.1	0.1	0.1	187.3	3.7	0.5	26.9	0.8	-
Pulp, paper and chemicals	47.5	3.9	0.3	-	0.1	0.1	47.5	3.8	0.1	35.8	2.7	-
Retailing	30.3	3.1	1.7	0.1	0.1	0.6	30.2	3.0	1.1	19.0	2.2	0.2
Services	59.7	6.8	0.8	0.3	0.2	0.3	59.4	6.6	0.4	49.1	4.8	0.1
Shipping, oil and gas	34.6	1.2	5.4	-	-	1.0	34.6	1.2	4.4	22.5	0.9	-
Social services	26.9	0.8	0.7	-	0.1	0.1	26.8	0.7	0.6	12.9	0.3	-
Telecom and media	23.1	1.0	0.2	-	-	0.1	23.1	0.9	0.1	17.8	0.6	-
Transportation	13.7	2.6	0.5	-	0.1	0.1	13.6	2.4	0.3	6.3	0.9	0.1
Utilities and infrastructure	103.4	4.3	-	0.1	0.2	-	103.2	4.1	-	80.4	3.6	-
Personal customers	839.3	52.8	10.3	1.2	2.0	2.3	838.1	50.8	8.0	129.2	7.0	-
Total	**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,043.5**	**58.0**	**1.4**

*Net exposure, ex collateral as at 31 December 2022 has been restated.

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 2022, a table showing collateral by type (after haircut) is included. The mitigating effect from collateral at the end of June 2023 can be found as the difference between the columns 'Net exposure' and 'Net exposure, ex collateral' and amounted to DKK 1,370.0 billion at 30 June 2023 (31 December 2022: DKK 1,409.9 billion).

Notes – Danske Bank Group

Credit exposure continued

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

30 June 2023	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 Customers												
Personal Customers Denmark	413.7	18.6	6.0	1.0	1.3	1.3	412.7	17.4	4.7	53.2	1.7	-
Personal Customers Nordic	319.0	12.7	2.9	0.2	0.3	0.9	318.8	12.3	2.0	74.1	1.4	-
Global Private Banking	77.3	3.2	0.6	-	0.1	0.2	77.2	3.1	0.4	18.0	1.1	-
Personal Customers Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Personal Customers	**810.0**	**34.5**	**9.5**	**1.3**	**1.7**	**2.4**	**808.7**	**32.8**	**7.1**	**145.4**	**4.2**	**0.1**
Business Customers												
Asset Finance	51.0	10.1	1.2	0.1	0.4	0.4	50.9	9.7	0.8	19.4	2.1	-
Business Customers	302.8	41.0	10.7	1.0	3.0	3.6	301.8	37.9	7.2	103.2	13.9	1.0
Commercial Real Estate	300.4	28.0	1.0	0.2	1.3	0.3	300.2	26.7	0.7	53.2	4.0	-
Business Customers Other	0.3	-	-	-	-	-	0.3	-	-	0.3	-	-
Total Business Customers	**654.6**	**79.1**	**12.9**	**1.4**	**4.8**	**4.2**	**653.2**	**74.4**	**8.7**	**176.1**	**20.0**	**1.1**
Large Corporates & Institutions	**618.9**	**31.7**	**6.0**	**0.5**	**1.4**	**1.0**	**618.5**	**30.4**	**5.0**	**537.8**	**27.7**	**1.2**
Northern Ireland	**90.6**	**4.5**	**1.5**	**0.3**	**0.1**	**0.4**	**90.4**	**4.4**	**1.1**	**50.3**	**0.7**	**-**
Group Functions	**201.1**	**0.1**	**-**	**-**	**-**	**-**	**201.1**	**0.1**	**-**	**201.0**	**0.1**	**-**
Total	**2,375.3**	**149.9**	**29.9**	**3.4**	**8.0**	**8.0**	**2,371.9**	**141.9**	**21.9**	**1,110.7**	**52.7**	**2.3**

31 December 2022	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 Customers**												
Personal Customers DK	404.3	25.5	6.1	0.9	1.4	1.2	403.3	24.0	4.9	45.8	2.2	-
Personal Customers Nordic	349.4	15.9	3.2	0.2	0.3	0.8	349.2	15.6	2.4	72.2	2.0	-
Global Private Banking	76.1	7.1	0.6	0.1	0.2	0.2	76.0	6.9	0.4	16.0	2.9	-
Personal Customers Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Personal Customers	**829.8**	**48.5**	**9.9**	**1.3**	**2.0**	**2.2**	**828.5**	**46.5**	**7.7**	**134.1**	**7.1**	**-**
Business Customers												
Asset Finance	47.6	12.9	1.2	0.1	0.5	0.3	47.4	12.4	0.8	18.6	2.4	-
Business Customers	324.0	56.4	11.1	0.9	3.9	3.5	323.1	52.5	7.5	119.7	17.8	1.0
Commercial Real Estate	279.1	22.1	1.3	0.2	0.6	0.3	278.9	21.5	1.0	43.4	3.9	0.2
Business Customers Other	0.1	-	-	-	-	-	0.1	-	-	0.1	-	-
Total Business Customers	**650.7**	**91.4**	**13.6**	**1.2**	**4.9**	**4.2**	**649.5**	**86.4**	**9.4**	**181.7**	**24.1**	**1.2**
Large Corporates & Institutions	**615.2**	**29.1**	**7.0**	**0.5**	**1.0**	**1.5**	**614.7**	**28.1**	**5.5**	**535.3**	**25.5**	**-**
Northern Ireland	**81.4**	**6.9**	**1.7**	**0.3**	**0.2**	**0.4**	**81.1**	**6.7**	**1.2**	**45.4**	**1.1**	**0.1**
Group Functions	**147.1**	**0.2**	**-**	**-**	**-**	**-**	**147.1**	**0.2**	**-**	**146.9**	**0.2**	**-**
Total	**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,043.5**	**58.0**	**1.4**

* Net exposure, ex collateral as at 31 December 2022 has been restated.

