Interim report – first half 2019

Danske Bank Group

Danske Bank

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Danske Bank first half 2019 at a glance

7.0bn
Net profit

22.3bn
Total income

New CEO

Compensation to
87,000
Flexinvest Fri customers

Investments in
AML

3%
Lending growth

9.0%
Return on equity

Sale of
Danica
Sweden

Customer satisfaction improved

Financial highlights – Danske Bank Group

Income statement (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Net interest income	10,890	11,824	92	5,371	5,520	97	5,878	91	23,571
Net fee income	7,570	7,547	100	3,701	3,869	96	3,786	98	15,402
Net trading income	2,128	2,502	85	829	1,299	64	1,066	78	4,676
Other income	1,745	461	-	1,630	115	-	152	-	716
Total income	22,333	22,334	100	11,532	10,802	107	10,881	106	44,365
Operating expenses	12,824	11,400	112	6,679	6,145	109	5,788	115	25,011
Profit before loan impairment charges	9,509	10,934	87	4,852	4,657	104	5,094	95	19,354
Loan impairment charges	470	-707	-	113	357	32	-377	-	-650
Profit before tax, core	9,039	11,641	78	4,739	4,300	110	5,471	87	20,004
Profit before tax, Non-core	-270	48	-	18	-288	-	16		-282
Profit before tax	8,769	11,689	75	4,757	4,012	119	5,487	87	19,722
Tax	1,749	2,499	70	725	1,024	71	1,177	62	4,548
Net profit	**7,020**	**9,190**	**76**	**4,031**	**2,988**	**135**	**4,310**	**94**	**15,174**
Attributable to additional tier 1 etc.	390	390	100	197	194	102	197	100	781
Balance sheet (end of period) (DKK millions)									
Due from credit institutions and central banks	97,773	219,213	45	97,773	171,169	57	219,213	45	169,237
Repo loans	314,609	277,778	113	314,609	319,906	98	277,778	113	316,362
Loans	1,808,656	1,748,393	103	1,808,656	1,793,049	101	1,748,393	103	1,769,438
Trading portfolio assets	534,030	523,449	102	534,030	468,414	114	523,449	102	415,811
Investment securities	265,507	274,104	97	265,507	264,909	100	274,104	97	276,424
Assets under insurance contracts	459,406	385,833	119	459,406	424,824	108	385,833	119	377,369
Total assets in Non-core	13,155	16,905	78	13,155	15,319	86	16,905	78	14,346
Other assets	285,274	260,744	109	285,274	257,324	111	260,744	109	239,480
Total assets	**3,778,409**	**3,706,419**	**102**	**3,778,409**	**3,714,914**	**102**	**3,706,419**	**102**	**3,578,467**
Due to credit institutions and central banks	127,528	169,985	75	127,528	141,753	90	169,985	75	148,095
Repo deposits	276,071	213,372	129	276,071	254,444	108	213,372	129	262,181
Deposits	931,646	926,794	101	931,646	909,354	102	926,794	101	894,495
Bonds issued by Realkredit Danmark	779,074	732,106	106	779,074	751,185	104	732,106	106	741,092
Other issued bonds	367,244	387,879	95	367,244	367,794	100	387,879	95	330,477
Trading portfolio liabilities	450,930	447,006	101	450,930	423,324	107	447,006	101	390,222
Liabilities under insurance contracts	503,148	422,586	119	503,148	458,521	110	422,586	119	417,279
Total liabilities in Non-core	5,145	11,230	46	5,145	5,596	92	11,230	46	4,014
Other liabilities	149,220	200,718	74	149,220	215,474	69	200,718	74	204,243
Subordinated debt	25,415	33,847	75	25,415	28,891	88	33,847	75	23,092
Additional tier 1 etc.	14,240	14,340	99	14,240	14,421	99	14,340	99	14,300
Shareholders' equity	148,748	146,557	101	148,748	144,156	103	146,557	101	148,976
Total liabilities and equity	**3,778,409**	**3,706,419**	**102**	**3,778,409**	**3,714,914**	**102**	**3,706,419**	**102**	**3,578,467**
Ratios and key figures									
Dividend per share (DKK)	-	-		-	-		-		8.5
Earnings per share (DKK)	7.8	9.8		4.5	3.3		4.7		16.5
Return on avg. shareholders' equity (% p.a.)	9.0	11.9		10.5	7.7		11.2		9.8
Net interest income as % p.a. of loans and deposits	0.81	0.88		0.79	0.82		0.88		0.88
Cost/income ratio (%)	57.4	51.0		57.9	56.9		53.2		56.4
Total capital ratio (%)	21.2	21.6		21.2	21.8		21.6		21.3
Common equity tier 1 capital ratio (%)	16.6	15.9		16.6	16.7		15.9		17.0
Share price (end of period) (DKK)	103.8	199.8		103.8	116.8		199.8		128.9
Book value per share (DKK)	174.2	168.3		174.2	168.7		168.3		174.3
Full-time-equivalent staff (end of period)	21,462	20,357	105	21,462	20,978	102	20,357	105	20,683

The financial highlights represent alternative performance measures that are non-IFRS measures. Note 3 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 31.

Executive summary

"In the first half of 2019, we faced a challenging rates and margin environment as well as increased costs for compliance measures. But we also saw continued growth in lending and solid credit quality. Our focus in the coming weeks and months will be to analyse our business and strategy. Later this year, we will come back with an update on how we will make sure that Danske Bank can continue to deliver an excellent customer experience, make a positive societal impact, be a great place to work for our employees and create long-term value for our shareholders," says Chris Vogelzang, Chief Executive Officer.

The first half of 2019 was characterised by a banking environment with structural headwinds, especially in our main market Denmark. We saw a continuation of the challenging interest rate environment as well as a drawback in the conditions in the financial markets that affected both Wealth Management and Corporates & Institutions. The headwinds grew stronger in the second quarter with a change in expected rate movements by the Fed and the ECB, higher funding costs and challenging financial markets, all of which had a negative effect on income. At the same time, we are working to rebuild trust following the Estonia case. We have a strong focus on retaining customers and improving compliance within the organisation, which has caused our business momentum to slow down somewhat. We also strive to improve the customer experience with new digital products and services while also digitalising our compliance and anti-money laundering efforts. We are thus making significant investments to combat financial crime, which drives costs upwards. Given these circumstances and the conditions we are operating under, we see a need for initiatives to improve our financial performance and regain our business momentum. Management will announce these initiatives later in the year.

As a result of the above, Danske Bank posted a net profit of DKK 4.0 billion in the second quarter of 2019. This includes a one-off gain of DKK 1.3 billion from the sale of Danica Pension Sweden. The return on shareholders' equity after tax in the second quarter was 10.5%, against 11.2% in the second quarter of 2018. For the first half of 2019, net profit was DKK 7.0 billion, versus DKK 9.2 billion for the first half of 2018. The return on shareholders' equity in the first half of 2019 was 9.0%, against 11.9% in the first half of 2018.

The decline in net profit compared with the figure for last year was due primarily to lower net interest income, lower trading income, higher expenses, especially for anti-money laundering investments and compliance, as well as an anticipated increase in impairments due to fewer reversals from the allowance account. We also saw a negative impact from the estimated compensation payable to certain customers with our Flexinvest Fri product.

On this basis and as a consequence of the change in management's expectations for the second half of the year, on 8 July, we revised the outlook for the full year downwards from a net profit of DKK 14-16 billion to DKK 13-15 billion. At the same time, we revised the outlook for expenses in 2019 to DKK 25.5-26 billion from "at around the level in 2018".

We now expect the generally slow momentum in income to continue, driven mainly by margin pressure and challenging conditions in the financial markets. Our intensified focus on compliance and anti-money laundering activities will also continue, and we therefore expect the associated costs to continue to be high.

In the first half of 2019, customer activity was generally more subdued. Lending at Banking Nordic has gone up 4% since the end of 2018, but only 1% in the second quarter. Activity in Denmark was more subdued, due partly to a more cautious approach on our part at this late stage in the economic cycle, but it was also affected by our increased focus on retaining existing customers and improving our compliance set-up. Lending at Banking DK was up 0.3% from year-end 2018, but was flat in the second quarter. The housing market is stagnating in the larger cities, and in order to maintain our strong and long-term commitment to keeping a high-quality loan book throughout the economic cycle, we are taking a more cautious approach. This is also the case for commercial customers. We did, however, see good customer activity within remortgaging in Denmark in the second quarter due to further declines in interest rates. Here, we have also seen interest in our Danske Bolig Fri® home loan increase since May when customers were offered a fixed-rate option.

In addition to the lower growth levels, adverse currency effects affected our Banking Nordic unit, with lending growth being partly outweighed by the depreciation of the Norwegian and Swedish currencies. This was especially the case in the second quarter. In Norway, we did see a good inflow of new customers in both the first and the second quarters following our new partnership with the engineers' union Tekna, but margins remain under pressure due, among other things, to rising funding costs.

Lending among retail customers in Sweden was up slightly in the second quarter, although among commercial customers, there was a slight decline. Margins in Sweden also remained under pressure. In Finland, we saw flat lending to retail customers, while lending to large and medium-sized businesses increased.

On 24 June, we announced that we will pay compensation to the approximately 87,000 customers who had invested in our Flexinvest Fri product during a period when the fees were too high and the product was unsuitable for some customers. The compensation amounts to an estimated DKK 400 million before tax.

Customer satisfaction
The Estonia case continues to have a negative impact in terms of customer satisfaction and outflow among retail customers in Denmark. In terms of NemKonto customers, we saw an outflow of around 13,600, equivalent to 1.0% of NemKonto customers in Denmark, in the first half of 2019. However, in the second quarter, we did see some improvement from the preceding quarters with an outflow of 4,300.

Customer satisfaction levels have also improved from the end-2018 levels among both retail and medium-sized commercial customers in Denmark. The scores are still unsatisfactory and below our targets, however, and we are dedicated to giving both new and existing customers a best-in-class experience and driving customer satisfaction back up.

At Banking Nordic, satisfaction among retail customers remains a challenge, while we are meeting satisfaction targets for commercial customers in both Norway and Finland.

In the first half of 2019, Corporates & Institutions maintained an average number one position in the Nordics according to Prospera.

In June, Danske Bank Asset Management was named the best external asset manager by institutional investors in the annual Prospera survey in Denmark, reaching the highest scores among peers on attributes such as product quality, product information and sales force. Among providers present in all Nordic markets, Danske Bank Asset Management is now ranked number two.

In Northern Ireland, we are now number one among both retail and commercial customers.

Financial statements
Net interest income was down 8% in the first half of 2019 from the level in the same period in 2018. Lending growth in Norway, Sweden and Finland was offset by higher funding costs and a delay in price effects following rate hikes in Norway and Sweden. Especially in Sweden, competition intensified during the second quarter, affecting net interest income negatively. In Denmark, we continue to see a shift towards lower-margin mortgage products among both retail and commercial customers. An increase in funding costs from the level in the first half of 2018 following our issuance of non-preferred senior debt also had a negative effect. The new funding is necessary to meet the new MREL requirement set by the Danish FSA.

Fee income was flat from the first half of 2018 but decreased 4% from the first to the second quarter of 2019. Asset management fees were adversely affected by intense competition and margin pressure, while the sale of Danica Pension Sweden on 2 May also had a negative effect on fee income from that date onwards. The estimated compensation payable to Flexinvest Fri customers had a negative effect too.

On the positive side, we saw increased fee income from the acquired SEB Pension Danmark. Lower interest rates in Denmark meant high remortgaging activity in the second quarter, as we helped many of our customers obtain cheaper mortgages.

Trading income was significantly lower year-on-year as well as quarter-on-quarter due to challenging market conditions. Rates markets were adversely affected by a sudden change in expectations towards lower rather than higher interest rates, resulting in lower customer activity. Especially in the second quarter, trading conditions turned more difficult. We expect these conditions to persist in the coming quarters.

Expenses in the first half of 2019 were 12% higher than in the year-earlier period and 9% higher quarter-on-quarter.

This was due mainly to upstaffing and investments in compliance and AML-related activities. We have started our announced investment programme of up to DKK 2 billion to digitalise and streamline our AML efforts and improve the customer experience.

The investment programme aims to enhance and simplify our compliance processes, for example within ongoing due diligence, transaction monitoring and Know Your Customer processes via IT systems that are able to identify specified risk factors and thereby detect suspicious behaviour. The project is still in its early stages and will continue for the next three years.

The compensation payable to Flexinvest Fri customers also had a negative effect on expenses.

The macroeconomic environment was stable, and combined with our strong focus on maintaining a high-quality loan book, credit quality remained strong. However, with impairments of DKK 470 million in the first half, of which DKK 113 million were taken in the second quarter, we are, as expected, still above the impairment levels in the first half of 2018, when we saw significant reversals.

On 11 April, we agreed to sell Danske Bank's 31.45% share of LR Realkredit. The sale is subject to approval by the relevant authorities, expected in late 2019 or early 2020.

On 2 May, the sale of Danica Pension Sweden was finalised. The gain for Danske Bank was DKK 1.3 billion, which was recognised in the second quarter.

On 3 June, we announced our intention to sell our personal loan portfolio in Estonia to the local LHV Pank. Both parties expect to finalise the transaction in autumn 2019.

The closing of our banking activities in the Baltics and Russia is proceeding as planned.

Business development
In order to strengthen our product offering and improve the customer experience, we continue to invest in new product development. In the first half of 2019, sustainability continued to play a significant role in our development of new products and solutions for all Danske Bank customers. As an example, in Asset Finance, our new car fleet reports include

emission figures, allowing customers to easily choose the most eco-friendly vehicle.

For our Wealth Management customers, we continued to increase the focus on societal impact within investments. In addition to our new ESG materiality dashboard launched in the first quarter, we published 'Our Sustainable Investment Journey 2019' to increase transparency on how we work with ESG and to share how investment teams consider sustainability when they invest on behalf of customers.

In Denmark, we entered into a new partnership with insurer Tryg, which will give Danske Bank customers in Denmark, Norway and Sweden a strong range of competitive and unique products and solutions. The partnership also encompasses Danica Pension, which allows Tryg to offer their customers best-in-class pension products and advice.

After a successful launch in Denmark, we also rolled out our new open banking platform District in Banking Nordic, giving customers a comprehensive, real-time overview of their financial position that provides more transparency and thus allows even better financial decision-making.

Estonia
We remain under investigation by Danish, Estonian, French and US authorities, and we continue our cooperation with them.

No material developments regarding the Estonia case took place in the second quarter of 2019.

Capital, funding, liquidity and regulation
Our capital position remained strong, with a total capital ratio of 21.2% and a CET1 capital ratio of 16.6%.

On the basis of fully phased-in rules, our CET1 capital ratio stood at 16.5% versus our current fully phased-in regulatory CET1 capital requirement of 14.3%. The increase in our CET1 capital requirement is due primarily to increased countercyclical buffers in the markets where we operate. Our targets in the short to medium term are to have a total capital ratio of above 20% and a CET1 capital ratio of around 16%.

We have an ongoing dialogue with the Danish FSA, and we expect capital requirements to be subject to change going forward. This is a result of general product governance risk following the Flexinvest Fri investigation and inspection of our IT governance structure. We anticipate an additional Pillar II add-on in the mid-single-digit billion range. On the basis of our earnings capacity and capitalisation, we are confident that we will be able to adapt to these changes in our capital requirements.

At 30 June 2019, our liquidity coverage ratio stood at 129%.

In the first half of 2019, we issued DKK 60.5 billion of our estimated funding need for the year of around DKK 90 billion. So far, we have issued DKK 38.7 billion in non-preferred senior debt, DKK 15.1 billion in covered bonds and DKK 1.1 billion in senior debt, as well as an DKK 5.6 billion tier 2 issuance.

Changes in Executive Management
On 1 June, Chris Vogelzang joined Danske Bank as new CEO. Chris Vogelzang brings with him many years of management experience from the financial sector. From 2000 to 2017, Chris Vogelzang held several positions at the Dutch bank ABN AMRO – the last eight years as member of the bank's management board and head of its global retail and private banking activities.

On 24 June, Jesper Nielsen was dismissed from his position as member of Danske Bank's Executive Board and Head of Banking DK. This was a consequence of the matter described above relating to the Flexinvest Fri product.

Outlook for 2019
As announced on 8 July, the outlook has been changed from that stated in the interim report for the first quarter.

We now expect net profit to be in the range of DKK 13-15 billion.

We now expect expenses to be in the range of DKK 25.5-26 billion.