** Global Private Banking is a new sub-segment in Personal Customers in 2023. Comparatives have been reclassified from other sub-segments of Personal Customers.

Notes – Danske Bank Group

Credit exposure continued

Exposures subject to forbearance measures

The Group adopts forbearance plans to assist customers in financial difficulty. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and debt forgiveness. Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to retain long-term business relationships during economic downturns if there is a realistic possibility that the customer will be able to meet its obligations again, or are used for minimising losses in the event of default.

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of the first half of 2023, the Group had recognised properties taken over in Denmark at a carrying amount of DKK 5 million (31 December 2022: DKK 4 million), and there were no properties taken over in other countries (31 December 2022: DKK 0 million). The properties are held for sale and included under Assets held for sale in the balance sheet.

The Group applies the European Banking Authority's (the EBA's) definition of loans subject to forbearance measures. The EBA definition states that a probation period of a minimum of two years must pass from the date when forborne exposures are considered to be performing again. Forbearance measures lead to changes in staging for impairment purposes, and impairments relating to forborne exposures are handled according to the principles described in note G15 in Annual Report 2022.

Exposures subject to forbearance measures

(DKK millions)	30 June 2023	31 December 2022
Stage 1	110	367
Stage 2	4,954	3,029
Stage 3	7,014	6,165
Total	**12,079**	**9,561**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2022	2,733	6,804	12,397	21,935
Transferred to stage 1 during the period	859	-806	-54	-
Transferred to stage 2 during the period	-305	626	-321	-
Transferred to stage 3 during the period	-18	-364	382	-
ECL on new assets	476	636	980	2,092
ECL on assets derecognised	-470	-745	-3,049	-4,263
Impact of net remeasurement of ECL (incl. changes in models)	-176	721	1,488	2,033
Write-offs debited to the allowance account	-	-2	-1,945	-1,947
Foreign exchange adjustments	-15	-65	59	-21
Other changes	-16	-31	-9	-57
ECL allowance account as at 30 June 2022	**3,067**	**6,774**	**9,930**	**19,772**
ECL allowance account as at 1 January 2023	**3,273**	**8,082**	**8,251**	**19,605**
Transferred to stage 1 during the period	1,548	-1,485	-63	-
Transferred to stage 2 during the period	-179	368	-189	-
Transferred to stage 3 during the period	-12	-297	309	-
ECL on new assets	332	926	303	1,562
ECL on assets derecognised	-234	-784	-477	-1,495
Impact of net remeasurement of ECL (incl. changes in models)	-1,289	1,321	171	203
Write-offs debited to the allowance account	-	-	-180	-180
Foreign exchange adjustments	-37	-167	-95	-299
Other changes	-	-6	10	4
ECL allowance account as at 30 June 2023	**3,402**	**7,957**	**8,041**	**19,400**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Personal Customers	Business Customers	Large Corporates & Institutions	Northern Ireland	Group Functions	Allowance account Total
ECL allowance account as at 1 January 2022	5,654	10,186	5,227	850	17	21,935
ECL on new assets	290	1,043	734	23	2	2,092
ECL on assets derecognised	-430	-1,227	-2,542	-64	-1	-4,263
Impact on remeasurement of ECL (incl. change in models)	394	350	1,196	86	7	2,033
Write-offs debited to allowance account	-73	-445	-1,311	-118	-	-1,947
Foreign currency translation	-18	-90	105	-16	-	-21
Other changes	15	-46	-23	-1	-1	-57
ECL allowance account as at 30 June 2022	**5,831**	**9,772**	**3,385**	**760**	**24**	**19,772**
ECL allowance account as at 1 January 2023	**5,427**	**10,235**	**3,050**	**863**	**31**	**19,605**
ECL on new assets	321	942	283	19	-4	1,562
ECL on assets derecognised	-381	-1,054	-34	-22	-4	-1,495
Impact on remeasurement of ECL (incl. change in models)	190	390	-278	-112	14	203
Write-offs debited to allowance account	-54	-88	-32	-7	-	-180
Foreign currency translation	-45	-199	-83	30	-2	-299
Other changes	-14	19	-	1	-2	4
ECL allowance account as at 30 June 2023	**5,443**	**10,246**	**2,907**	**771**	**33**	**19,400**

The method used for calculating expected credit losses is described in detail in note G15 of the Annual Report 2022.

Forward-looking information

The incorporation of forward-looking information reflects the expectations of the Group's senior management and involves both macroeconomic scenarios (base case, upside and downside scenarios), including an assessment of the probability for each scenario, and post-model adjustments. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Post-model adjustments are used to capture specific risks which are not fully covered by the macroeconomic scenarios, as well as the process related risk, which could lead to an underestimation of the expected credit losses.

Macroeconomic scenarios

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. That is, after the forecast period, the macroeconomic scenarios revert slowly towards a steady state.

The applied scenarios that drive the expected credit loss calculation in the first half of 2023 have been updated with the latest macroeconomic data. Compared to the end of 2022, the base case and upside scenarios have been revised to reflect expectations of higher inflation, declining house prices and interest rate hikes. The scenario weighting have been updated to increase the weight on the upside scenario to 20% (10% in 2022), by decreasing the weight on the base case scenario to 60% (70% in 2022). The weight on the downside scenario remains at 20% (20% in 2022) despite the use of a severe stagflation scenario.

The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 30 June 2023, the base case scenario reflects an expectation of high inflation and high interest rates. This results in a slowdown in the Nordic economies with a weaker GDP growth. House prices are expected to decline in 2023, but the development is expected to turn from 2024 in most countries.

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters. In this scenario, the global inflation declines which allows the central banks to ease the tightening pace, which lowers bond yields and boosts equity markets.

In the fourth quarter of 2022, the downside scenario was changed to the severe recession with high interest rates scenario (reflecting a stagflation scenario) applied in the Group's ICAAP processes, and is similar in nature to regulatory stress tests. The severe recession scenario reflected negative growth, increasing interest rates, and falling property prices for a longer period. The change of the downside scenario was made to better capture the increasing risk from high interest rates and high inflation. A trigger of the economic setback could be continued macroeconomic worsening and challenges linked to high business costs while inflation remain elevated. This adversely impacts the labour market, results in higher and more persistent unemployment. This would lead to a severe slowdown in the economies in which the Group is represented.

The main macroeconomic parameters in the base case, upside and downside scenario entering into the ECL calculation for the forecast horizon across the Group's Nordic markets are included below.

Notes – Danske Bank Group

Credit exposure continued

Denmark	Base-case			Downside			Upside		
30 June 2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	0.5	1.3	1.5	-3.7	-2.1	-	1.2	2.8	1.0
Unemployment	3.1	3.6	3.9	6.0	7.0	7.4	2.9	3.0	3.3
Inflation	5.1	3.6	2.2	4.0	3.0	2.0	4.1	2.9	2.8
Property prices - Residential	-9.5	-3.5	2.5	-19.7	-12.7	-8.0	-9.5	-0.5	4.5
Interest rate - 3 month	3.6	2.6	1.6	3.3	4.3	3.8	3.1	2.1	1.6

Sweden	Base-case			Downside			Upside		
30 June 2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-1.2	1.7	1.8	-3.8	-3.6	-1.0	-0.7	2.9	1.8
Unemployment	8.0	7.9	7.5	8.9	9.9	10.3	7.9	7.6	7.2
Inflation	9.6	2.3	1.7	4.9	3.9	2.9	9.0	1.7	1.7
Property prices - Residential	-14.0	2.0	2.0	-23.6	-14.6	-10.0	-14.0	5.0	4.0
Interest rate - 3 month	4.0	3.0	2.0	3.8	4.8	4.3	3.5	2.5	2.0

Norway	Base-case			Downside			Upside		
30 June 2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	1.0	1.5	1.5	-2.9	-1.2	0.6	1.5	2.1	1.3
Unemployment	2.1	2.4	2.5	5.2	6.1	6.2	2.0	2.2	2.3
Inflation	4.8	2.5	1.8	4.5	3.0	2.0	3.7	1.7	2.3
Property prices - Residential	-3.0	0.5	3.5	-20.5	-14.5	-8.0	-3.0	3.5	4.5
Interest rate - 3 month	3.3	2.8	2.5	4.4	5.4	4.9	2.8	2.3	2.5

Finland	Base-case			Downside			Upside		
30 June 2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-0.2	0.9	1.3	-2.7	-2.2	-0.3	0.3	2.1	1.2
Unemployment	7.0	6.8	6.5	9.4	10.4	10.4	6.9	6.6	6.3
Inflation	5.5	2.1	2.0	4.0	3.0	2.0	4.8	1.4	2.1
Property prices - Residential	-5.5	4.0	2.0	-14.2	-9.2	-5.0	-5.5	6.0	3.0
Interest rate - 3 month	4.0	3.0	2.0	3.2	4.2	3.7	3.5	2.5	2.0

Notes – Danske Bank Group

Credit exposure continued

At 31 December 2022, the following base case and downside scenarios were used:

Denmark	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-0.6	0.5	1.5	-3.7	-2.1	-	0.4	1.6	1.1
Unemployment	3.2	3.8	3.8	6.0	7.0	7.4	3.0	3.3	3.3
Inflation	4.9	2.5	1.8	4.0	3.0	2.0	4.0	1.9	1.9
Property prices - Residential	-5.9	-4.0	1.5	-19.7	-12.7	-8.0	-2.9	-2.0	2.5
Interest rate - 3 month	2.8	2.5	2.0	3.3	4.3	3.8	2.3	1.8	1.8

Sweden	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-1.2	1.1	1.8	-3.8	-3.6	-1.0	-0.6	2.1	1.7
Unemployment	8.2	8.0	7.5	8.9	9.9	10.3	8.2	7.8	7.3
Inflation	6.2	1.5	1.7	4.9	3.9	2.9	5.4	0.9	1.3
Property prices - Residential	-8.0	-	2.0	-23.6	-14.6	-10.0	-5.0	2.0	3.0
Interest rate - 3 month	2.8	2.5	2.0	3.8	4.8	4.3	2.3	1.8	1.8