The outlook is subject to uncertainty and macroeconomic developments.

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

Financial review

In the first half of 2019, Danske Bank Group delivered a profit before tax from core activities of DKK 9.0 billion, a decrease of 22% from the level in the first half of 2018. The result was adversely affected by a decrease in net interest income caused primarily by a decrease in lending margins, an increase in operating expenses due mainly to increases in regulatory and compliance costs, and an increase in loan impairment charges, which went from a net reversal to a net charge. The estimated compensation payable to certain customers in relation to the Flexinvest Fri product had a negative effect of approximately DKK 0.4 billion. The sale of Danica Pension Sweden had a positive effect of DKK 1.3 billion.

Profit before tax in the IFRS income statement amounted to DKK 8.8 billion, a decrease of 22% from the level in the first half of 2018.

Income

Total income amounted to DKK 22.3 billion and remained at the same level as in the first half of 2018.

Net interest income totalled DKK 10.9 billion, a decrease of 8%. Net interest income was negatively affected by a decrease in lending margins due to developments in market rates in Sweden and Norway. Also contributing negatively was an increase in funding costs attributable primarily to the issuance of non-preferred senior bonds, primarily in the first quarter of 2019, the transfer of activities to the Non-core unit and foreign exchange movements. Increased deposit margins due to developments in market rates as well as growth in lending and deposit volumes had a partly offsetting positive effect.

Net fee income amounted to DKK 7.6 billion and was at the same level as in the first half of 2018. Net fee income benefited from the acquisition of SEB Pension Danmark, however, the positive effect was offset primarily by the estimated compensation payable in relation to the Flexinvest Fri product, which had a negative effect on net fee income of approximately DKK 180 million.

Net trading income totalled DKK 2.1 billion, a decrease of 15% from the level in the first half of 2018. The decrease was due primarily to developments at Wealth Management and Corporates & Institutions. At Wealth Management, net trading income was negatively affected by a regulatory change to the discount curve applied by Danica Pension, lower interest rates impacting the discount curve and a negative investment result in the health and accident business. At Corporates & Institutions, net trading income decreased as a result of negative developments in value adjustments of the derivatives portfolio, as well as trading conditions remaining challenging.

Other income amounted to DKK 1.7 billion, against DKK 0.5 billion in the first half of 2018. The increase in other income was due mainly to the sale of Danica Pension Sweden.

Expenses

Operating expenses amounted to DKK 12.8 billion, an increase of 12% from the level in the first half of 2018, primarily as a result of higher regulatory and compliance costs, including our efforts in the anti-money laundering area. The estimated compensation payable in relation to the Flexinvest Fri product, which had a negative effect on expenses of approximately DKK 220 million, the ordinary operating expenses of SEB Pension Danmark and our continued initiatives to meet our ambitions within digital transformation also had an impact.

Loan impairments

Loan impairments recorded an expense in the first half year of 2019 after benefiting from reversals for a long period of time. Loan impairments amounted to DKK 470 million in core activities, against a net reversal of DKK 707 million in the first half of 2018. The increase in loan impairments was driven mainly by increased impairments against a few single-name exposures at Corporates & Institutions and lower reversals on non-performing loans in Denmark. Credit quality remained solid, supported by stable macroeconomic conditions and higher collateral values in most markets.

Corporates & Institutions saw net loan impairments against a few single-name exposures in the retail industry and in the shipping and oil and gas industries. At Banking DK, higher loan impairments in the first half of 2019 were caused mainly by lower reversals on legacy non-performing loans than in the first half of 2018 and increased impairments caused by model adjustments for retail customers. In general, the Banking DK and Banking Nordic portfolios saw solid credit quality, with few new non-performing loans.

Loan impairment charges

(DKK millions)	First half 2019 Charges	First half 2019 % of net credit exposure*	First half 2018 Charges	First half 2018 % of net credit exposure*
Banking DK	53	0.01	-594	-0.14
Banking Nordic	-82	-0.03	2	0.00
C&I	520	0.44	-132	-0.06
Wealth Management	-30	-0.08	-33	-0.08
Northern Ireland	14	0.06	50	0.22
Other Activities	-5	-0.14	-1	-0.13
Total	**470**	**0.05**	**-707**	**-0.07**

** Relating to lending activities in core segments.*

Tax

Tax on profit for the period amounted to DKK 1.7 billion, or 20.0% of profit before tax, against 21.3% of profit before tax for the first half of 2018. The decrease in the effective tax rate was due primarily to the gain on the sale of Danica Pension Sweden being non-taxable income.

Q2 2019 vs Q1 2019

In the second quarter of 2019, the Group posted a net profit of DKK 4.0 billion, against DKK 3.0 billion in the first quarter of 2019.

Net interest income amounted to DKK 5.4 billion and continued to decline. We thus saw a 3% decrease from the level in the first quarter of 2019. Net interest income was negatively affected by a decrease in lending and deposit margins due to developments in market rates in Sweden and Norway. Also contributing negatively was an increase in funding costs attributable to the issuance of non-preferred senior debt, which had full effect in the second quarter, and foreign exchange movements. The negative effects were partly offset by positive effects from higher lending volumes and more interest days.

Net fee income amounted to DKK 3.7 billion and decreased 4% from the level in the first quarter of 2019. The decrease was due to the estimated compensation payable in relation to the Flexinvest Fri product and the sale of Danica Pension Sweden. However, the decrease was partly offset by an increase in net fee income at Banking DK as a result of higher remortgaging activity during the quarter.

Net trading income amounted to DKK 0.8 billion, a decrease of 36% from the level in the first quarter of 2019. At Corporates & Institutions, FI&C was affected by positive trading conditions in the first quarter, while trading conditions in the second quarter turned more difficult. Margin pressures also affected income at FI&C negatively.

Other income amounted to DKK 1.6 billion, an increase of DKK 1.5 billion. The increase in other income was due mainly to the sale of Danica Pension Sweden.

Operating expenses amounted to DKK 6.7 billion, an increase of 9% from the level in the first quarter of 2019. The increase was primarily a result of higher regulatory and compliance costs, including our continued efforts in the anti-money laundering area, and the estimated compensation payable in relation to the Flexinvest Fri product.

Loan impairments amounted to DKK 113 million, against DKK 357 million in the first quarter of 2019. The decrease related primarily to net reversals on non-performing loans mainly at Banking DK, including reversals of charges made against exposures in the agriculture industry following an improved outlook for the industry. Wealth Management and Banking Nordic also saw net reversals of charges made against a few single-name exposures. Corporates & Institutions saw charges against a few single-name exposures in the shipping and oil and gas and retail industries.

Balance sheet

Lending (end of period) (DKK billions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Full year 2018	Index 19/FY18
Banking DK	881.7	875.9	101	881.7	881.6	100	878.7	100
Banking Nordic	613.1	576.4	106	613.1	608.2	101	586.7	104
Corporates & Institutions	203.0	191.2	106	203.0	195.3	104	198.3	102
Wealth Management	81.8	77.0	106	81.8	77.5	106	77.7	105
Northern Ireland	50.2	48.9	103	50.2	52.6	95	49.8	101
Other Activities incl. eliminations	-3.8	-1.9	200	-3.8	-4.3	88	-3.8	100
Allowance account, lending	17.3	19.0	91	17.3	18.0	96	17.9	97
Total lending	**1,808.7**	**1,748.4**	**103**	**1,808.7**	**1,793.0**	**101**	**1,769.4**	**102**

Deposits (end of period) (DKK billions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Full year 2018	Index 19/FY18
Banking DK	294.3	287.5	102	294.3	285.8	103	282.6	104
Banking Nordic	241.9	238.1	102	241.9	231.8	104	226.8	107
Corporates & Institutions	270.5	268.7	101	270.5	264.3	102	260.8	104
Wealth Management	73.4	71.1	103	73.4	70.9	104	66.6	110
Northern Ireland	64.1	63.0	102	64.1	65.5	98	62.6	102
Other Activities incl. eliminations	-12.6	-1.6	-	-12.6	-8.8	143	-4.9	257
Total deposits	**931.6**	**926.8**	**101**	**931.6**	**909.4**	**102**	**894.5**	**104**

Covered bonds (DKK billions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Full year 2018	Index 19/FY18
Bonds issued by Realkredit Danmark	779.1	732.1	106	779.1	751.2	104	741.1	105
Own holdings of bonds	27.8	65.1	43	27.8	53.0	52	57.8	48
Total Realkredit Danmark bonds	**806.9**	**797.2**	**101**	**806.9**	**804.2**	**100**	**798.9**	**101**
Other covered bonds issued	196.3	171.5	114	196.3	191.1	103	182.6	108
Own holdings of bonds	58.6	42.0	140	58.6	58.3	101	57.5	102
Total other covered bonds	**254.9**	**213.5**	**119**	**254.9**	**249.4**	**102**	**240.1**	**106**
Total deposits and issued mortgage bonds etc.	**1,993.4**	**1,937.4**	**103**	**1,993.4**	**1,963.0**	**102**	**1,933.5**	**103**
Lending as % of deposits and issued mortgage bonds etc.	90.7	90.2		90.7	91.3	102	91.5	103

Lending

At the end of June 2019, total lending was up 2% from the level at the end of December 2018. Lending increased in almost all markets and across almost all geographies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 56.1 billion. Lending to retail customers accounted for DKK 27.3 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased 0.2 percentage points to 26.4%. In Norway, our market share increased 0.2 percentage points. In Finland and Sweden, our market share of lending was at the same level.

Market shares of lending (%)	30 June 2019	31 December 2018
Denmark incl. RD (excl. repo)	26.4	26.6
Finland	9.5	9.5
Sweden (excl. repo)*	5.7	5.7
Norway	6.2	6.0

Source: Market shares are based on data from central banks at the time of reporting.

**The method to calculate the market share in Sweden has been updated. Comparative information has been restated.*

Lending equalled 90.7% of the total amount of deposits, mortgage bonds and other covered bonds, against 91.5% at the end of 2018.

Deposits

At the end of June 2019, total deposits were up 4% from the level at the end of 2018. Our market share in Denmark increased 0.7 percentage points to 28.5%. Our market share in Norway increased 0.7 percentage points.Our market share in Sweden increased 0.1 percentage points. Our market share in Finland decreased 0.7 percentage points. The Group maintained its strong funding position.

Market shares of deposits (%)	30 June 2019	31 December 2018
Denmark (excl. repo)	28.5	27.8
Finland	10.3	11.0
Sweden (excl. repo)*	4.1	4.0
Norway	7.1	6.4

Source: Market shares are based on data from central banks at the time of reporting.

** The method to calculate the market share in Sweden has been updated. Comparative information has been restated.*

Credit exposure

Credit exposure from lending activities in core segments increased, driven by an increase in loans and loan commitments, and totalled DKK 2,483 billion, against DKK 2,392 billion at the end of 2018.

Risk Management 2018, section 3, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remained solid in light of stable macroeconomic conditions. Total net non-performing loans (NPL) increased DKK 1.7 billion from the end of 2018, with the increase being driven by a few single-name exposures to the shipping and oil and gas industries at Corporates & Institutions. The coverage ratio remained high.

The risk management notes on pp. 61-74 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 June 2019	31 Dec. 2018
Gross NPL	31,070	29,923
NPL allowance account	12,421	13,020
Net NPL	**18,650**	**16,903**
Collateral (after haircut)	**16,148**	**15,296**
NPL coverage ratio (%)	83.2	85.0
NPL coverage ratio of which is in default (%)	94.7	96.2
NPL as a percentage of total gross exposure (%)	1.2	1.2

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

At DKK 19.8 billion, or 1.0% of lending and guarantees, accumulated impairments decreased from the level at 31 December 2018.

Allowance account by business units	30 June 2019		31 Dec. 2018	
(DKK millions)	Accum. impairm. charges	% of net credit exposure *	Accum. impairm. charges	% of net credit exposure *
Banking DK	12,020	1.34	12,185	1.36
Banking Nordic	3,874	0.63	4,134	0.69
C&I	2,765	1.20	2,806	1.26
Wealth Management	387	0.48	423	0.52
Northern Ireland	738	1.38	792	1.53
Other	9	0.02	12	0.02
Total	**19,793**	**1.05**	**20,353**	**1.10**

** Relating to lending activities in core segments.*

Realised losses amounted to DKK 1.4 billion. Of these losses, DKK 0.5 billion was charged directly to the income statement.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 1,114 billion at 30 June 2019, against DKK 1,012 billion at the end of 2018.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 79.8 billion, against DKK 68.6 billion at the end of 2018.

The value of the bond portfolio was DKK 492 billion. Of the total bond portfolio, 75% was recognised at fair value and 25% at amortised cost.

Bond portfolio (%)	30 June 2019	31 December 2018
Government bonds and bonds guaranteed by central or local governments	41	39
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	45	47
Swedish covered bonds	9	9
Other covered bonds	2	2
Corporate bonds	2	2
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	25	32

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

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 25.6 billion at the end of 2018 to net assets of DKK 83.1 billion at the end of June 2019 as a result of an increase in the bond portfolio.

Other balance sheet items

Due from credit institutions and central banks decreased DKK 71.5 billion, or 42%, from the end of 2018. For general liquidity management purposes, some excess liquidity held with the ECB is now placed in a current account instead of a deposit facility. This decreased Due from credit institutions and central banks and increased Cash in hand and demand deposits with central banks, which is presented as part of Other assets.

Other assets is the sum of several small line items. Other assets increased DKK 45.8 billion, or 19%, from the end of 2018. Other liabilities decreased DKK 55.0 billion, or 27%, from the end of 2018. Danica Pension Sweden, which was presented as part of Other assets and Other liabilities at the end of 2018, was sold in the second quarter of 2019. The DKK 1.5 billion provision relating to the donation of the estimated gross income from our non-resident portfolio in Estonia in the period from 2007 to 2015 is presented as part of Other liabilities.

Assets under insurance contracts and Liabilities under insurance contracts increased DKK 82.0 billion and DKK 85.9 billion, respectively, from the end of 2018, primarily as a result of an increased market value of derivatives and higher returns on customer funds.

Capital ratios

At the end of June 2019, the total capital ratio was 21.2%, and the CET1 capital ratio was 16.6%, against 21.3% and 17.0%, respectively, at the end of 2018. The movement in the capital ratios during the first half of 2019 was caused mainly by increases in the total REA as well as in the capital deduction related to Danica Pension's solvency requirement, which increased mainly as a result of regulatory changes, lower interest rates and the merger of Danica Pensionsforsikring A/S (formerly SEB Pensionsforsikring A/S) and Danica Pension A/S. The total capital ratio was supported by net issuances of tier 2 capital amounting to DKK 2.1 billion.

During the first half of 2019, the total REA increased by approximately DKK 14 billion, mainly due to the recognition of right-of-use assets as a result of the implementation of IFRS 16 as well as minor portfolio movements.

At the end of June 2019, the Group's leverage ratio was 4.4% under both transitional rules and fully phased-in rules.

Capital requirements

Danske Bank's capital management policies are based on the internal capital adequacy assessment process (ICAAP). In this process, Danske Bank determines its solvency need. The solvency need consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

At the end of June 2019, the Group's solvency need was 12.0%, an increase of 0.2 percentage points from the level at the end of 2018.

The solvency need still included DKK 10 billion as a consequence of the Danish FSA orders during 2018 relating to the Estonia case. The DKK 10 billion is covered by common equity tier 1 (CET1) capital, as ordered by the Danish FSA.

A combined buffer requirement applies in addition to the solvency need. At the end of June 2019, the Group's combined capital buffer requirement was 6.4%.

Announced increases to the national countercyclical buffer rates in especially Denmark, Sweden and Norway, will increase the Group's combined buffer requirement by 0.6 percentage points. Consequently, the fully phased-in countercyclical buffer requirement will be 1.5%, bringing the fully phased-in CET1 requirement to 14.3%. This is a 0.3 percentage point increase from the level at the end of 2018, which is mostly driven by the recently announced additional increase of the Danish countercyclical buffer from 1.0% to 1.5% in 2020.

Capital ratios and requirements

(% of the total REA)	Q2 2019	Fully phased-in*
Capital ratios		
CET 1 capital ratio	16.6	16.5
Total capital ratio	21.2	21.1
Capital requirements (incl. buffers)**		
CET 1 requirement	13.7	14.3
- portion from countercyclical buffer	0.9	1.5
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Total capital requirement	**18.4**	**19.0**
Excess capital		
CET 1 capital	2.9	2.2
Total capital	2.8	2.0

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

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

The calculation of the solvency need and the combined capital buffer requirement is described in more detail in Risk Management 2018, section 5, which is available at danskebank.com/ir.