Norway	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	0.9	1.7	1.5	-2.9	-1.2	0.6	1.5	2.5	1.7
Unemployment	2.4	2.5	2.2	5.2	6.1	6.2	2.3	2.2	1.9
Inflation	3.4	1.8	2.0	4.5	3.0	2.0	2.4	1.3	1.9
Property prices - Residential	-2.1	2.0	2.5	-20.5	-14.5	-8.0	0.9	3.0	3.5
Interest rate - 3 month	3.1	2.9	2.4	4.4	5.4	4.9	2.6	2.1	2.1

Finland	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-0.2	1.0	1.3	-2.7	-2.2	-0.3	0.5	2.0	1.3
Unemployment	7.3	7.4	7.0	9.4	10.4	10.4	7.3	7.3	6.9
Inflation	3.7	2.1	1.8	4.0	3.0	2.0	2.9	1.4	1.6
Property prices - Residential	-1.0	1.0	2.0	-14.2	-9.2	-5.0	1.0	2.0	3.0
Interest rate - 3 month	2.6	2.3	1.8	3.2	4.2	3.7	2.1	1.6	1.6

The base case scenario enters with a probability of 60% (31 December 2022: 70%), the upside scenario with a probability of 20% (31 December 2022: 10%) and the downside scenario with a probability of 20% (31 December 2022: 20%). On the basis of these assessments, the allowance account as at 30 June 2023 amounted to DKK 19.4 billion (31 December 2022: 19.6 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.5 billion (31 December 2022: 2.1 billion). Compared to the base case scenario, the allowance account would increase DKK 8.0 billion (31 December 2022: 10.9 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 0.6 billion (31 December 2022: 0.4 billion) compared to the base case scenario. 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).

Notes – Danske Bank Group

Credit exposure continued

Post-model adjustments

Management applies judgement when determining the need for post-model adjustments. At 30 June 2023, the post-model adjustments amounted to DKK 6.8 billion (31 December 2022: 6.6 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 to ensure sufficient impairment coverage. This also includes post-model adjustments relating to secondary effects from the war in Ukraine or the macroeconomic uncertainty.
- 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.

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 billions)	30 June 2023	31 December 2022
Coverage of individual industries and types		
Agriculture	0.8	0.8
Commercial Property	1.8	1.8
Construction and building materials	0.7	0.5
Personal customers (including other retail exposures)	1.6	1.4
Others*	1.8	2.1
Total	**6.8**	**6.6**

*No individual industry included in Others exceeds DKK 0.3 billion at 30 June 2023 (31 December 2022: DKK 0.3 billion).

In first half of 2023, the total balance of post-model adjustments displayed a very modest increase compared to the end of 2022.

The Group continues to have significant post-model adjustments related to the current macroeconomic uncertainties characterised by the slowing growth environment, labour shortages, interest rate hikes and inflation giving rise to a new set of challenges that affect economic and business activity. The post-model adjustments cut across industries that are sensitive to price rises on energy, e.g. agriculture and metals, and industries vulnerable to business cycles and increasing interest rates, which have been assessed for idiosyncratic risks to ensure a prudent coverage of expected credit loss in the Group's portfolios.

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 2023	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	-	-	-	-	-	-	-	-	-	-	-	-
Non-core conduits etc.	2,494	-	-	-	-	-	2,493	-	-	-	-	-
Total	**2,494**	**-**	**-**	**-**	**-**	**-**	**2,493**	**-**	**-**	**-**	**-**	**-**

31 December 2022	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	-	-	-	-	-	1	-	-	-	-	-
Non-core conduits etc.	2,444	-	94	-	-	39	2,444	-	55	24	-	15
Total	**2,445**	**-**	**94**	**-**	**-**	**39**	**2,445**	**-**	**55**	**24**	**-**	**15**

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

30 June 2023	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	575	-	-	-	-	-	575	-	-	-	-	-
2	0.01	0.03	915	-	-	-	-	-	915	-	-	-	-	-
3	0.03	0.06	1,004	-	-	-	-	-	1,004	-	-	-	-	-
4	0.06	0.14	-	-	-	-	-	-	-	-	-	-	-	-
5	0.14	0.31	-	-	-	-	-	-	-	-	-	-	-	-
6	0.31	0.63	-	-	-	-	-	-	-	-	-	-	-	-
7	0.63	1.90	-	-	-	-	-	-	-	-	-	-	-	-
8	1.90	7.98	-	-	-	-	-	-	-	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	-	-	-	-	-	-	-	-	-	-	-
11 (default)	100.00	100.00	-	-	-	-	-	-	-	-	-	-	-	-
Total			**2,494**	**-**	**-**	**-**	**-**	**-**	**2,493**	**-**	**-**	**-**	**-**	**-**

31 December 2022	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	817	-	-	-	-	-	817	-	-	-	-	-
2	0.01	0.03	1,163	-	-	-	-	-	1,163	-	-	24	-	-
3	0.03	0.06	453	-	-	-	-	-	453	-	-	-	-	-
4	0.06	0.14	-	-	-	-	-	-	-	-	-	-	-	-
5	0.14	0.31	-	-	-	-	-	-	-	-	-	-	-	-
6	0.31	0.63	12	-	-	-	-	-	12	-	-	-	-	-
7	0.63	1.90	-	-	-	-	-	-	-	-	-	-	-	-
8	1.90	7.98	-	-	-	-	-	-	-	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	-	-	-	-	-	-	-	-	-	-	-
11 (default)	100.00	100.00	-	-	94	-	-	39	-	-	55	-	-	15
Total			**2,445**	**-**	**94**	**-**	**-**	**39**	**2,445**	**-**	**55**	**24**	**-**	**15**

Notes – Danske Bank Group

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 June 2023	31 December 2022*
Counterparty credit risk		
Derivatives with positive fair value	374.5	430.1
Reverse transactions and other loans at fair value**	255.4	246.8
Credit exposure from other trading and investment securities		
Bonds	463.8	486.7
Shares	9.3	10.2
Other unutilised commitments***	0.1	-
Total	**1,103.0**	**1,173.7**

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

** 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 255.4 billion (31 December 2022: DKK 246.0 billion), of which DKK 76.6 billion relates to credit institutions and central banks (31 December 2022: DKK 37.4 billion), and other primarily short-term loans of DKK 0.0 billion (31 December 2022: DKK 0.8 billion), of which DKK 0.0 billion (31 December 2022: DKK 0.8 billion) relates to credit institutions and central banks.

*** Other unutilised commitments comprise private equity investment commitments and other obligations.

Derivatives with positive fair value

(DKK millions)	30 June 2023	31 December 2022
Derivatives with positive fair value before netting	1,066,266	1,202,931
Netting (under accounting rules)	691,751	772,809
Carrying amount	374,515	430,123
Netting (under capital adequacy rules)	278,947	340,984
Net current exposure	95,568	89,139
Collateral	80,919	78,549
Net amount	**14,649**	**10,590**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	277,756	306,248
Currency contracts	95,868	122,848
Other contracts	891	1,027
Total	**374,515**	**430,123**

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 2023							
Held-for-trading (FVPL)	108,042	4,256	20,012	29,443	5,745	8,530	176,028
Managed at fair value (FVPL)	1,767	275	19,335	928	280	-	22,585
Held to collect and sell (FVOCI)	17,114	4,312	60,043	6,100	22,801	1,248	111,618
Held to collect (AMC)	52,473	9,295	86,974	4,301	505	-	153,548
Total	**179,395**	**18,138**	**186,364**	**40,772**	**29,332**	**9,778**	**463,779**
31 December 2022*							
Held-for-trading (FVPL)	149,059	3,452	13,729	19,753	5,543	8,859	200,395
Managed at fair value (FVPL)	2,339	594	13,577	1,011	409	304	18,233
Held to collect and sell (FVOCI)	15,730	4,597	63,108	6,695	25,045	1,253	116,429
Held to collect (AMC)	53,681	9,292	81,991	5,599	1,011	-	151,573
Total	**220,809**	**17,935**	**172,405**	**33,057**	**32,007**	**10,417**	**486,630**

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

At 30 June 2023, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 205,598 million (31 December 2022: DKK 173,393 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2022 provides more information. For bonds classified as hold-to-collect, amortised cost exceeded fair value as at 30 June 2023 and 31 December 2022, see note G13 for more information.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2023							
Denmark	26,487	-	186,364	-	-	1,005	213,856
Sweden	41,526	-	-	40,772	-	3,046	85,345
UK	11,125	389	-	-	2,802	937	15,252
Norway	3,251	-	-	-	25,076	2,469	30,797
USA	15,627	4,518	-	-	-	12	20,157
Spain	433	-	-	-	1	1	435
France	10,736	18	-	-	119	99	10,972
Luxembourg	-	5,503	-	-	-	121	5,624
Finland	9,222	3,802	-	-	316	1,005	14,345
Ireland	860	-	-	-	-	8	868
Italy	1,877	-	-	-	-	1	1,878
Portugal	4	-	-	-	-	-	4
Austria	2,676	-	-	-	63	134	2,874
Netherlands	2,895	2	-	-	17	702	3,616
Germany	51,138	-	-	-	302	124	51,564
Belgium	1,537	3,261	-	-	1	-	4,799
Other	-	645	-	-	635	114	1,394
Total	**179,395**	**18,138**	**186,364**	**40,772**	**29,332**	**9,778**	**463,779**
31 December 2022*							
Denmark	46,390	-	172,405	-	-	4,573	223,369
Sweden	77,432	-	-	33,057	-	2,628	113,117
UK	6,795	-	-	-	2,680	897	10,371
Norway	3,902	-	-	-	28,163	-	32,065
USA	16,534	4,361	-	-	-	-	20,895
Spain	2,372	-	-	-	1	-	2,372
France	11,163	17	-	-	229	96	11,505
Luxembourg	-	6,123	-	-	-	82	6,205
Finland	8,293	4,637	-	-	362	1,253	14,544
Ireland	1,120	-	-	-	-	26	1,145
Italy	1,322	-	-	-	-	2	1,324
Portugal	14	-	-	-	-	-	14
Austria	4,393	-	-	-	13	61	4,467
Netherlands	3,261	2	-	-	16	512	3,791
Germany	37,142	-	-	-	290	288	37,719
Belgium	676	2,195	-	-	1	-	2,872
Other	-	600	-	-	253	-	853
Total	**220,809**	**17,935**	**172,405**	**33,057**	**32,007**	**10,417**	**486,630**