Capital targets

The Group's capital targets remain unchanged from the increased levels set by the Board of Directors during 2018, which followed from the increase in the solvency need.

The CET1 capital ratio target is set at around 16% and the total capital ratio target is set at above 20%. Danske Bank fully meets these capital targets.

The Board of Directors reassesses the targets on an ongoing basis.

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

Credit ratings
The credit rating agencies took no rating actions in the first half of 2019. The agencies last changed their assessments in October 2018.

On 1 July 2019, S&P published a bulletin adressing the corrective measures we took after annoucing that we had overcharged some customers for the Flexinvest Fri product. S&P will follow the case and will continually assess the impact on Danske Bank's franchise.

On 2 July 2019, Fitch affirmed Danske Bank's 'A' rating. The outlook remains negative due to uncertainty relating to the ultimate impact of the Estonia case on Danske Bank's capitalisation, franchise and funding profile.

Danske Bank's ratings 30 June 2019	Moody's	S&P Global	Fitch Ratings
Counterparty rating	Aa3/P-1	A+/A-1	A+
Senior debt	A2/P-1	A/A-1	A+/F1
Outlook	Negative	Negative	Negative
Non-preferred senior debt	Baa2	BBB+	A
Tier 2	-	BBB	A-
AT1	-	BB+	BB+

Mortgage bonds and covered bonds (RO and SDRO) issued by Realkredit Danmark are rated 'AAA' (stable outlook) by S&P Global and Scope Ratings. Fitch Ratings rates bonds issued from Realkredit Danmark's capital centre S 'AAA' (stable outlook) and rates bonds issued from capital centre T 'AA+' (stable outlook).

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

ESG ratings
ESG ratings cover a range of analytical activities that address a business's societal impact. The acronym stands for Environmental, Social and Governance. Each concept itself may be defined to include a broad range of sub-assessments. Definitions vary considerably among analysis providers.

While there are several hundred providers of ESG analyses, Danske Bank has chosen to focus on six providers in particular (selected on the basis of their importance to our investors):

ESG rating agency	Danske Bank's score 30 June 2019
MSCI ESG Ratings, USA	B
ISS-Ethix, Germany	C Prime
Sustainalytics, USA	72
Vigeo Eiris , France	Not public to Danske Bank
Imug, Germany	positive (B)
CDP Worldwide, UK	C

Going forward, the information requirements defined by these ESG rating agencies will influence Danske Bank's disclosure policy on financial and non-financial information.

Unlike ratings published by credit rating agencies, ESG ratings are unsolicited and in principle based on public information. Disclosure of ratings does not take place on a public basis; it is discretionary, meaning that ratings are made public selectively.

Funding and liquidity
During the first half of 2019, the Group issued non-preferred senior bonds of DKK 38.7 billion, senior debt of DKK 1.1 billion, covered bonds of DKK 15.1 billion and tier 2 capital of DKK 5.6 billion, bringing total long-term wholesale funding to DKK 60.5 billion.

The estimated issuance for 2019 is around DKK 90 billion and, as part of our funding strategy, we have thus secured a substantial part of the funding planned for the year. We remain dedicated to our strategy of securing more funding directly in our main lending currencies, including NOK and SEK.

The significant funding activity, primarily in the first quarter of 2019, caused funding costs to rise. The rise was primarily the result of our issuance of non-preferred senior bonds, whereas the issuance of such funding in the first half of 2018 was less and at a lower cost than issues made during 2019. We early redeemed tier 2 capital of DKK 3.5 billion in June 2019, but we had only limited redemptions of old funding in the first quarter of 2019. This caused funding costs to rise.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of June 2019, our liquidity coverage ratio stood at 129%, with an LCR reserve of DKK 450 billion.

At 30 June 2019, the total nominal value of outstanding long-term funding, excluding equity accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 372 billion, against DKK 326 billion at the end of 2018.

Danske Bank excluding Realkredit Danmark (DKK billions)	30 June 2019	31 December 2018
Covered bonds	196.3	182.6
Preferred senior bonds	84.7	93.9
Non-preferred senior bonds	65.2	26.4
Subordinated debt	25.4	23.1
Total	**371.6**	**326.0**

The Supervisory Diamond

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

At the end of June 2019, Danske Bank was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

Realkredit Danmark also complies with all threshold values.

New regulation

In February 2019, the Danish FSA revised the minimum requirement for own funds and eligible liabilities (MREL) for Danske Bank Group. As expected, the MREL for the Group was set to be equivalent to two times the capital requirement including capital buffer requirements, however, with the countercyclical buffer included only once in the calculation. The requirement will be effective from 1 July 2019. Based on the capital requirements for the second quarter of 2019, MREL was equivalent to 35.9% of REA adjusted for Realkredit Danmark. At the same time, the MREL ratio stood at 36.7% of the REA adjusted for Realkredit Danmark.

Danish mortgage credit institutions are exempted from the MREL. Instead they are subject to a debt buffer requirement of 2% of their loans. The capital and debt buffer requirements that apply to Realkredit Danmark are deducted from the liabilities and own funds used to fulfil the MREL.

Compared to peers, the transition to full MREL for Danske Bank has been relatively short. In combination with a relatively high level of the Danish MREL requirement, Danske Bank has issued non-preferred senior debt of around DKK 65 billion in a relatively short time frame in order to achieve MREL compliance.

In May 2019, the EU Banking Package (CRD V, CRR II and BRRD II) was adopted. The CRD V and BRRD II is to be implemented by the end of 2020, whereas the CRR II will apply from the end of the second quarter of 2021. The Group expects the CRR II and CRD V to have limited capital and REA impact on the Group.

In 2018, the Commission adopted a proposal for a directive on covered bonds, outlining conditions that must be met by bonds in order for them to be recognised under EU law. The directive includes a requirement for a cover pool liquidity buffer and stipulates eligible cover pool assets. The proposal amending the CRR includes a new requirement on a minimum level of cover pool overcollaterisation. Political agreement was reached in first half of 2019, and final adoption is expected in second half of 2019. The new rules will likely come into force 18 to 24 months later. The Group expect the new rules to have a limited impact on the Group.

Changes to the Executive Board

Effective from 1 June 2019, Chris Vogelzang was appointed Member of the Executive Board and CEO of the Group.

As announced on 24 June 2019, Jesper Nielsen was dismissed from his position as Member of the Executive Board and Head of Banking DK. Glenn Söderholm, Member of the Executive Board and Head of Banking Nordic, was appointed Interim Head of Banking DK.

Banking DK

The first half of the year was characterised by strong competition, a decline in impairment reversals and higher costs for regulatory requirements and investments in compliance. This meant that profit before tax fell 32% from the level in the same period last year to DKK 2.7 billion. On the positive side we did, however, see increasing business activity and lending growth as well as an improvement in customer satisfaction.

Banking DK (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Net interest income	4,305	4,458	97	2,125	2,181	97	2,245	95	8,955
Net fee income	1,486	1,750	85	697	789	88	864	81	3,400
Net trading income	510	450	113	230	280	82	156	147	852
Other income	115	114	101	60	55	109	61	98	234
Total income	6,416	6,772	95	3,111	3,305	94	3,326	94	13,442
Operating expenses	3,635	3,373	108	1,867	1,768	106	1,691	110	6,860
Profit before loan impairment charges	2,781	3,399	82	1,244	1,537	81	1,635	76	6,582
Loan impairment charges	53	-594	-	-153	206	-	-294	52	-758
Profit before tax	**2,728**	**3,993**	**68**	**1,397**	**1,331**	**105**	**1,929**	**72**	**7,340**
Loans, excluding reverse transactions before impairments	881,684	875,862	101	881,684	881,611	100	875,862	101	878,689
Allowance account, loans	10,464	11,469	91	10,464	10,791	97	11,469	91	10,790
Deposits, excluding repo deposits	294,330	287,496	102	294,330	285,819	103	287,496	102	282,640
Covered bonds issued*	757,957	748,745	101	757,957	759,783	100	748,745	101	754,621
Allowance account, guarantees	1,555	1,315	118	1,555	1,370	114	1,315	118	1,393
Allocated capital (average)	33,607	34,399	98	33,667	33,546	100	34,472	98	34,032
Net interest income as % p.a. of loans and deposits	0.75	0.79		0.73	0.76		0.79		0.79
Profit before tax as % p.a. of allocated capital (avg.)	16.2	23.2		16.6	15.9		22.4		21.6
Cost/income ratio (%)	56.7	49.8		60.0	53.5		50.8		51.0
Full-time-equivalent staff	3,465	3,396	102	3,465	3,393	102	3,396	102	3,341

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Previously, only bonds issued by Realkredit Danmark were allocated to the business units. Comparative information has been restated.*

Fact Book Q2 2019 provides financial highlights at customer type level. Fact Book Q2 2019 is available at danskebank.com/ir.

First half 2019 vs first half 2018

The first half of the year was characterised by strong competition and lower risk appetite on our part following the slowdown in the housing market and signs that we are at a late stage in the economic cycle.

Business activity and lending did increase, however, relative to the first half of 2018. The growth in lending was driven primarily by personal customers' demand for FlexLife® and Danske Bolig Fri® loans, remortgaging activity and good activity with our commercial customers, primarily driven by our large real estate segment.

The Estonia case continued to adversely affect our personal customer base, although the effect is declining. The number of customers with a NemKonto account saw a net decrease of around 13,600 over the period.

Our share of the retail market fell slightly, while our share of the commercial market was unchanged.

Overall, profit before tax decreased 32% to DKK 2.7 billion. Net interest income was adversely affected by strong competition and increased funding costs. The low interest rate environment in Denmark puts pressure on deposit margins and encourages customers to switch to loan and mortgage products with lower margins. The decline also reflects the loss of retail customers following the Estonia case and higher funding costs to meet the new MREL requirement set by the Danish FSA.

The compensation of approximately DKK 150 million payable to certain Flexinvest Fri customers and reduced customer appetite for actively managed investment products in general had a negative impact on fee income. This was partly mitigated by remortgaging activity, which added DKK 50 million to fee income compared with the level in the first half of 2018.

Operating expenses rose 8% due to increasing costs for regulatory requirements and compliance, primarily for investments in anti-money laundering activities.

Loan impairment charges amounted to a total of DKK 53 million, against a net reversal of DKK 594 million in the first half of 2018. Impairments reflect a decline in reversals from the allowance account, charges against agriculture exposures and model adjustments for retail customers.

Credit quality

Credit quality generally remained stable. The market was supported by favourable macroeconomic conditions and the low interest rate level.

Credit quality at Realkredit Danmark remained strong and stable in the first half of 2019, supported by the favourable state of the Danish economy.

The average loan-to-value (LTV) level increased by 0.7 percentage points during the period.

Loan-to-value ratio, home loans	30 June 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail	62.5	469	61.8	468
Total	**62.5**	**469**	**61.8**	**468**

Credit exposure

Credit exposure increased to DKK 1,007 billion in the first half of 2019, driven by both the commercial and the retail portfolio. The commercial portfolio saw increases in the Public institutions portfolio, which is a highly rated, secure portfolio.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2019	31 Dec. 2018	30 June 2019
Retail	511,051	501,130	0.05%
Commercial	495,456	457,779	-0.04%
Total	**1,006,507**	**958,909**	**0.01%**

Business initiatives

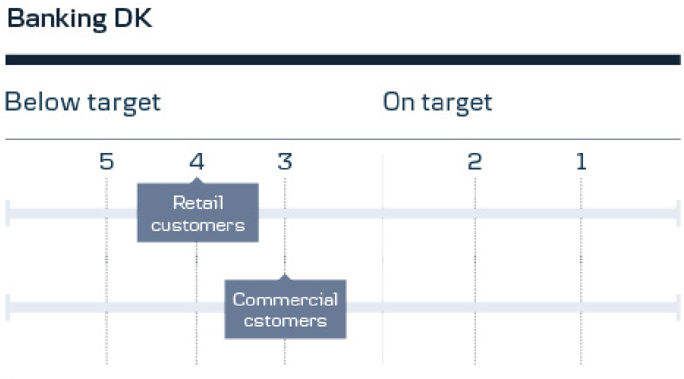
Our business builds on our continuous efforts to make daily banking and financial decision-making easy for our customers. In the first half of 2019, we launched, among other things, our new insurance offering to retail and commercial customers in partnership with Tryg.

For homeowners, we introduced an integrated digital home universe, added a fixed-price option to our popular Danske Bolig Fri® bank loan and further strengthened our advisory services to cooperative-dwelling owners. We also launched green bonds as a financing solution for owners of climate-friendly commercial property.

For our commercial customers, we continued the migration to our new financial platform, District, which replaces the current Business Online platform. On the retail side, we continued the migration of customers to the new version of Danske Mobile Banking.

Customer satisfaction

In the first half of the year, customer satisfaction scores across segments rose. The positive trend was driven by a close dialogue with our customers to regain their trust, combined with customers' increasing focus on advice and services and declining interest in the Estonia case in their dialogue with us. At the end of the first half of 2019, we were number three among commercial customers and number four among retail customers. Being still below our target, we remain fully committed to continuing our work, and the positive trend further encourages us to continue the close dialogue with our customers and offer them the best experience every time they are in touch with us.



Q2 2019 vs Q1 2019

Profit before tax increased 5% to DKK 1.4 billion, owing primarily to net loan impairment reversals of DKK 153 million, against a net charge of DKK 206 million in the first quarter of 2019.

Income was lower due to seasonality and the estimated compensation payable to certain Flexinvest Fri customers. Lending was flat as an internal transfer of customer accounts, primarily to Wealth Management, was offset by personal customers' demand for FlexLife® and Danske Bolig Fri® loans, remortgaging activity, and good activity with our commercial customers.

The increase in costs was driven primarily by costs for regulatory requirements and compliance.

Banking Nordic

Banking Nordic posted a profit before tax of DKK 2.3 billion, equivalent to a decrease of 18% from the level in the same period in 2018. The decrease was caused mainly by a decline in net interest income due to higher interest rates in Norway and Sweden putting pressure on margins and an increase in operating expenses that was caused by investments in compliance and higher costs for regulatory requirements.

Banking Nordic (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Net interest income	3,774	3,953	95	1,873	1,900	99	1,982	95	7,957
Net fee income	776	815	95	379	397	95	402	94	1,605
Net trading income	139	145	96	73	66	111	77	95	302
Other income	322	378	85	168	155	108	154	109	648
Total income	5,011	5,290	95	2,493	2,519	99	2,614	95	10,512
Operating expenses	2,804	2,479	113	1,403	1,401	100	1,304	108	5,029
Profit before loan impairment charges	2,208	2,811	79	1,090	1,118	97	1,310	83	5,483
Loan impairment charges	-82	2	-	-35	-48		48	-	-159
Profit before tax	**2,290**	**2,809**	**82**	**1,125**	**1,165**	**97**	**1,263**	**89**	**5,642**
Loans, excluding reverse transactions before impairments	613,070	576,438	106	613,070	608,247	101	576,438	106	586,679
Allowance account, loans	3,492	3,940	89	3,492	3,617	97	3,940	89	3,746
Deposits, excluding repo deposits	241,932	238,053	102	241,932	231,751	104	238,053	102	226,808
Covered bonds issued*	234,240	189,570	124	234,240	227,954	103	189,570	124	218,143
Allowance account, guarantees	382	391	98	382	374	102	391	98	388
Allocated capital (average)	33,505	32,418	103	33,720	33,288	101	32,684	103	32,701
Net interest income as % p.a. of loans and deposits	0.91	1.00		0.89	0.92		0.99		0.99
Profit before tax as % p.a. of allocated capital (avg.)	13.7	17.3		13.3	14.0		15.5		17.2
Cost/income ratio (%)	56.0	46.9		56.3	55.6		49.9		47.8
Full-time-equivalent staff	2,593	2,546	102	2,593	2,461	105	2,546	102	2,442

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Previously, only bonds issued by Realkredit Danmark were allocated to the business units. Comparative information has been restated.*

Fact Book Q2 2019 provides financial highlights at customer level for Banking Nordic. Fact Book Q2 2019 is available at danskebank.com/ir.

First half 2019 vs first half 2018

Banking Nordic saw a decline in income in the first half of 2019 from the same period last year despite good customer inflow, especially in Norway. In the retail business, partnerships accounted for a significant part of the customer inflow and acted as a core lever for the growth strategies. The commercial business saw a positive impact from a strengthening of our offerings to medium-sized and large commercial customers.