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

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2023							
AAA	137,678	15,736	185,914	40,771	28,697	1,103	409,900
AA+	6,987	2,372	-	-	53	1	9,413
AA	18,705	30	-	1	490	925	20,150
AA-	13,712	-	-	-	-	28	13,739
A+	-	-	-	-	-	135	135
A	379	-	443	-	92	3,496	4,410
A-	-	-	-	-	-	268	268
BBB+	55	-	-	-	-	641	696
BBB	189	-	6	-	-	1,891	2,086
BBB-	1,692	-	-	-	-	446	2,137
BB+	-	-	-	-	-	201	201
BB	-	-	-	-	-	429	429
BB-	-	-	-	-	-	64	64
Sub. "investment-grade" or unrated	-	-	-	-	-	151	151
Total	**179,395**	**18,138**	**186,364**	**40,772**	**29,332**	**9,778**	**463,779**
31 December 2022*							
AAA	180,479	15,513	172,222	33,048	31,728	1,521	434,510
AA+	9,542	2,207	-	-	64	222	12,035
AA	19,234	215	-	10	117	1,292	20,868
AA-	6,727	-	-	-	-	27	6,754
A+	1,120	-	-	-	-	267	1,387
A	2,204	-	179	-	98	2,207	4,688
A-	-	-	-	-	-	368	368
BBB+	167	-	-	-	-	863	1,030
BBB	230	-	5	-	-	2,242	2,477
BBB-	1,106	-	-	-	-	336	1,443
BB+	-	-	-	-	-	650	650
BB	-	-	-	-	-	247	247
BB-	-	-	-	-	-	15	15
Sub. "investment-grade" or unrated	-	-	-	-	-	161	161
Total	**220,809**	**17,935**	**172,405**	**33,057**	**32,007**	**10,417**	**486,630**

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

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, Executive Order No. 1593 of 9 November 2020 and Executive Order No. 116 of 27 January 2023. A description of policies for data ethics is available at https://danskebank.com/about-us/corporate-governance.

Note G2(a) provides further information on changes in accounting policies implemented as at 1 January 2023. The impact of these changes for Danske Bank A/S at 1 January 2022 is a net decrease in equity of DKK 707 million, as a result of an increase of DKK 138 million in assets under pooled schemes and a decrease of DKK 845 million in holdings in group undertakings. The impact of the changes in accounting policies increased Danske Bank A/S Net profit in 2022 by DKK 488 million, due to an increase in value adjustments of DKK 35 million and an increase in income from associates / group undertakings of DKK 453 million. Except for these changes, Danske Bank A/S has not changed its significant accounting policies from those applied in the Annual Report 2022.

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.

(DKK millions)	Net profit 2023	Net profit 2022*	Equity 30 June 2023	Equity 31 December 2022*
Danske Bank Group based on IFRS	10,178	4,538	168,648	160,278
Domicile properties	-1	-2	216	217
Tax effect	1	1	-28	-28
Parent company statement based on Danish FSA rules	**10,177**	**4,537**	**168,835**	**160,466**

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

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2023	First half 2022*
	Interest income	29,545	10,756
	Interest expense	20,011	3,095
	Net interest income	9,534	7,661
	Dividends from shares etc.	329	348
	Fee and commission income	6,276	6,931
	Fees and commissions paid	1,090	1,080
	Net interest and fee income	15,049	13,860
P1	Value adjustments	4,048	-524
	Other operating income	903	835
	Staff costs and administrative expenses	10,457	10,205
	Amortisation, depreciation and impairment charges	1,312	1,440
P2	Other operating expenses	693	-
	Loan impairment charges etc.	152	343
	Income from associates and group undertakings	4,219	2,895
	Profit before tax	11,605	5,078
	Tax	1,428	542
	Net profit	**10,177**	**4,537**

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

Statement of comprehensive income – Danske Bank A/S

(DKK millions)	First half 2023	First half 2022**
Net profit	10,177	4,537
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension plans	-115	-426
Tax*	-16	-77
Items that will not be reclassified to profit or loss	**-99**	**-349**
Items that are or may be reclassified subsequently to profit or loss		
Translation of units outside Denmark	-4,533	-2,613
Hedging of units outside Denmark	2,260	1,424
Unrealised value adjustments of bonds at fair value (OCI)	-60	-1,323
Realised value adjustments of bonds at fair value (OCI)	-15	19
Tax*	-541	-484
Items that are or may be reclassified subsequently to profit or loss	**-1,808**	**-2,009**
Total other comprehensive income	**-1,907**	**-2,358**
Total comprehensive income	**8,271**	**2,179**
Portion attributable to		
Shareholders of Danske Bank A/S (the Parent Company)	8,271	2,093
Additional Tier 1 capital holders	-	86
Total comprehensive income	**8,271**	**2,179**

* A positive amount is a tax expense, and a negative amount is a tax income
** Comparative information has been restated, as described in note G2(a).

Balance sheet – Danske Bank A/S

Note	(DKK millions)	30 June 2023	31 December 2022*	30 June 2022*
	Assets			
	Cash in hand and demand deposits with central banks	198,945	141,127	171,012
	Due from credit institutions and central banks	132,744	88,432	152,812
P3	Loans and other amounts due at fair value	178,807	208,635	204,443
P3	Loans and other amounts due at amortised costs	732,761	917,028	918,720
	Bonds at fair value	288,349	315,124	356,395
	Bonds at amortised cost	100,363	98,888	102,749
	Shares etc.	9,282	8,878	7,276
	Holdings in associates	564	536	210
	Holdings in group undertakings	86,310	88,751	89,500
	Assets under pooled schemes	47,060	46,360	47,732
	Intangible assets	6,078	6,038	6,148
	Land and buildings	2,403	2,698	3,056
	Investment property	-	-	103
	Domicile property	2,403	2,698	2,954
	Other tangible assets	5,475	5,042	4,535
	Current tax assets	4,062	4,813	4,471
	Deferred tax assets	1,365	1,215	557
	Assets held for sale	120,457	108	97
	Other assets	407,671	463,259	452,101
	Prepayments	1,965	1,345	1,568
	Total assets	**2,324,659**	**2,398,277**	**2,523,381**
	Liabilities and equity			
	Amounts due			
	Due to credit institutions and central banks	186,344	140,581	172,458
	Deposits and other amounts due	1,094,826	1,178,920	1,218,489
	Deposits under pooled schemes	47,579	46,256	48,094
	Issued bonds at fair value	10,017	12,150	7,143
P4	Issued bonds at amortised cost	204,819	197,875	218,986
	Current tax liabilities	1,414	2,220	444
	Liabilities in disposal groups held for sale	32,949	-	-
	Other liabilities	537,965	617,977	645,370
	Deferred income	1,153	1,050	658
	Total amounts due	**2,117,066**	**2,197,029**	**2,311,642**
	Provisions for liabilities			
	Provisions and pensions and similar obligations	172	175	165
	Provisions for deferred tax	315	340	306
	Provisions for losses on guarantees	2,878	2,974	3,992
	Other provisions for liabilities	550	2,427	459
	Total provisions for liabilities	**3,916**	**5,916**	**4,923**
	Subordinated debt	34,842	34,865	35,864
	Equity			
	Share capital	8,622	8,622	8,622
	Accumulated value adjustments	-6,487	-4,138	-3,056
	Equity method reserve	25,077	26,838	25,460
	Retained earnings	141,623	129,145	139,924
	Total equity	168,835	160,466	170,950
	Total liabilities and equity	**2,324,659**	**2,398,277**	**2,523,381**

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

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 2023	8,622	-4,138	26,838	129,185	-	160,506	-	160,506
Effect os changes in accounting policy**	-	-	-	-40	-	-40	-	-40
Restated total equity as at 1 January 2023	8,622	-4,138	26,838	129,145	-	160,466	-	160,466
Net profit	-	-	-1,761	11,938	-	10,177	-	10,177
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-115	-	-115	-	-115
Translation of units outside Denmark	-	-4,533	-	-	-	-4,533	-	-4,533
Hedging of units outside Denmark	-	2,260	-	-	-	2,260	-	2,260
Unrealised value adjustments	-	-60	-	-	-	-60	-	-60
Realised value adjustments	-	-15	-	-	-	-15	-	-15
Tax	-	-	-	556	-	556	-	556
Total other comprehensive income	**-**	**-2,348**	**-**	**442**	**-**	**-1,907**	**-**	**-1,907**
Total comprehensive income	**-**	**-2,348**	**-1,761**	**12,380**	**-**	**8,271**	**-**	**8,271**
Transactions with owners								
Acquisition of own shares and additional tier 1 capital	-	-	-	-13,390	-	-13,390	-	-13,390
Sale of own shares and additional tier 1 capital	-	-	-	13,489	-	13,489	-	13,489
Total equity as at 30 June 2023	**8,622**	**-6,487**	**25,077**	**141,623**	**-**	**168,835**	**-**	**168,835**
Total equity as at 1 January 2022	8,622	-564	29,651	131,950	1,724	171,383	5,497	176,881
Effect os changes in accounting policy	-	-	-	-707	-	-707	-	-707
Restated total equity as at 1 January 2022	8,622	-564	29,651	131,243	1,724	170,676	5,497	176,174
Net profit	-	-	-4,191	8,642	-	4,451	86	4,537
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-426	-	-426	-	-426
Translation of units outside Denmark	-	-2,613	-	-	-	-2,613	-	-2,613
Hedging of units outside Denmark	-	1,424	-	-	-	1,424	-	1,424
Unrealised value adjustments	-	-1,323	-	-	-	-1,323	-	-1,323
Realised value adjustments	-	19	-	-	-	19	-	19
Tax	-	-	-	561	-	561	-	561
Total other comprehensive income	**-**	**-2,492**	**-**	**135**	**-**	**-2,358**	**-**	**-2,358**
Total comprehensive income	**-**	**-2,492**	**-4,191**	**8,777**	**-**	**2,093**	**86**	**2,179**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-164	-164
Dividends paid	-	-	-	19	-1,724	-1,705	-	-1,705
Redemption of additional tier 1 capital	-	-	-	-	-	-	-5,419	-5,419
Acquisition of own shares and additional tier 1 capital	-	-	-	-10,321	-	-10,321	-	-10,321
Sale of own shares and additional tier 1 capital	-	-	-	10,221	-	10,221	-	10,221
Tax	-	-	-	-15	-	-15	-	-15
Total equity as at 30 June 2022	**8,622**	**-3,056**	**25,460**	**139,924**	**-**	**170,950**	**-**	**170,950**

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

** See note G2(a) for details on changes in accounting policies.

Notes – Danske Bank A/S

P1. Value adjustments

(DKK millions)	30 June 2023	30 June 2022*
Loans at fair value	-727	547
Bonds	536	-6,272
Shares etc.	52	-432
Currency	922	908
Derivatives	4,083	-6,802
Other liabilities	-818	11,528
Total	**4,048**	**-524**

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

P2. Other operating expenses

Other operating expenses include the expected costs of exiting Personal Customers in Norway. Notes G4 and G8 contain additional information.