Overall, the financial results were adversely affected by currency effects, as the Norwegian krone and the Swedish krona depreciated vis-à-vis the Danish krone from the first half of 2018 to the first half of 2019. In addition, rising interest rates in Norway and Sweden led to increased margin pressure. In combination with increased operating expenses and increased funding costs to meet the new MREL requirement set by the Danish FSA, profit before tax decreased 18% from the level in the same period last year.

Lending growth in both Norway and Sweden slowed down at the end of the first half of 2019, especially in Sweden where the slowdown was largely due to a revised pricing strategy in the second quarter of 2019. Despite the slowdown, lending increased overall in all market areas. In Sweden, the increase was driven by retail customers, in Norway by retail customers and large commercial customers, and in Finland by medium-sized and large commercial customers. Net interest income was adversely affected by increased margin pressure. The pressure came mainly from an environment of increasing interest rates in Norway and Sweden as well as more intense competition. In Norway, the notification period for repricing following Norges Bank's interest rate hike in March added to the pressure. Furthermore, net interest income was adversely affected by increased funding costs to meet the new MREL requirement.

Net fee income decreased from the level in the first half of 2018, due mainly to lower fee income in Finland. However, fee income grew in Norway primarily as a result of investment and services fees.

Other income decreased from the level in the same period last year due to the gain from the sale of the Norwegian real estate agency chain Krogsveen in the first quarter of 2018. The Asset Finance business area experienced good progress and business momentum in the first half of 2019 due to a continuation of strong demand for leasing services combined with one-off sales of investment properties. This mainly benefited other income.

Banking Nordic saw an increase in operating expenses of 13% from the level in the same period last year. In the first half of 2018, operating expenses were at a somewhat low level due to Banking Nordic being a new organisation. Operating expenses were also elevated because of significant investments in compliance and anti-money laundering. Furthermore, operating expenses increased due to higher VAT charges on internal costs in Finland.

Loan impairments were still at a very low level, amounting to net reversals of DKK 82 million in the first half of 2019. The portfolio saw improved credit quality, with few new non-performing loans during the period. The retail portfolio showed higher impairments, partly because of model changes, while the commercial portfolio showed high reversals, primarily in the Norwegian shipping and oil and gas segments.

Credit quality

Credit quality was generally stable across the Nordic markets, reflecting the current macroeconomic stability and the fact that economic growth is expected to continue.

The overall loan-to-value (LTV) ratio increased by 0.3 percentage points during the period.

Loan-to-value ratio, home loans	30 June 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail Sweden	65.3	81	65.0	87
Retail Norway	62.1	112	62.0	97
Retail Finland	61.8	83	61.1	84
Total	**63.0**	**277**	**62.7**	**268**

Credit exposure

Credit exposure increased to DKK 737 billion in the first half of 2019. The growth came mainly from the retail portfolio in Norway and was driven by the partnership with the trade union Tekna.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2019	31 Dec. 2018	30 June 2019
Sweden	288,286	288,703	-0.13%
Norway	237,510	203,751	-0.04%
Finland	166,386	163,010	0.15%
Other	44,574	46,364	-0.04%
Total	**736,757**	**701,828**	**-0.03%**

Business initiatives

During the first half of 2019, Banking Nordic expanded its retail customer portfolio through partnership agreements. In Norway, we experienced a steady inflow of new customers from our agreement with Tekna, which drove the lending volume up. In Sweden, the Saco and TCO partnerships continued to deliver growth in the first half of 2019, albeit at a more modest level than we have previously seen.

For our commercial customers, we continued the migration to our new financial platform District in the first half of 2019. This platform is replacing the current Business Online platform. Furthermore, in collaboration with Corporates & Institutions, Banking Nordic continued to upgrade the service model for commercial customers, which led to a good business momentum. The service model is focused on broader coverage in terms of specialists and products to help customers get the best solution for their business. It is a holistic product-neutral approach, which means that each customer gets the best advisory services, tailored to them, whether they need a bond issue or a loan, for example. The focus on our commercial segments delivered increased volume growth, particularly in Norway and Finland, compared with the level at the end of 2018.

In Asset Finance, sustainability was one of the key focus points in the first half of 2019. With new car fleet reports, which include figures on emissions for example, it is Asset Finance's ambition to take an active stand in setting the green agenda and in transforming car fleets to become much more eco-friendly.

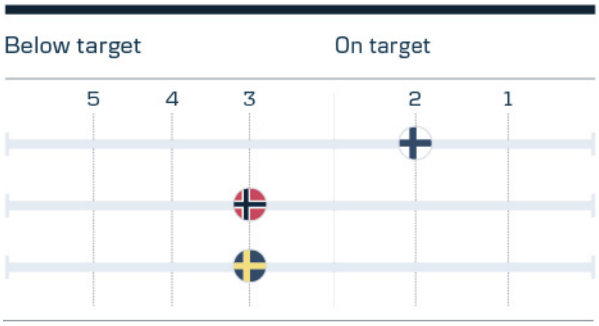
Customer satisfaction

During the first half of 2019, we continued to focus on our goal of delivering the best customer experience by building easy customer journeys and customer-centric solutions.

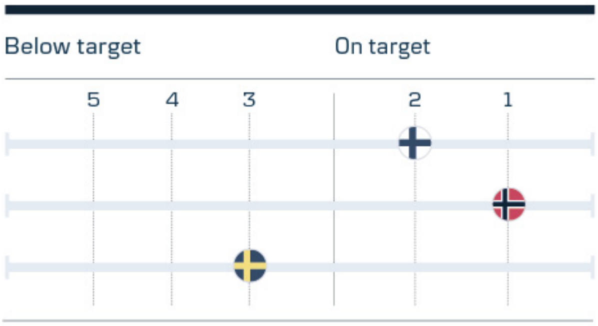
Our image is still adversely impacted by the Estonia case. While satisfaction among retail customers remains a challenge, we are meeting satisfaction targets for commercial customers in both Norway and Finland. We will continue to rebuild trust with all stakeholders in society, not least our customers, in everything we do.

Our ambition of being number one on customer experience remains unchanged, and customer satisfaction remains our highest priority. To drive customer satisfaction improvement and raise the bar for the value we want to provide to our customers, we have launched several initiatives. These include partnerships with a number of unions as well as fintech companies, which, among other things, give retail customers a full overview of their accounts with different banks, the expansion of our Future Finance offering that allows customers to apply for and be granted a new loan within seconds, and the use of advanced analytics to allow us to identify emerging customer needs and concerns and adjust our communication accordingly.

Banking Nordic, Retail customers



Banking Nordic, Commercial customers



Q2 2019 vs Q1 2019

Profit before tax decreased 3% due to lower income and lower impairment reversals than in the first quarter of 2019.

Total income decreased 1% from the level in the first quarter of 2019.

Net interest income decreased 1% due to margin pressure, especially in Norway and Sweden, as well as increased funding costs to meet the new MREL requirement. Net fee income decreased 5% because of lower activity in Finland.

Lending increased 1% from the first quarter of 2019 to the second quarter of 2019. The lending growth in the second quarter of 2019 slowed down in all market areas compared to the first quarter of 2019. However, Banking Nordic still maintained positive growth figures as a result of good customer activity, especially in Norway with the inflow of customers from Tekna.

Loan impairments remained at a low level, amounting to a net reversal of DKK 35 million in the second quarter of 2019, against a net reversal of DKK 48 million in the first quarter of 2019.

Corporates & Institutions

Corporates & Institutions contributed a profit before tax of DKK 1.6 billion in the first half of 2019, a decrease of 40% from the same period last year. The decline was driven by increased loan impairment charges and negative developments in value adjustments throughout the period. Income was also negatively affected by weak trading income in FI&C in the second quarter.

Corporates & Institutions (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Net interest income	1,787	1,983	90	857	930	92	980	87	3,928
Net fee income	1,401	1,478	95	709	692	102	752	94	2,914
Net trading income	1,347	1,528	88	432	914	47	511	85	2,440
Other income	1	9	11	1	-	-	6	17	7
Total income	4,535	4,998	91	1,999	2,536	79	2,249	89	9,289
Operating expenses	2,388	2,405	99	1,184	1,204	98	1,153	103	4,689
Profit before loan impairment charges	2,147	2,593	83	815	1,332	61	1,096	74	4,600
Loan impairment charges	520	-132	-	300	221	136	-99	-	278
Profit before tax	**1,627**	**2,725**	**60**	**516**	**1,111**	**46**	**1,195**	**43**	**4,322**
Loans, excluding reverse trans. before impairments	202,984	191,187	106	202,984	195,318	104	191,187	106	198,320
Allowance account, loans	2,260	2,025	112	2,260	2,443	93	2,025	112	2,223
Allowance account, credit institutions	8	15	53	8	9	89	15	53	13
Deposits, excluding repo deposits	270,529	268,651	101	270,529	264,260	102	268,651	101	260,781
Covered bonds issued*	17,061	18,373	93	17,061	17,846	96	18,373	93	18,713
Allowance account, guarantees	21	451	5	21	15	140	451	5	133
Allocated capital (average)	31,499	34,728	91	31,412	31,586	99	34,427	91	33,629
Net interest income as % p.a. of loans and deposits	0.79	0.80		0.75	0.81		0.82		0.83
Profit before tax as % p.a. of allocated capital (avg.)	10.3	15.7		6.6	14.1		13.9		12.9
Cost/income ratio (%)	52.7	48.1		59.2	47.5		51.3		50.5
Full-time-equivalent staff	1,675	1,836	91	1,675	1,702	98	1,836	91	1,858

Total income (DKK millions)									
FI&C	1,403	1,638	86	429	974	44	570	75	2,541
Capital Markets	870	827	105	462	408	113	434	106	1,556
General Banking	2,262	2,532	89	1,108	1,154	96	1,245	89	5,192
Total income	4,535	**4,998**	91	1,999	**2,536**	79	**2,249**	89	**9,289**

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Previously, only bonds issued by Realkredit Danmark were allocated to the business units. Comparative information has been restated.*

First half 2019 vs first half 2018
In the first half of 2019, we saw strong competition continue across business areas, which, together with higher loan impairments, had a negative impact on the financial result.

Customer activity slowed from the level in the first half of 2018 in areas such as Equities, Currencies and Liquidity & Securities Finance, while other areas such as Investor Services continued to see growth in income and volumes. Customer satisfaction remains high across most markets and products.

Total income amounted to DKK 4.5 billion, a decrease of 9% from the level in the first half of 2018. The decrease was driven mainly by negative developments in value adjustments and the transfer of the portfolios in the Baltics and Russia to the Non-core unit.

Net interest income declined 10% from the first half of 2018. Adjusted for the portfolio transfers, net interest income fell 4% as the result, among other things, of a decline in committed facilities and increased costs of senior funding. Loans excluding reverse transactions before impairments increased 2% from the level at year-end 2018. Underlying bank lending was broadly unchanged, reflecting recently lower growth in customer demand. Deposits excluding repo deposits increased 4% from the end-2018 level.

Net fee income declined 5% from the same period last year, mainly as a result of lower income from customer activity in Equities.

Net trading income fell 12% from the level in the first half of 2018 as a result of negative developments in value adjustments of the derivatives portfolio (xVA). Trading conditions remain challenging.

Operating expenses were 1% lower than in the first half of 2018, driven by the portfolio transfers and continued cost focus. Continued investments in anti-money laundering activities and regulatory compliance do, however, result in an underlying upward pressure on operating expenses.

Fixed Income & Currencies

Income in FI&C amounted to DKK 1.4 billion, a decrease of 14% from the level in the first half of 2018, as the result of negative developments in value adjustments of the derivatives portfolio (xVA).

Although volatility in our core rates markets has increased somewhat in 2019 to date, FI&C market conditions remain adversely affected by negative interest rates and central bank signals of 'low for longer' – which creates a challenging market environment for both our customers and our FI&C business. The change in monetary policy signalled by the European Central Bank (ECB) in the second quarter, and the simultaneous decline in interest rates had a negative impact on trading income, which along with margin compression affected the financial results.

The FI&C result in the second quarter of 2019 along with the events mentioned above mean that trading income is now expected to face stronger headwinds than previously expected.

Capital Markets

Capital Markets income increased 5% from the level in the first half of 2018, driven by a strong deal flow with large customer transactions in Loan Capital Markets and secondary markets in Debt Capital Markets benefiting from strong credit markets.

In Debt Capital Markets, primary market activity picked up during the second quarter, but overall, activity in the first half of the year remained below the 2018 level, whereas secondary market income continued to benefit from strong credit markets. In Loan Capital Markets, our underwrite-to-distribute strategy continued to yield positive results.

In the Equity area, high uncertainty and lower turnover in the underlying market continued to put pressure on income. An overall decline in ECM transactions in the Nordic countries as well as continued pressure on fees following the implementation of MiFID II last year also affected the financial results.

General Banking

Income from General Banking was 11% lower than in the first half of 2018, with the fall caused mainly by the portfolio transfers to the Non-core unit. Adjusted for the portfolio transfers, total income was 4% lower than the level in the first half of 2018, due mainly to higher funding costs, but income was also negatively impacted by a decline in committed facilities, among other things.

Net fee income decreased slightly from the level in the first half of 2018, as growth in Investor Services only partially compensated for lower fee income in other areas.

Credit quality

In the first half of 2019, loan impairments amounted to DKK 520 million, primarily as a result of a few large impairment charges against single-name exposures to the shipping, oil and gas, and retailing industries. Loan impairment charges in the second quarter of 2019 increased DKK 79 million from the level in the first quarter of 2019. While the credit quality of the overall Corporates & Institutions portfolio is stable, we continue to see restructuring in the shipping and oil and gas industries and pressure on the retailing industry, resulting in the charges mentioned above.

Net credit exposure from lending activities amounted to DKK 551 billion at the end of the second quarter of 2019, a decrease of DKK 11 billion from the level at the end of 2018, which was due to a reduction in several single-name exposures that are part of the sovereign portfolio.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2019	31 Dec. 2018	30 June 2019
Sovereign	138,643	154,101	0.01%
Financial institutions	81,652	73,791	-0.02%
Corporate	331,025	334,651	0.56%
Other	49	250	
Total	**551,369**	**562,793**	**0.44%**

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

Customer satisfaction

High customer satisfaction is a key priority for Danske Bank, and detailed customer insight is important to understand and improve the customer experience. We receive customer feedback in our day-to-day dialogue with customers and also receive a number of annual peer reviews conducted by Prospera, an independent market research company in the Nordic countries.

In the first half of 2019, Corporates & Institutions maintained an average number one position in the Nordic countries across all the Prospera reports that we subscribe to. Specifically, we maintained our longstanding number one ranking as the best Nordic financial provider of Cash Management and Trade Finance for the sixth and ninth year, respectively, and for the first time, Danske Bank was also ranked number one in each of our four home markets. Within fixed income, Danske Bank maintained a Nordic number one position in Interest Rate Swaps for the fifth consecutive year and was also here for the first time ranked number one in all home markets. We take this as confirmation that our customer-centric approach at Corporates & Institutions is making a difference for how customers experience doing business with Danske Bank.

Within our geographical markets, we maintained our positions or made improvements. In the first half of 2019, we saw a positive development in Finland, improving the aggregated number two position to a number one position in the Prospera reports that we subscribe to. We continued to hold a solid number one position in Denmark and maintained our positions in Sweden and Norway.

Corporates & Institutions

Market position, all (rolling year)

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

Q2 2019 vs Q1 2019

Profit before tax decreased 54% as a result of challenging trading conditions and decline in FI&C trading income.

FI&C income fell 56% from the level in the first quarter of 2019 as income in the rates business fell. While trading conditions in the first quarter were positive, conditions turned more difficult in the second quarter. We expect these conditions to persist in the coming quarters.

Capital Markets income increased 13% in the second quarter as higher activity in Corporate Finance and Debt Capital Markets compensated for lower income in Equities and Loan Capital Markets.

General Banking income fell 4% from the first-quarter level as a result of activity-related income, while portfolio-driven income remained stable. General Banking is therefore not continuing the growth seen in recent years.

Operating expenses decreased 2%, owing mainly to lower accruals for performance-based compensation.

The second quarter of 2019 saw net loan impairment charges of DKK 300 million, against charges of DKK 221 million in the first quarter. The increase in impairments was caused by charges against a few single-name exposures.