P3. 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 2022	17	10	2	1,254	4,251	10,276	589	936	1,033	18,367
Transferred to stage 1 during the period	-	-	-	500	-487	-13	120	-118	-2	-
Transferred to stage 2 during the period	3	-3	-	-150	357	-207	-36	52	-17	-
Transferred to stage 3 during the period	-	1	-1	-3	-206	210	-1	-31	31	-
ECL on new assets	10	8	11	331	475	799	70	74	112	1,891
ECL on assets derecognised	-6	-7	-	-292	-570	-2,658	-77	-22	-289	-3,920
Impact of net remeasurement of ECL (incl. changes in models)	-	10	-1	-82	468	-216	8	95	1,502	1,785
Write offs debited to the allowance account	-	-	-	-	-	-2,595	-	-	-	-2,595
Foreign exchange adjustments	1	-	1	-9	-55	161	-3	-9	-15	73
Other changes	-5	4	1	-19	-5	32	-3	6	-	11
ECL allowance account as at 30 June 2022	**18**	**24**	**13**	**1,531**	**4,227**	**5,790**	**669**	**985**	**2,355**	**15,611**
ECL allowance account as at 1 January 2023	**16**	**28**	**2**	**1,548**	**5,117**	**5,546**	**716**	**1,176**	**1,081**	**15,230**
Transferred to stage 1 during the period	10	-10	-	691	-662	-30	219	-206	-12	-
Transferred to stage 2 during the period	-	-	-	-89	194	-106	-73	105	-31	-
Transferred to stage 3 during the period	-	-1	1	-3	-227	230	-	-32	33	-
ECL on new assets	-	1	-	201	771	270	78	110	4	1,436
ECL on assets derecognised	-1	-1	-1	-125	-555	-315	-38	-111	-73	-1,219
Impact of net remeasurement of ECL (incl. changes in models)	-6	-12	-	-676	964	-1	-240	229	-27	229
Write offs debited to the allowance account	-	-	-	-	-	-144	-	-	-	-144
Foreign exchange adjustments	-	-	-	-39	-145	-110	-7	-22	2	-322
Other changes	-8	-	-	-20	-3	17	-	-	-	-13
ECL allowance account as at 30 June 2023	**11**	**4**	**2**	**1,489**	**5,455**	**5,357**	**654**	**1,248**	**976**	**15,197**

P4. Issued bonds at amortised cost

Issued bonds at amortised cost includes non-preferred senior bonds of DKK 93,113 million of a total of DKK 204,819 million.

Notes – Danske Bank A/S

Ratios	First half 2023	Full year 2022*	First half 2022**
Total capital ratio (%)	26.0	25.2	24.3
Tier 1 capital ratio (%)	23.1	22.4	21.5
Return on equity before tax (%)	7.0	-1.8	2.9
Return on equity after tax (%)	6.2	-2.7	2.6
Income/cost ratio (%)	192.0	92.2	142.4
Interest rate risk (%)	0.0	0.7	-1.0
Foreign exchange position (%)	2.7	4.4	3.0
Foreign exchange risk (%)	-	-	-
Loans plus impairment charges as % of deposits	80.9	92.9	89.6
Liquidity coverage ratio (90 days) (%)	129.4	140.4	144.0
Sum of large exposures as % of CET1 capital	107.7	112.9	105.6
Impairment ratio (%)	0.0	0.1	-0.1
Growth in loans (%)	-19.9	7.1	6.4
Loans as % of equity	5.4	7.0	6.5
Return on assets (%)	0.4	-0.2	0.2
Earnings per share1	11.9	-5.5	5.3
Book value per share (DKK)	196.6	187.3	199.2
Proposed dividend per share (DKK)	-	-	-
Share price end of period/earnings per share (DKK)*	14.0	-24.9	19.0
Share price end of period/book value per share (DKK)	0.84	0.73	0.50

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

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

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first half 2023 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 2023 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 2023 and ending on 30 June 2023. Moreover, in our opinion, the management's report includes a fair view of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 21 July 2023

Executive Leadership Team

Carsten Egeriis
CEO

Magnus Agustsson	Berit Behring	Christian Bornfeld
Karsten Breum	Stephan Engels	Johanna Norberg
Dorthe Tolborg	Frans Woelders	

Board of Directors

Martin Blessing Chairman	Jan Thorsgaard Nielsen Vice Chairman	Lars-Erik Brenøe
Jacob Dahl	Raija-Leena Hankonen-Nybom	Allan Polack
Carol Sergeant	Helle Valentin	Bente Bang Elected by the employees
Kirsten Ebbe Brich Elected by the employees	Aleksandras Cicasovas Elected by the employees	Louise Aggerstrøm Hansen 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 2023, pp. 35-85 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 2023 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.

Copenhagen, 21 July 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Kasper Bruhn Udam
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State-Authorised
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Supplementary information

Financial calendar

27 October 2023	Interim report – first nine months 2023
2 February 2024	Annual Report 2023
21 March 2024	Annual general meeting
3 May 2024	Interim report – first quarter 2024
19 July 2024	Interim report – first half 2024
31 October 2024	Interim report – first nine months 2024

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Links

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