Wealth Management

Profit before tax amounted to DKK 2.6 billion, an increase of 56% from the level in the first half of 2018, due mainly to the gain of DKK 1.3 billion from the sale of Danica Pension Sweden. Net fee income benefited from the inclusion of SEB Pension Danmark. Trading income saw a negative impact from a regulatory change to the discount curve for life insurance provisions. The increase in operating expenses was due mainly to the operation of SEB Pension Danmark and the compensation payable to certain Flexinvest Fri customers.

Wealth Management (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Net interest income	335	366	92	160	175	91	187	86	725
Net fee income	3,842	3,423	112	1,894	1,947	97	1,722	110	7,353
Net trading income	-270	16	-	-156	-115		34	-	66
Other income	1,293	-47	-	1,342	-49	-	-63	-	-193
Total income	5,199	3,758	138	3,241	1,958	166	1,880	172	7,950
Operating expenses	2,663	2,146	124	1,438	1,225	117	1,131	127	4,810
Profit before loan impairment charges	2,536	1,612	157	1,803	733	246	750	240	3,140
Loan impairment charges	-30	-33		-27	-3	-	-17		-42
Profit before tax	**2,566**	**1,645**	**156**	**1,830**	**736**	**249**	**767**	**239**	**3,183**
Loans, excluding reverse trans. before impairments	81,786	77,008	106	81,786	77,516	106	77,008	106	77,704
Allowance account, loans	352	405	87	352	388	91	405	87	392
Deposits, excluding repo deposits	73,403	71,145	103	73,403	70,874	104	71,145	103	66,641
Covered bonds issued*	52,356	45,824	114	52,356	47,904	109	45,824	114	47,368
Allowance account, guarantees	34	31	110	34	33	103	31	110	32
Allocated capital (average)	18,466	13,520	137	19,098	17,826	107	13,515	141	15,434
Net interest income as % p.a. of loans and deposits	0.45	0.51		0.42	0.48		0.51		0.50
Profit before tax as % p.a. of allocated capital (avg.)	27.8	24.3		38.3	16.5		22.7		20.6
Cost/income ratio (%)	51.2	57.1		44.4	62.6		60.2		60.5
Full-time-equivalent staff	2,180	2,203	99	2,180	2,206	99	2,203	99	2,201

Breakdown of assets under management** (DKK billions)									
Life conventional	205	203	101	205	200	103	203	101	200
Asset management	900	951	95	900	967	93	951	95	927
Assets under advice	482	493	98	482	474	102	493	98	449
Total assets under management	**1,587**	**1,648**	**96**	**1,587**	**1,642**	**97**	**1,648**	**96**	**1,575**

Breakdown of net fee income (DKK millions)									
Management fees	3,192	2,842	112	1,563	1,628	96	1,421	110	6,043
Performance fees	20	29	69	15	5	300	6	250	204
Risk allowance fees	629	552	114	316	314	101	296	107	1,105
Total net fee income	**3,842**	**3,423**	**112**	**1,894**	**1,947**	**97**	**1,722**	**110**	**7,353**

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Previously, only bonds issued by Realkredit Danmark were allocated to the business units. Comparative information has been restated.*

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

First half 2019 vs first half 2018

Profit before tax amounted to DKK 2.6 billion, up 56% from the level in the first half of 2018, due mainly to the gain from the sale of Danica Pension Sweden. The financial performance benefited from improved conditions in the equity markets but was negatively affected by lower interest rates and a regulatory change by the European pensions authority (EIOPA) to the discount curve for life insurance provisions. The compensation payable to certain customers with Flexinvest Fri also had an adverse effect on the result. The financial results of SEB Pension Danmark were not included in the first half of 2018 but had a positive effect on the result in the first half of 2019.

Net interest income was down 8% from the level in the first half of 2018 due to a significant reduction in the volatility adjustment (VA) component and inclusion of SEB Pension Danmark, which resulted in higher funding costs.

Net fee income amounted to DKK 3.8 billion and was up 12% from the level in the first half of 2018, primarily due to the inclusion of SEB Pension Danmark. Asset Management fees were DKK 80 million below the year-earlier level due to lower assets under management and a product shift in the Asset Management business.

Net trading income amounted to a negative DKK 270 million and decreased from the level in the first half of 2018 when trading income was positive by DKK 16 million. In the first quarter, trading income was adversely affected by a DKK 140 million one-off due to a regulatory change in the discount curve for life insurance provisions. In the second quarter, income was adversely affected by lower interest rates impacting the discount curve and a negative investment result in the health and accident business.

Other income amounted to DKK 1,293 million, against a negative DKK 47 million in the first half of 2018. The increase was due to the gain of DKK 1.3 billion from the sale of Danica Pension Sweden.

Operating expenses were up 24% from the level in the first half of 2018 due to the addition of the ordinary operating expenses of SEB Pension Danmark and an estimated DKK 208 million one-off compensation payable to certain customers with the Flexinvest Fri product.

The legal merger of SEB Pension Danmark and Danica Pension was approved on 27 June, and the synergies have been achieved faster than anticipated.

Credit quality

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

Loan impairment charges amounted to a net reversal of DKK 30 million in the first half of 2019.

Overall, the loan-to-value (LTV) level increased 0.5 percentage points during the first half of 2019.

Loan-to-value ratio, home loans	30 June 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	58.8	41	58.0	42
Sweden	59.5	3	59.1	4
Norway	59.7	8	60.2	8
Finland	62.5	2	66.0	2
Total	**59.4**	**55**	**58.9**	**56**

Credit exposure

Credit exposure increased to DKK 95 billion in the first half of 2019. The increase was driven mainly by growth in the Danish market and an internal transfer of customer accounts from Banking DK.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2019	31 Dec. 2018	30 June 2019
Denmark	65,202	57,943	0.02%
Sweden	6,889	6,886	-0.09%
Norway	11,747	11,296	0.02%
Finland	3,031	3,160	0.00%
Luxembourg	7,802	8,062	-0.20%
Total	**94,672**	**87,347**	**-0.08%**

Assets under Management

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

Assets under Management, including SEB Pension Danmark, decreased DKK 61 billion, primarily because of the sale of Danica Pension Sweden, which accounted for DKK 64 billion. At the end of June 2019, Assets under Management totalled DKK 1,587 billion.

Premiums in Danica Pension amounted to DKK 19.0 billion, against DKK 22.9 billion in the first half of 2018. The decrease was driven primarily by negative developments in Denmark and Norway but also the sale of Danica Pension Sweden.

For Asset Management, net sales in the first half of 2019 amounted to a negative DKK 6.5 billion, against a negative DKK 3.5 billion in the first half of 2018.

Investment return on customer funds

In the first half of 2019, the financial markets were characterised by high returns. Looking overall at our funds, 64% of investment products generated above-benchmark returns, against 50% in the first half of 2018. On a 3-year horizon, 70% of all investment products generated above-benchmark results.

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

	2019	3-year
All funds	64%	70%
Equity funds	53%	55%
Fixed-income funds	71%	86%
Balanced funds etc.	78%	73%

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

Customers with *Danica Balance Mix* achieved returns on investments of between 6.7% for low-risk profiles with 0 years to retirement and 15.2% for high-risk profiles with 30 years to retirement. The return for customers with a *Danica Balance* medium risk profile with 20 years to retirement was 12.1%.

Customer satisfaction

Asset Management

According to Prospera's latest survey from June 2019, the ranking of Asset Management in Denmark rose from second to first place. In Sweden and Norway, however, customer satisfaction declined, with a fall in our ranking in Norway from number two to number six, and in Sweden from number eight to number 13. In Finland, we were ranked number four, up from number five. Among providers present in all Nordic markets, Asset Management is now ranked number two.

Danica Pension

According to Aalund Research's survey on customer satisfaction, Danica Pension is number three in Denmark. The latest survey was published late last year, and the next survey will be published during the autumn. Danica Pension in Norway is ranked number four of six.

Private Wealth Management

According to a survey made by Prospera in the third quarter of 2018, Private Wealth Management was ranked number five in Denmark, number seven in Finland, number five in Norway and number six in Sweden. We have seen a decline in rankings in the four markets since 2017. The survey is made on an annual basis, and the next one will be published during the autumn of 2019.

Q2 2019 vs Q1 2019

In the second quarter of 2019, profit before tax increased DKK 1.1 billion to DKK 1.8 billion. This was due primarily to the gain from the sale of Danica Pension Sweden.

Total income increased 66% to DKK 3.2 billion but was at the same level as in the first quarter excluding the gain from the sale of Danica Pension Sweden.

Net fee income was at the same level as in the first quarter, whereas net trading income decreased due to a lower investment return in the health and accident business, including the effect of a lower discount curve.

Operating expenses were 17% higher in the second quarter of 2019 due to a recognised cost of DKK 0.2 billion in relation to the estimated compensation payable to certain customers with the Flexinvest Fri product.

Northern Ireland

At DKK 421 million, profit before tax was 22% higher than in the first half of 2018 despite continued Brexit uncertainty. The increase reflects a combination of higher income and lower loan impairments with costs broadly maintained.

Northern Ireland (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Net interest income	765	736	104	379	386	98	372	102	1,491
Net fee income	189	201	94	93	96	97	106	88	392
Net trading income	70	41	171	40	30	133	25	160	82
Other income	7	6	117	4	3	133	4	100	12
Total income	1,030	984	105	516	515	100	507	102	1,978
Operating expenses	595	589	101	293	302	97	300	98	1,207
Profit before loan impairment charges	436	394	111	223	213	105	207	108	770
Loan impairment charges	14	50	28	28	-14	-	-12	-	26
Profit before tax	**421**	**344**	**122**	**195**	**227**	**86**	**219**	**89**	**744**
Loans, excluding reverse transactions before impairments	50,189	48,854	103	50,189	52,615	95	48,854	103	49,805
Allowance account, loans	702	862	81	702	755	93	862	81	762
Deposits, excluding repo deposits	64,060	63,029	102	64,060	65,487	98	63,029	102	62,555
Allowance account, guarantees	36	43	84	36	37	97	43	84	30
Allocated capital (average)*	6,650	6,686	99	6,735	6,565	103	6,673	101	6,843
Net interest income as % p.a. of loans and deposits	1.28	1.31		1.26	1.30		1.28		1.31
Profit before tax as % p.a. of allocated capital (avg.)	12.7	10.3		11.6	13.8		13.1		10.9
Cost/income ratio (%)	57.8	59.9		56.8	58.6		59.2		61.0
Full-time-equivalent staff	1,335	1,289	104	1,335	1,356	98	1,289	104	1,322

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

First half 2019 vs first half 2018

Profit before tax increased 22% to DKK 421 million in the first half of 2019. This included a reduction in loan impairments, which led to profit before loan impairment charges being 11% higher at DKK 436 million.

Total income amounted to DKK 1,030 million and was 5% higher than in the first half of 2018. Despite continued Brexit uncertainty, both lending and deposit volumes increased. Retail customer activity levels remained satisfactory, supported by ongoing improvements to our mortgage finance proposition, although new lending to businesses was impacted by Brexit, with some larger customers delaying investment decisions. Uncertainty is further evident from the volatility in trading income, which was higher in the first half of 2019 than in the year-earlier period. Alongside balance sheet growth and higher UK interest rates, this resulted in increased income.

At DKK 595 million, operating expenses were marginally higher year-on-year and included ongoing investment in skills and new customer solutions designed to ensure that we fully meet customer needs and expectations. For example, we established a dedicated fraud and cyber crime team.

First half 2019 vs first half 2018 in local currency

In local currency, profit before loan impairment charges increased 3%, reflecting higher income as described with costs remaining flat. Loan impairments were reduced from the level in the same period in 2018, which resulted in profit before tax in British pound sterling being 13% higher.

Credit quality

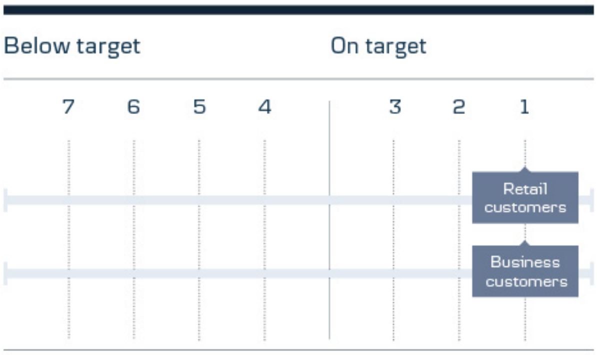
Our credit exposure continues to show an improvement in credit quality. The possibility that the United Kingdom may exit the European Union without a withdrawal agreement has been factored into the forward-looking macroeconomic scenarios as part of the application of IFRS 9.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 June 2019	31 Dec. 2018	30 June 2019
Retail customers	24,171	23,012	-0.03%
Public institutions	18,495	14,919	0.00%
Financial customers	432	101	-1.05%
Commercial customers	31,064	31,156	-0.08%
Total	**74,163**	**69,187**	**0.06%**

Customer satisfaction
In the second quarter of 2019, we moved up from second to first place in personal banking and also kept our long-standing number one position in business banking.

In May, we were named Northern Ireland's 'responsible company of the year' by the Business in the Community organisation. This is a huge achievement, and the first time the award has ever been won by a bank.

Northern Ireland



Q2 2019 vs Q1 2019

A weaker British pound sterling was evident in the second quarter, but underlying profitability performance was positive quarter on quarter, with a favourable development in both income and costs.

Profit before tax was lower quarter-on-quarter because of net impairment recoveries in the first quarter.

Non-core

Profit before tax for the first half of 2019 was a negative DKK 270 million. Total lending stood at DKK 13.1 billion at the end of June 2019, against DKK 14.9 billion at the end of December 2018. The winding-up of the Non-core portfolios is proceeding according to plan.

Non-Core (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Total income	109	98	111	42	66	64	91	46	213
Operating expenses	10	176	6	-83	93	-	122	-	632
Profit before loan impairment charges	99	-78	-	126	-27	-	-31	-	-419
Loan impairment charges	369	-126	-	108	261	41	-48	-	-137
Profit before tax	**-270**	**48**	**-**	**18**	**-288**	**-**	**16**	**113**	**-282**
Loans, excluding reverse transactions before impairments*	13,109	17,495	75	13,109	15,388	85	17,495	75	14,906
Allowance account, loans	769	749	103	769	722	107	749	103	784
Deposits, excluding repo deposits	3,565	10,258	35	3,565	3,734	95	10,258	35	2,399
Allowance account, guarantees	23	25	92	23	32	72	25	92	32
Allocated capital (average)	2,591	1,665	156	2,580	2,602	99	2,012	128	2,115
Net interest income as % p.a. of loans and deposits	1.16	1.04		1.01	1.33		1.18		1.02
Profit before tax as % p.a. of allocated capital (avg.)	-20.8	5.8		2.8	-44.3		3.2		-13.3
Cost/income ratio (%)	9.2	179.6		-197.6	140.9		134.1		296.7
Full-time-equivalent staff	320	386	83	320	326	98	386	83	259

Loan impairment charges (DKK millions)									
Non-core banking**	274	-120	-	1	273	-	-54	-	-137
Non-core conduits etc.	94	-6	-	107	-13	-	6	-	-
Total	**369**	**-126**	**-**	**108**	**261**	**41**	**-48**	**-**	**-137**

** Loans, excluding reverse transactions before impairments includes loans held for sale, including portfolios of loans in Estonia and Ireland.*

*** Non-core banking encompasses the activities in the Baltics, Russia and Non-core Ireland.*

First half 2019 vs first half 2018

The Non-core unit posted a loss before tax of DKK 270 million, against a profit of DKK 48 million in the first half of 2018, primarily as a result of lower loan impairment reversals and a negative value adjustment due to the repositioning of the Baltic activities to Non-core.

Operating expenses amounted to DKK 10 million, a decrease of DKK 166 million from the level in the first half of 2018, benefiting from an adjustment of VAT regarding previous years.

Net credit exposure totalled DKK 16.8 billion, against DKK 18.4 billion at the end of 2018.

At the end of June 2019, total lending amounted to DKK 13.1 billion and consisted mainly of exposure to commercial and personal customers in the Baltics as well as conduits.

In the Baltics and Russia, the winding-up is well underway and is proceeding according to plan. We continue our cooperation with the relevant authorities in order to make sure that the process takes customer interests into account in the best possible way.

In June 2019, the Group entered into an agreement with AS LHV Pank with the intention for the counterparty to acquire Danske Bank's loan portfolio of local personal customers in Estonia. The occurrence of the sale is conditional on further negotiations, including final scope and price of the transaction.

At the end of June 2019, total deposits amounted to DKK 3.6 billion, an increase of DKK 1.2 billion from the level at the end of December 2018, owing to the transfer of Russian customers to Non-core in the first quarter of 2019.

The Non-core conduits portfolio amounted to DKK 3.7 billion, against DKK 3.9 billion at the end of 2018. The portfolio consists mainly of liquidity facilities for conduits.

(DKK millions)	Net credit exposure 30 June 2019	31 Dec. 2018	Expected credit loss 30 June 2019	31 Dec. 2018
Non-core banking*	13,126	14,516	378	394
-of which personal customers	3,802	4,816	138	153
-of which commercial customers	7,739	7,620	239	240
-of which public institutions	1,585	2,081	-	2
Non-core conduits etc.	3,672	3,916	532	422
Total	**16,798**	**18,432**	**910**	**816**

Total impairments amounted to a net charge of DKK 369 million, against a net reversal of DKK 126 million in the first half of 2018. The increase reflects lower loan impairment reversals as well as a negative value adjustment.

Q2 2019 vs Q1 2019

Profit before tax amounted to DKK 18 million, against a loss of DKK 288 million in the first quarter of 2019. The second quarter of 2019 benefited from an adjustment of VAT regarding previous years as well as a lower level of loan impairment charges, including negative value adjustments, than in the first quarter of 2019.

Other Activities

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

Other Activities (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Net interest income	-75	329	-	-23	-52	44	112	-	515
Net fee income	-123	-119	103	-70	-53	132	-61	115	-261
Net trading income	332	323	103	209	123	170	263	79	933
Other income	6	-	-	55	-49	-	-9	-	7
Total income	141	533	26	172	-31	-	305	56	1,194
Operating expenses	739	408	181	495	244	203	210	236	2,416
Profit before loan impairment charges	-598	124	-	-323	-275	117	95	-	-1,222
Loan impairment charges	-5	-1	-	-	-5	-	-2	-	5
Profit before tax	**-593**	**125**	**-**	**-323**	**-270**	**120**	**97**	**-**	**-1,227**

Profit before tax (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Index Q2/Q1	Q2 2018	Index 19/18	Full year 2018
Group Treasury	-100	172	-	-37	-64	58	91	-	223
Own shares	91	131	69	73	18	-	104	70	500
Additional tier 1 capital	391	390	100	197	194	102	197	100	782
Group support functions	-975	-569	171	-557	-418	133	-295	189	-2,731
Total Other Activities	**-593**	**125**	**-**	**-323**	**-270**	**120**	**97**	**-**	**-1,227**

First half 2019 vs first half 2018

Other Activities posted a loss before tax of DKK 593 million, against a profit before tax of DKK 125 million in the first half of 2018, primarily as a result of lower net interest income and higher operating expenses.

Net interest income amounted to a negative DKK 75 million, against a positive DKK 329 million in the first half of 2018. The decrease was caused primarily by differences between actual and allocated funding costs at the Internal Bank, which, among other things, were affected by the increase in liquidity costs attributable to the Estonia case being retained at the Internal Bank rather than being allocated to business units.

Operating expenses amounted to DKK 739 million, against DKK 408 million in the first half of 2018, primarily as a result of higher costs regarding the Estonia case.

Q2 2019 vs Q1 2019

Other Activities posted a loss before tax of DKK 323 million, against a loss before tax of DKK 270 million in the first quarter of 2019.

Net trading income amounted to DKK 209 million, against DKK 123 million in the first quarter of 2019, driven by positive market value adjustments of the private equity portfolio and the effect of elimination against retained earnings of losses on the Group's holdings of own shares.

Operating expenses amounted to DKK 495 million, against DKK 244 million in the first quarter of 2019, primarily as a result of higher costs regarding the Estonia case.

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. However, in the comparative figures for 2018 an adjusting item related to the implementation of IFRS 9 was included. Loans granted by Realkredit Danmark (RD) are measured at fair value (both under IAS 39 and under IFRS 9). After the implementation of IFRS 9, the IFRS 13 estimate of the fair value of the credit risk on RD loans is based on the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The impact from the expected credit loss impairment model on these loans at 1 January 2018 was recognised as a change in an accounting estimate in the IFRS income statement. To recognise the changes in RD due to the expected credit loss impairment model in IFRS 9 similarly to all the others IFRS 9 changes in the Group and to better reflect the actual performance in 2018, the impact is recognised as a reduction in shareholders' equity together with the other changes from the implementation of IFRS 9. Therefore, net profit in the financial highlights for 2018 was DKK 312 million higher than net profit in the IFRS income statement. Note 3 to the financial statements describes the differences between the financial highlights and the IFRS financial statements, and each line item in the financial highlights is reconciled with the consolidated financial statements prepared under IFRS.

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

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend is the dividend related to net profit for the current year and paid to shareholders the subsequent year. Accordingly, for 2018, it is the dividend paid in 2019.
Earnings per share (DKK)	As IFRS, with the exception that for 2018, the net profit used is the net profit in the financial highlights, see explanation above.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights (annualised) 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 nominator, net profit is reduced by interest expenses of DKK 390 million (2018: DKK 390 million). The denominator represents equity, excluding additional tier 1 capital and other non-controlling interests equal to a reduction in the average of the quarterly average of equity of DKK 16,623 million (2018: 16,871 million) compared to a simple average of total equity (beginning and the end of the period).
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights (annualised) divided by the daily average of the sum of loans and deposits. Previously, the sum of loans and deposits end of the period was used as denominator and prior periods have been restated. If the ratio was calculated applying the sum of loans and deposits end of period the ratio for first half 2019 would be 0.79% due to the daily average of loans and deposits being DKK 64.3 billion lower than calculating the ratio by applying the end of period sum of loans and deposits. The purpose of the key figure is to show if the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (%)	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 nominator is the loan impairment charges of DKK 470 million (2018: DKK -707 million) from the financial highlights on an annualised basis. The denominator is the sum of Loans at amortised cost of DKK 972.1 billion, Loans at fair value of DKK 794.9 billion and guarantees of DKK 83.1 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 nominator is the allowance account of DKK 19.8 billion at the end of the period, as disclosed in the "Allowance account in core activities broken down by segment" table in the notes to the financial statements. The denominator is the sum of. Loans at amortised cost of DKK 1,006.0 billion, Loans at fair value of DKK 804.0 billion, and guarantees of DKK 73.6 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.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	First half 2019	First half 2018	Q2 2019	Q2 2018	Full year 2018
4	Interest income calculated using the effective interest method	12,286	12,063	5,366	5,373	24,661
4	Other interest income	21,799	17,206	10,559	8,607	35,106
4	Interest expense	20,178	14,491	8,944	6,775	30,746
	Net interest income	13,907	14,779	6,981	7,205	29,022
4	Fee income	7,684	8,734	3,552	4,521	17,312
	Fee expenses	3,057	3,421	1,293	1,889	6,932
	Net trading income	29,823	2,259	6,238	5,159	-10,237
4	Other income	3,378	2,337	2,513	1,131	5,228
	Net premiums	12,453	12,906	5,885	5,945	25,963
	Net insurance benefits	40,323	14,003	11,531	10,527	13,400
	Operating expenses	14,258	12,734	7,368	6,481	28,020
	Profit before loan impairment charges	9,608	10,856	4,978	5,063	18,936
5	Loan impairment charges	839	-433	221	-424	-387
	Profit before tax	8,769	11,289	4,757	5,487	19,322
	Tax	1,749	2,411	725	1,177	4,460
	Net profit for the period	**7,020**	**8,878**	**4,031**	**4,310**	**14,862**
	Portion attributable to					
	shareholders of Danske Bank A/S (the Parent Company)	6,629	8,488	3,835	4,113	14,081
	additional tier 1 capital holders	390	390	197	197	781
	Net profit for the period	**7,020**	**8,878**	**4,031**	**4,310**	**14,862**
	Earnings per share (DKK)	7.8	9.6	4.5	4.7	16.2
	Diluted earnings per share (DKK)	7.8	9.4	4.5	4.5	16.2
	Proposed dividend per share (DKK)	-	-	-	-	8.5

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2019	First half 2018	Q2 2019	Q2 2018	Full year 2018
Net profit for the period	7,020	8,878	4,031	4,310	14,862
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension plans	130	-41	134	145	-291
Tax	-15	2	-32	-149	42
Items that will not be reclassified to profit or loss	**115**	**-39**	**102**	**-4**	**-249**
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	439	-361	13	-355	-374
Hedging of units outside Denmark	-28	277	630	296	309
Unrealised value adjustments of bonds at fair value (OCI)	189	21	82	17	-21
Realised value adjustments of bonds at fair value (OCI)	-8	-14	10	-6	-18
Tax	-39	-111	-158	-96	-129
Items that are or may be reclassified subsequently to profit or loss	**554**	**-188**	**576**	**-143**	**-233**
Total other comprehensive income	**669**	**-227**	**678**	**-147**	**-482**
Total comprehensive income for the period	**7,689**	**8,651**	**4,709**	**4,162**	**14,380**
Portion attributable to					
Shareholders of Danske Bank A/S (the Parent Company)	7,298	8,261	4,513	3,966	13,599
Additional Tier 1 capital holders	390	390	197	196	781
Total comprehensive income for the period	**7,689**	**8,651**	**4,709**	**4,162**	**14,380**

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 June 2019	31 December 2018	30 June 2018
	Assets			
	Cash in hand and demand deposits with central banks	137,358	40,997	68,023
	Due from credit institutions and central banks	156,627	225,600	265,433
	Trading portfolio assets	534,067	415,818	523,460
	Investment securities	265,507	276,424	274,104
	Loans at amortised cost	1,014,937	986,240	971,964
6	Loans at fair value	1,058,493	1,057,340	1,024,751
	Assets under pooled schemes and unit-linked investment contracts	94,818	93,988	144,773
	Assets under insurance contracts	459,406	377,369	385,833
9	Assets held for sale	3,770	60,247	382
	Intangible assets	11,119	11,224	11,125
	Tax assets	3,792	2,981	3,479
10	Other assets	38,516	30,239	33,091
	Total assets	**3,778,409**	**3,578,467**	**3,706,419**
	Liabilities			
7	Due to credit institutions and central banks	222,229	248,601	264,598
	Trading portfolio liabilities	450,973	390,226	447,012
7	Deposits	1,117,275	1,059,119	1,056,547
8	Issued bonds at fair value	792,352	759,588	798,589
8	Issued bonds at amortised cost	287,751	285,629	321,395
	Deposits under pooled schemes and unit-linked investment contracts	100,177	97,840	153,702
	Liabilities under insurance contracts	503,148	417,279	422,586
9	Liabilities in disposal groups held for sale	331	58,467	-
	Tax liabilities	7,793	8,880	9,022
10	Other liabilities	41,765	40,117	38,223
8	Non-preferred senior bonds	66,216	26,353	-
8	Subordinated debt	25,415	23,092	33,847
	Total liabilities	**3,615,422**	**3,415,191**	**3,545,522**
	Equity			
	Share capital	8,622	8,960	8,960
11	Foreign currency translation reserve	-334	-745	-766
	Reserve for bonds at fair value (OCI)	272	90	132
	Retained earnings	140,188	133,056	138,232
	Proposed dividends	-	7,616	-
	Shareholders of Danske Bank A/S (the Parent Company)	148,748	148,976	146,557
8	Additional tier 1 capital holders	14,239	14,299	14,340
	Total equity	162,988	163,276	160,897
	Total liabilities and equity	**3,778,409**	**3,578,467**	**3,706,419**

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 31 December 2018	8,960	-745	90	133,056	7,616	148,976	14,299	163,276
Effect from changes in accounting policies	-	-	-	-288	-	-288	-	-288
Restated total equity as at 1 January 2019	8,960	-745	90	132,768	7,616	148,688	14,299	162,988
Net profit for the period	-	-	-	6,629	-	6,629	390	7,020
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	130	-	130	-	130
Translation of units outside Denmark	-	439	-	-	-	439	-	439
Hedging of units outside Denmark	-	-28	-	-	-	-28	-	-28
Unrealised value adjustments	-	-	189	-	-	189	-	189
Realised value adjustments	-	-	-8	-	-	-8	-	-8
Tax	-	-	-	-54	-	-54	-	-54
Total other comprehensive income	**-**	**411**	**181**	**76**	**-**	**669**	**-**	**669**
Total comprehensive income for the period	**-**	**411**	**181**	**6,706**	**-**	**7,298**	**390**	**7,689**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-394	-394
Dividends paid	-	-	-	383	-7,616	-7,233	-	-7,233
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-9,438	-	-9,438	-57	-9,494
Sale of own shares and additional tier 1 capital	-	-	-	9,390	-	9,390	-	9,390
Tax	-	-	-	42	-	42	-	42
Total equity as at 30 June 2019	**8,622**	**-334**	**272**	**140,188**	**-**	**148,748**	**14,239**	**162,988**

On 29 April 2019 the share capital was reduced by DKK 337,690,000 nominally by cancelling 33,769,000 shares from Danske Bank's holding of own shares acquired under the 2018 share buy-back programme. After the reduction, Danske Bank A/S' share capital amounts to DKK 8,621,846,210 nominally, corresponding to 862,184,621 shares of DKK 10 each.

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 2018	9,368	-681	130	134,077	9,368	152,262	14,339	166,601
Net profit for the period	-	-	-	8,488	-	8,488	390	8,878
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-41	-	-41	-	-41
Translation of units outside Denmark	-	-361	-	-	-	-361	-	-361
Hedging of units outside Denmark	-	277	-	-	-	277	-	277
Unrealised value adjustments	-	-	21	-	-	21	-	21
Realised value adjustments	-	-	-14	-	-	-14	-	-14
Tax	-	-	-	-109	-	-109	-	-109
Total other comprehensive income	-	**-84**	7	**-151**	-	**-227**	-	**-227**
Total comprehensive income for the period	-	**-84**	7	**8,337**	-	**8,261**	**390**	**8,651**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-392	-392
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Share capital reduction	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-25,852	-	-25,852	3	-25,849
Sale of own shares and additional tier 1 capital	-	-	-	20,667	-	20,667	-	20,667
Tax	-	-2	-5	77	-	77	-	71
Total equity as at 30 June 2018	**8,960**	**-766**	**132**	**138,232**	-	**146,557**	**14,340**	**160,897**

Statement of capital – Danske Bank Group

(DKK millions)	30 June 2019	31 December 2018
Share capital (DKK)	8,621,846,210	8,959,536,210
Number of shares	862,184,621	895,953,621
Number of shares outstanding	854,042,604	854,795,388
Average number of shares outstanding for the period	854,085,887	871,228,931
Average number of shares outstanding, including dilutive shares, for the period	854,629,912	871,764,982

Total capital and total capital ratio

(DKK millions)	30 June 2019	31 December 2018
Total equity	162,988	163,276
Revaluation of domicile property at fair value	267	269
Tax effect of revaluation of domicile property at fair value	-29	-32
Total equity calculated in accordance with the rules of the Danish FSA	163,225	163,513
Additional tier 1 capital instruments included in total equity	-14,075	-14,133
Accrued interest on additional tier 1 capital instruments	-164	-166
Tax on accrued interest on additional tier 1 capital instruments	36	37
Common equity tier 1 capital instruments	149,021	149,250
Adjustment to eligible capital instruments	-194	-225
IFRS 9 reversal due to transitional rules	1,362	1,544
Prudent valuation	-885	-779
Prudential filters	-211	-356
Expected/proposed dividends	-4,212	-7,616
Intangible assets of banking operations	-7,426	-7,466
Deferred tax on intangible assets	487	201
Deferred tax assets that rely on future profitability, excluding temporary differences	-217	-329
Defined benefit pension plan assets	-1,618	-1,270
Statutory deduction for insurance subsidiaries	-9,180	-5,987
Other statutory deductions	-141	-141
Common equity tier 1 capital	**126,786**	**126,827**
Additional tier 1 capital instruments	23,734	23,677
Tier 1 capital	**150,520**	**150,505**
Tier 2 capital instruments	11,255	9,161
Total capital	**161,775**	**159,666**
Total risk exposure amount	**761,897**	**748,104**
Common equity tier 1 capital ratio (%)	16.6	17.0
Tier 1 capital ratio (%)	19.8	20.1
Total capital ratio (%)	21.2	21.3

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 (Danish FSA).

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.

In May 2019 the Group established so-called structural FX hedge positions in SEK, NOK and EUR for the purpose of hedging against adverse currency effects on the Groups capital ratios in accordance with article 352(2) in the CRR. The hedge positions will thus reduce the impact on the Groups CET1 capital ratio resulting from changes in the risk exposure amount due to changes in relevant currency rates. As at 30 June 2019 the hedge positions totalled DKK 30,659 million and effect equity through Other comprehensive income, which as at 30 June 2019 included a gain of DKK 330 million (see further details in note 11).

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

Cash flow statement – Danske Bank Group

(DKK millions)	First half 2019	First half 2018	Full year 2018
Cash flow from operations			
Profit before tax	8,769	11,289	19,322
Tax paid	-3,427	-4,059	-5,427
Adjustment for non-cash operating items	2,266	-1,133	1,997
Total	7,608	6,097	15,892
Changes in operating capital			
Amounts due to/from credit institutions and central banks	-25,957	23,344	7,154
Trading portfolio	-57,502	-27,752	23,104
Acquisition/sale of own shares and additional tier 1 capital	-104	-672	-277
Other financial instruments	34,425	32,860	43,615
Loans at amortised cost and fair value	-30,689	-96,307	-143,218
Deposits	58,155	9,690	12,262
Issued bonds at amortised cost and fair value	37,107	-43,470	-117,701
Assets/liabilities under insurance contracts	2,163	13,895	17,051
Other assets/liabilities	-37,282	15,310	-2,547
Cash flow from operations	**-12,076**	**-67,005**	**-144,665**
Cash flow from investing activities			
Acquisition/sale of businesses	1,668	-5,000	-5,000
Acquisition of intangible assets	-392	-430	-1,120
Acquisition of tangible assets	-276	-218	-549
Sale of tangible assets	5	4	10
Cash flow from investing activities	**1,005**	**-5,644**	**-6,659**
Cash flow from financing activities			
Issue of subordinated debt	5,550	4,748	4,748
Redemption of subordinated debt	3,455	-	-10,928
Issue of non-preferred senior bonds	37,642	-	25,816
Dividends	-7,233	-8,851	-8,851
Share buy-back programme*	-	-4,836	-7,825
Paid interest on additional tier 1 capital	-394	-392	-784
Principal portion of lessee lease payments	-360	-	-
Cash flow from financing activities	**38,660**	**-9,331**	**2,176**
Cash and cash equivalents as at 1 January	264,836	413,593	413,593
Foreign currency translation	215	277	393
Change in cash and cash equivalents	27,588	-81,982	-149,150
Cash and cash equivalents, end of period	**292,639**	**331,888**	**264,836**
Cash and cash equivalents, end of period			
Cash in hand	5,820	8,146	8,799
Demand deposits with central banks	131,538	59,877	32,198
Amounts due from credit institutions and central banks within three months	155,281	263,865	223,839
Total	**292,639**	**331,888**	**264,836**

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

Notes – Danske Bank Group

1. Significant accounting policies and estimates

(a) General

The report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for listed financial companies. The report is condensed and should be read in conjunction with the Group's Annual Report 2018.

On 1 January 2019, the Group implemented IFRS 16, Leases, amendments to various standards (IFRS 9, Prepayment Features with Negative Compensation, Annual Improvements to IFRS Standards 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23), IAS 19, Plan Amendment, Curtailment or Settlement and IAS 28, Long-term Interests in Associates and Joint Ventures) and the interpretation IFRIC 23, Uncertainty over Income Tax Treatments. Further, the Group has changed its accounting policy for calculating the provision for health and accident insurance.

Except for these changes, the Group has not changed its significant accounting policies from those applied in the Annual Report 2018. Annual Report 2018 provides a full description of the significant accounting policies, including the description in note 40 of changes to the significant accounting policies due to IFRS 16.

The impact from changes in accounting policies is disclosed in note 2.

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

(b) Significant accounting estimates

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

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

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

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 (stage 2 and 3).

The expected credit loss is calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and incorporates forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The base-case scenario enters with a probability of 65% (31 December 2018: 70%), the upside scenario with a probability of 15% (31 December 2018: 15%) and the downside scenario with a probability of 20% (31 December 2018: 15%). On the basis of these assessments, the allowance account as at 30 June 2019 amounted to DKK 20.7 billion (31 December 2018: DKK 21.2 billion). If the base-case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.6 billion (31 December 2018: 0.4 billion). Compared to the base-case scenario, the allowance account would increase DKK 3.4 billion (31 December 2018: DKK 3.4 billion), if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 0.5 billion (31 December 2018: DKK 0.6 billion) compared to the base-case scenario. However, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit loss (ECL) forecasts.

According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, facilities with an initial PD below 1% are transferred to stage 2 if the facility's 12-month PD has increased by at least 0.5 of a percentage point and the facility's lifetime PD has doubled since origination. The allowance account is relatively stable in terms of changes to the definition of significant increase in credit risk. At 31 December 2018, the allowance account would increase by DKK 0.05 billion, if instead an increase in the facility's 12-month PD by at least 0.25 of a percentage point combined with a doubling of the lifetime PD was considered a significant increase in credit risk.

The Group applies post-model adjustments of DKK 4.6 billion (31 December 2018: DKK 4.5 billion). Around half of all the adjustments relate to high-risk industries such as Agriculture and Oil & gas, where the Group has no specific expected credit loss models in place, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Furthermore, adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen where the macroeconomic forecasts used in the models are based on the Danish property market as a whole and adjustments are therefore made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses.

Note 15 in Annual Report 2018 and the risk management notes provide more details on expected credit losses. At 30 June 2019, loans accounted for about 55% of total assets (31 December 2018: 57%).

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Fair value measurement of financial instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp would have caused the fair value of the bonds to decrease DKK 135 million (31 December 2018: DKK 110 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. As at 30 June 2019, the adjustments totalled DKK 1.6 billion (31 December 2018: DKK 1.1 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note 31 in Annual Report 2018 provides more details.

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 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. As at 30 June 2019, goodwill amounted to DKK 7.8 billion (31 December 2018: DKK 7.8 billion). The carrying amount of goodwill in Wealth Management amounted to DKK 4.2 billion (31 December 2018: DKK 4.2 billion) of which DKK 2.4 billion relates to the Group's acquisition of SEB Pension Danmark and DKK 1.8 million relates to Danske Capital's activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the latest annual impairment test for Wealth Management, Danske Capital, and Wealth Management, Danica Pension, which was performed in the fourth quarter of 2018, amounted to DKK 1.3 billion and DKK 0.3 billion respectively. The remaining amount of goodwill relates to Corporates & Institutions, for which the excess value in the latest test is significant. It has been assessed that no indication of impairment exists at 30 June 2019. Note 19 in Annual Report 2018 provides more information about impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Measurement of liabilities under insurance contracts is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates, and on the discount rate. Assumptions about future mortality rates are based on the Danish FSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. Notes 2 (a), 18 and the risk management notes in Annual Report 2018 provide more information about the accounting for insurance liabilities and sensitivity to changes in assumptions.

Recognition of deferred tax assets and liabilities

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on expected future profit over the next five years. As at 30 June 2019 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.2 billion (31 December 2018: DKK 0.3 billion). The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.0 billion (31 December 2018: DKK 2.9 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.9 billion (31 December 2018: DKK 5.8 billion). Note 21 in Annual Report 2018 provides more information about deferred tax.

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2019

On 1 January 2019, the Group implemented IFRS 16, Leases, amendments to various standards (IFRS 9, Prepayment Features with Negative Compensation, Annual Improvements to IFRS Standards 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23), IAS 19, Plan Amendment, Curtailment or Settlement, IAS 28, Long-term Interests in Associates and Joint Ventures) and the interpretation IFRIC 23, Uncertainty over Income Tax Treatments. Further, the Group has changed its accounting policy for calculating the provision for health and accident insurance.

The implementation of IFRS 16 and the change of the accounting policy for calculating the provision for health and accident insurance had an impact on the opening balance sheet at 1 January 2019. The impact is shown in the table below. The changes decreased shareholders' equity at 1 January 2019 by DKK 288 million. The income statement for 2018 has been restated to reflect changes due to the implementation of amendments to IAS 12, Income Taxes, see further below.

(DKK millions)	Balance sheet 31 December 2018	IFRS 16	Health and accident	Balance sheet 1 January 2019
Oher assets	30,239	6,424		36,663
Total assets	3,578,467	6,424	-	3,584,891
Liabilities under insurance contracts	417,279		369	417,648
Tax liabilities	8,880		-81	8,799
Other liabilities	40,117	6,424		46,541
Total liabilities	3,415,191	6,424	288	3,421,903
Total equity	163,276	-	-288	162,988

The sections below explain the key impacts of the changes in accounting policies implemented.

IFRS 16, Leases

IFRS 16 provides revised principles for lessees, and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, there are no changes to the Group's accounting policy for lessor accounting. Note 40 in Annual Report 2018 includes a full description of the changes to the significant accounting policies due to the implementation of IFRS 16.

As allowed under the transitional provisions of IFRS 16, the Group uses the cumulative catch up approach. Accordingly, the Group has not restated comparative information. IFRS 16 has increased both assets and liabilities at 1 January 2019 by DKK 6,424 million. There has been no implementation impact on shareholders' equity, however, the Group's capital ratios are reduced by 0.2 percentage points. Right-of-use lease assets and lessee lease liabilities are presented as part of Other assets and Other liabilities, respectively. Lease liabilities recognised in the balance sheet at 1 January 2019 are significantly higher than the operating lease commitments disclosed in Annual Report 2018. This is predominantly due to lease terms being significantly longer under IFRS 16, as the Group is reasonably certain to exercise extension options, and therefore lease terms exceed the non-cancellable period. At 1 January 2019, the Group's weighted average incremental borrowing rate applied to the lease liabilities was 1.5 % for right-of-use properties and 1.4% for other right-of-use tangible assets.

In the income statement, expenses related to leases are presented as depreciation expenses (part of operating expenses) and interest expenses. As the interest expenses are calculated on the reducing balance of the lease liabilities while the depreciations are made on a straight-line basis, the costs under IFRS 16 are front loaded compared to under IAS 17. Due to this front loading, net profit before tax for the first half of 2019, compared with the net profit under IAS 17, decreased by DKK 53 million hereof DKK 42 million interest expenses and DKK 11 million operating expenses.

Amendment to IFRS 9, Financial Instruments

The amendment to IFRS 9, Financial Instruments, relates to the SPPI test, and the requirement that a prepayment option will only be consistent with 'basic lending features' if the prepayment amount represents the principal amount outstanding plus accrued interest and may include a reasonable additional compensation for early termination (i.e. the party exercising the right cannot receive a compensation for the early termination). The word 'additional' is deleted. After the implementation of the amendment, compensation that reflects changes in the relevant benchmark interest rate will be consistent with the SPPI test, regardless of whether the compensation is positive or negative. The implementation of the amendment had no impact on the classification of financial instruments between fair value measurement and amortised cost. The prepayment option included in loans granted by Realkredit Danmark continues to be inconsistent with the SPPI test.

Amendment to IAS 12, Income Taxes

The amendment to IAS 12, Income Taxes, which is part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, requires the income tax consequences of dividends to be recognised in profit or loss if the transactions that generated distributable profit are recognised in profit or loss, and thus not recognised directly in equity. The Group has implemented the clarification at 1 January 2019. The distribution of interest on the Group's equity accounted additional tier 1 capital is deductible for tax purposes, and the tax income is recognised in the income statement when the interest is paid. This has decreased tax in the income statement and increased net profit for the first half of 2018 and the first half of 2019 by DKK 86 million. For full year 2018, the impact is an increase in net profit of DKK 173 million. There is no impact on earnings per share.

Notes – Danske Bank Group

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

Change in the accounting for health and accident insurance

The Group has voluntarily changed its accounting policy for calculating of the provision for health and accident insurance contracts with a risk coverage period no longer than one year. From 1 January 2019, the provision represents the net present value of expected future payments, administrative costs and premiums due to be received during the risk coverage period. Under the previous accounting policy, the provision was calculated using a simplified method and represented the share of gross premiums received that relates to the coverage period after the balance sheet date. The change is considered to result in a more relevant and faithful representation of the Group's liabilities, as the provision now represents a best estimate of the amounts to be paid as insurance benefits the next year.

Retrospective application is impracticable without the use of hindsight and due to lack of data. The cumulative impact is recognised as a reduction in shareholders' equity at 1 January 2019 of DKK 288 million, consisting of an increase in insurance liabilities of DKK 369 million and a decrease in tax liabilities of DKK 81 million. The implementation has decreased net profit in the first half of 2019 by DKK 63 million. The effect on earnings per share is insignificant.

The implementation of changes to IFRSs not mentioned above had no impact on the Group's financial statements.

Notes – Danske Bank Group

3. Business model and business segmentation

(a) Business model and business segmentation

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

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

Banking DK serves retail and commercial customers in Denmark. The unit offers retail customers' advice tailored to their financial needs and is a leading provider of daily banking, home financing, investment and retirement planning solutions. For commercial customers, the unit provides targeted advice and solutions based on the size and situation of the customers' business. Services include strategic advice on, for instance, international expansion, and acquisitions. The unit offers digital solutions to facilitate daily operations, including cross-border transfers and cash management.

Banking Nordic serves retail and commercial customers in Sweden, Norway and Finland, providing customer offerings similar to those of Banking DK. In addition, the unit encompasses the Group's global asset finance activities, such as lease activities.

Corporates & Institutions is the wholesale banking division of the Group. It serves all of the Group's corporate and institutional customers by offering expertise within financing, financial markets, general banking, investment services and corporate finance advisory services. In addition, the unit operates globally, supported by global product areas and local customer coverage, and acts as a bridge to the world for Nordic customers as well as a gateway into the Nordics for international customers. The unit bridges the financial needs of the institutional and corporate sectors, connecting issuers and investors. The unit is organised in four areas: a customer unit, named General Banking, and three product areas; named Capital Markets, Fixed Income & Currencies (FI&C) and Transaction Banking & Investor Services.

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

Northern Ireland serves retail and commercial customers through a network of branches and business centres in Northern Ireland alongside digital channels.

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up of this part of the loan portfolio. From 2019 the portfolio consists primarily of loans to customers in the Baltics and Russia and liquidity facilities for Special Purpose Vehicles (SPVs) and conduit structures.

Other Activities encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and interest on additional tier 1 capital, which is reported as an interest expense in the business units. Group Treasury is responsible for the Group's liquidity management and funding.

Presentation in the financial highlights and in the segment reporting

Segment reporting and the financial highlights are based on the information provided to management.

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments
First half 2019

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	4,305	3,774	1,787	335	765	-	-171	96	10,890	3,016	13,907
Net fee income	1,486	776	1,401	3,842	189	-	-123	-	7,570	-2,943	4,627
Net trading income	510	139	1,347	-270	70	-	189	143	2,128	27,695	29,823
Other income	115	322	1	1,293	7	-	84	-78	1,745	1,633	3,378
Net premiums	-	-	-	-	-	-	-	-	-	12,453	12,453
Net insurance benefits	-	-	-	-	-	-	-	-	-	40,323	40,323
Total income	6,416	5,011	4,535	5,199	1,030	-	-20	161	22,333	1,532	23,865
Operating expenses	3,635	2,804	2,388	2,663	595	-	820	-81	12,824	1,434	14,258
Profit before loan impairment charges	2,781	2,208	2,147	2,536	436	-	-840	242	9,509	99	9,608
Loan impairment charges	53	-82	520	-30	14	-	-5	-	470	369	839
Profit before tax, core	2,728	2,290	1,627	2,566	421	-	-835	242	9,039	-270	8,769
Profit before tax, Non-core	-	-	-	-	-	-270	-	-	-270	270	-
Profit before tax	**2,728**	**2,290**	**1,627**	**2,566**	**421**	**-270**	**-835**	**242**	**8,769**	**-**	**8,769**
Loans, excluding reverse transactions	871,220	609,577	200,724	81,434	49,487	-	28,589	-32,375	1,808,656	8,986	1,817,642
Other assets	328,668	52,506	3,259,019	662,160	31,519	-	3,062,463	-5,439,736	1,956,599	4,169	1,960,767
Total assets in Non-core	-	-	-	-	-	13,155	-	-	13,155	-13,155	-
Total assets	**1,199,888**	**662,084**	**3,459,743**	**743,594**	**81,006**	**13,155**	**3,091,052**	**-5,472,112**	**3,778,409**	**-**	**3,778,409**
Deposits, excluding repo deposits	294,330	241,932	270,529	73,403	64,060	-	2,616	-15,225	931,646	3,565	935,210
Other liabilities	872,075	386,513	3,157,401	650,555	10,406	-	3,072,808	-5,456,887	2,692,871	1,580	2,694,451
Allocated capital	33,482	33,639	31,813	19,637	6,540	-	23,637	-	148,748	-	148,748
Total liabilities in Non-core	-	-	-	-	-	5,145	-	-	5,145	-5,145	-
Total liabilities and equity	**1,199,888**	**662,084**	**3,459,743**	**743,594**	**81,006**	**5,145**	**3,099,061**	**-5,472,112**	**3,778,409**	**-**	**3,778,409**
Profit before tax as % p.a. of allocated capital (avg.)	16.2	13.7	10.3	27.8	12.7	-	-7.4	-	11.8	-	11.8
Cost/income ratio (%)	56.7	56.0	52.7	51.2	57.8	-	-4,100.0	-	57.4	-	59.7
Full-time-equivalent staff, end of period	3,465	2,593	1,675	2,180	1,335	320	9,894	-	21,462	-	21,462

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

Following the decision in the first quarter of 2019 to close down the banking activities in the Baltics and Russia, customers in these countries were transferred to the Non-core unit from Corporates & Institutions in the first quarter of 2019. Comparative information has not been restated.

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the impact on the fair value of loans granted by Realkredit Danmark from the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The line items 'Tax' and 'Net profit for the period' are therefore included for 2018, however as there are no differences in 2019, they are not included in 2019.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments

First half 2018

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassi-fication	IFRS financial statements
Net interest income	4,458	3,953	1,983	366	736	-	276	52	11,824	2,954	14,779
Net fee income	1,750	815	1,478	3,423	201	-	-117	-3	7,547	-2,235	5,312
Net trading income	450	145	1,528	16	41	-	151	172	2,502	-242	2,259
Other income	114	378	9	-47	6	-	79	-79	461	1,876	2,337
Net premiums	-	-	-	-	-	-	-	-	-	12,906	12,906
Net insurance benefits	-	-	-	-	-	-	-	-	-	14,003	14,003
Total income	6,772	5,290	4,998	3,758	984	-	389	144	22,334	1,257	23,590
Operating expenses	3,373	2,479	2,405	2,146	589	-	489	-81	11,400	1,335	12,734
Profit before loan impairment charges	3,399	2,811	2,593	1,612	394	-	-100	224	10,934	-78	10,856
Loan impairment charges	-594	2	-132	-33	50	-	-1	-	-707	274	-433
Profit before tax, core	3,993	2,809	2,725	1,645	344	-	-99	224	11,641	-352	11,289
Profit before tax, Non-core	-	-	-	-	-	48	-	-	48	-48	-
Profit before tax	3,993	2,809	2,725	1,645	344	48	-99	224	11,689	-400	11,289
Tax	-	-	-	-	-	-	2,499	-	2,499	-88	2,411
Net profit for the period	**3,993**	**2,809**	**2,725**	**1,645**	**344**	**48**	**-2,598**	**224**	**9,190**	**-312**	**8,878**
Loans, excluding reverse transactions	864,392	572,497	189,161	76,602	47,993	-	32,429	-34,682	1,748,393	16,747	1,765,139
Other assets	276,618	63,471	3,078,401	614,517	31,409	-	3,188,387	-5,311,683	1,941,122	158	1,941,280
Total assets in Non-core	-	-	-	-	-	16,905	-	-	16,905	-16,905	-
Total assets	**1,141,011**	**635,969**	**3,267,563**	**691,119**	**79,401**	**16,905**	**3,220,816**	**-5,346,365**	**3,706,419**	**-**	**3,706,419**
Deposits, excluding repo deposits	287,496	238,053	268,651	71,145	63,029	-	10,063	-11,643	926,794	10,258	937,052
Other liabilities	819,158	364,852	2,965,348	606,209	9,782	-	3,191,211	-5,334,721	2,621,839	971	2,622,810
Allocated capital	34,357	33,064	33,563	13,766	6,590	-	25,218	-	146,557	-	146,557
Total liabilities in Non-core	-	-	-	-	-	11,230	-	-	11,230	-11,230	-
Total liabilities and equity	**1,141,011**	**635,969**	**3,267,563**	**691,119**	**79,401**	**11,230**	**3,226,491**	**-5,346,365**	**3,706,419**	**-**	**3,706,419**
Profit before tax as % p.a. of allocated capital (avg.)	23.2	17.3	15.7	24.3	10.3	-	-0.7	-	15.6	-	15.0
Cost/income ratio (%)	49.8	46.9	48.1	57.1	59.9	-	125.7	-	51.0	-	54.0
Full-time-equivalent staff, end of period	3,396	2,546	1,836	2,203	1,289	386	8,701	-	20,357	-	20,357

The comparative information has been restated compared with the information in interim report for the first half of 2018 to reflect the new business segments structure that became effective on 2 May 2018. For further information, see Annual Report 2018 page 91. Further, figures for the line items 'Loans, excluding reverse transactions' and 'Other assets' in the IFRS financial statements' column in the table above have been restated compared with the figures in Interim report – first half 2018 as this report had reverse transactions at fair value included in 'Loans, excluding reverse transactions'. Therefore, the figures for these line items have also been restated in the 'Reclassification' column.

The difference between the financial highlights and the IFRS financial statements regarding profit before tax and tax corresponds to the impact on the fair value of the loans granted by Realkredit Danmark from the new expected credit loss model developed in connection with the Group's implementation of IFRS 9.

Notes – Danske Bank Group

3. Business model and business segmentation continued

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

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

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

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

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

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

In the IFRS income statement, income from FI&C, Capital Markets and Group Treasury is presented as Net interest income, Net fee income, Net trading income and Other income, depending on the type of income. The distribution of income between the various income line items can vary considerably from one year to the next, depending on the underlying transactions and market conditions. To better reflect income in those areas, the following reclassifications are made in the financial highlights:

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

Danica Pension

In the IFRS income statement, income and expenses in Danica Pension (part of Wealth Management) is consolidated on a line-by-line basis. In the financial highlights, the following reclassifications are made to better reflect income from the services provided to customers:

- The risk allowance and income from the unit-link business are presented as Net fee income
- The return on assets related to the health and accident business is presented as Net trading income
- The risk and guarantee result, net income from the health and accident business and the income from recharge to customers of certain expenses are presented as Other income
- All costs, except external investment costs, are presented under Operating expenses

Non-core

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

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

IFRS 9 impact in 2018

Loans granted by Realkredit Danmark (RD) are measured at fair value (both under IAS 39 and under IFRS 9). From 1 January 2018, the IFRS 13 estimate of the fair value of the credit risk on loans granted by Realkredit Danmark is based on the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The impact from the expected credit loss impairment model on these loans at 1 January 2018 is recognised as a change in an accounting estimate in the IFRS income statement. To recognise the changes in RD due to the expected credit loss impairment model in IFRS 9 similarly to all other IFRS 9 changes in the Group and to better reflect the actual performance in 2018, the impact is recognised as a reduction in shareholders' equity in the financial highlights together with the other changes from the implementation of IFRS 9. For 2018, reclassification therefore include this adjusting item, and profit before tax, tax and net profit for the year is not the same in the financial highlights and the IFRS income statement.

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Reclassifications
First half
2019

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Reclassification	Financial highlights
Net interest income	13,907	-	-385	-2,536	-96	-3,016	10,890
Net fee income	4,627	-	75	2,871	-3	2,943	7,570
Net trading income	29,823	-	311	-27,998	-8	-27,695	2,128
Other income	3,378	-1,699	-1	69	-2	-1,633	1,745
Net premiums	12,453	-	-	-12,453	-	-12,453	-
Net insurance benefits	40,323	-	-	-40,323	-	-40,323	-
Total income	23,865	-1,699	-	276	-109	-1,532	22,333
Operating expenses	14,258	-1,699	-	276	-10	-1,434	12,824
Profit before loan impairment charges	9,608	-	-	-	-99	-99	9,509
Loan impairment charges	839	-	-	-	-369	-369	470
Profit before tax, core	8,769	-	-	-	270	270	9,039
Profit before tax, Non-core	-	-	-	-	-270	-270	-270
Profit before tax	**8,769**	**-**	**-**	**-**	**-**	**-**	**8,769**

Reclassification
First half
2018

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	IFRS 9 impact	Reclassification	Financial highlights
Net interest income	14,779	-	-443	-2,427	-84	-	-2,954	11,824
Net fee income	5,312	-	112	2,133	-10	-	2,235	7,547
Net trading income	2,259	-	352	-107	-3	-	242	2,502
Other income	2,337	-1,418	-21	-436	-1	-	-1,876	461
Net premiums	12,906	-	-	-12,906	-	-	-12,906	-
Net insurance benefits	14,003	-	-	-14,003	-	-	-14,003	-
Total income	23,590	-1,418	-	259	-98	-	-1,257	22,334
Operating expenses	12,734	-1,418	-	259	-176	-	-1,335	11,400
Profit before loan impairment charges	10,856	-	-	-	78	-	78	10,934
Loan impairment charges	-433	-	-	-	126	-400	-274	-707
Profit before tax, core	11,289	-	-	-	-48	400	352	11,641
Profit before tax, Non-core	-	-	-	-	48	-	48	48
Profit before tax	11,289	-	-	-	-	400	400	11,689
Tax	2,411	-	-	-	-	88	88	2,499
Net profit for the period	**8,878**	**-**	**-**	**-**	**-**	**312**	**312**	**9,190**

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the impact on the fair value of loans granted by Realkredit Danmark from the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The line items 'Tax' and 'Net profit for the period' are therefore included for 2018, but as there are no differences in 2019, they are not included in 2019.

Notes – Danske Bank Group

4. Income

Interest income and interest expenses

Negative interest income during the first half of 2019 amounted to DKK 1,338 million (30 June 2018: DKK 1,431 million). Negative interest expenses amounted to DKK 1,230 million (30 June 2018: DKK 1,619 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

Fee income

Note 6 in Annual Report 2018 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Net fee income by fee type (DKK millions)	30 June 2019	30 June 2018
Investment	2,385	2,806
Pension and Insurance	2,186	1,600
Money transfers, account fees and cash management	1,317	1,434
Lending and Guarantees	1,079	1,082
Capital markets	603	626
Total	**7,570**	**7,547**

Net fee income	7,570	7,547
Reclassifications	-2,943	-2,235
IFRS - net fee income	**4,627**	**5,312**
Fee expense	3,057	3,421
IFRS - gross fee income	**7,683**	**8,734**

Other income

Other income amounted to DKK 3,378 million for the period ending 30 June 2019 (30 June 2018: DKK 2,155 million) and includes the gain of DKK 1.3 billion on the sale of Danica Försäkringsaktiebolag. In addition, Other income includes primarily income from lease assets, investment property and real estate brokerage and income from holdings in associates.

Notes – Danske Bank Group

5. Loan impairment charges and reconciliation of total allowance account

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

Loan impairment charges

(DKK millions)	30 June 2019	30 June 2018
IFRS 9 impact on loans granted by Realkredit Danmark 1 January 2018	-	400
ECL on new assets	2,309	1,942
ECL on assets derecognised	-2,213	-2,462
Impact of net remeasurement of ECL (incl. changes in models)	621	-158
Write-offs charged directly to income statement	509	308
Received on claims previously written off	-250	-316
Interest income, effective interest method	-136	-148
Total	**839**	**-433**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2018	1,499	5,578	16,242	23,319
Transferred to stage 1 during the period	1,018	-856	-162	-
Transferred to stage 2 during the period	-39	886	-847	-
Transferred to stage 3 during the period	-23	-423	446	-
ECL on new assets	362	1,059	1,663	3,085
ECL on assets derecognised	-358	-1,197	-2,473	-4,027
Impact of net remeasurement of ECL (incl. changes in models)	-828	436	876	484
Write-offs debited to the allowance account	-30	-14	-1,691	-1,734
Foreign exchange adjustments	-12	-6	-16	-34
Other changes	12	-12	80	79
ECL allowance account as at 31 December 2018	**1,601**	**5,450**	**14,118**	**21,170**
Transferred to stage 1 during the period	273	-251	-22	-
Transferred to stage 2 during the period	-287	450	-162	-
Transferred to stage 3 during the period	-3	-155	158	-
ECL on new assets	169	742	1,398	2,309
ECL on assets derecognised	-181	-626	-1,406	-2,213
Impact of net remeasurement of ECL (incl. changes in models)	-330	369	581	621
Write-offs debited to the allowance account	-1	-3	-967	-971
Foreign exchange adjustments	-	5	60	65
Other changes	74	-179	-173	-277
ECL allowance account as at 30 June 2019	**1,316**	**5,801**	**13,586**	**20,703**

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

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

Notes – Danske Bank Group

6. Loans at fair value

Loans at fair value consists of loans granted by the subsidiary Realkredit Danmark and loans in the trading units of Corporates & Institutions. The loans in the trading units consist primarily of reverse transactions and short-term loans. As at 30 June 2019, these loans amounted to DKK 254,498 million (31 December 2018: DKK 262,410 million).

7. Deposits

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

(DKK millions)	30 June 2019	31 December 2018
Deposits from other credit institutions	222,229	248,601
hereof repo transactions	94,007	99,956
Other deposits	1,117,275	1,059,119
hereof repo transactions	182,064	162,225
Total deposits excluding repo transactions	**1,063,432**	**1,045,540**

Of total deposits excluding repo transactions as at 30 June 2019, 29% (31 December 2018: 31%) represents wholesale deposits ranking pari passu with senior creditors. These wholesale deposits exclude deposits from other credit institutions with an original maturity of less than seven days. If deposits from other credit institutions are excluded, the percentage is 25% at 30 June 2019 (31 December 2018: 24%).

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

Issued bonds

In general, issued bonds are measured at amortised cost. However, bonds issued by Realkredit Danmark and commercial papers and certificates of deposits issued by the trading units of Corporates & Institutions are measured at fair value through profit or loss.

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

Issued bonds at fair value

(DKK millions)	30 June 2019	31 December 2018
Bonds issued by Realkredit Danmark (covered bonds)	779,074	741,092
Commercial Papers and certificates of deposits	13,278	18,496
Issued bonds at fair value, total	**792,352**	**759,588**

Issued bonds at amortised cost

(DKK millions)	30 June 2019	31 December 2018
Commercial Papers and certificates of deposits	2,841	1,864
Preferred senior bonds	78,560	91,087
Covered bonds	206,350	192,679
Issued bonds at amortised cost, total	**287,751**	**285,629**
Non-preferred senior bonds	**66,216**	**26,353**

Notes – Danske Bank Group

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

Nominal value	1 January 2019	Issued	Redeemed	Foreign currency translation	30 June 2019
Commercial papers and certificate of deposits	20,359	39,574	43,908	32	16,058
Preferred senior bonds	93,941	1,112	10,538	161	84,677
Covered bonds	188,568	15,064	3,796	-360	199,476
Non-preferred senior bonds	26,441	38,701	-	102	65,243
Other issued bonds	**329,309**	**94,452**	**58,241**	**-65**	**365,455**

Nominal value (DKK millions)	1 January 2018	Issued	Redeemed	Foreign currency translation	31 December 2018
Commercial papers and certificate of deposits	101,319	178,925	262,333	2,448	20,359
Preferred senior bonds	127,630	3,535	39,275	2,051	93,941
Covered bonds	174,911	34,885	20,056	-1,172	188,568
Non-preferred senior bonds	-	26,066	-	375	26,441
Other issued bonds	**403,859**	**243,411**	**321,663**	**3,702**	**329,309**

Covered bonds include issued junior covered bonds in Realkredit Danmark A/S of DKK 3.2 billion (31 December 2018: DKK 6.0 billion), which are excluded in the Funding and liquidity section of the Management's report. In March 2019, the Group issued the so-called green non-preferred senior bonds with a nominal value of EUR 500 million (DKK 3,732 million), which in the table is included under non-preferred senior bonds.

Subordinated debt and additional tier 1 capital

During the first half of 2019, the Group issued DKK 5,599 million and redeemed DKK 3,455 million of tier 2 capital. During 2018, the Group issued DKK 4,891 million of additional tier 1 capital accounted for as liabilities and redeemed DKK 10,911 million of tier 2 capital.

As at 30 June 2019, the total nominal value of issued additional tier 1 capital amounted to DKK 24,040 million (31 December 2018: DKK 23,983 million) of which DKK 14,195 million (31 December 2018: 14,201 million) is accounted for as equity. Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 5.5.3 of Risk Management 2018 for further information). As at 30 June 2019, distributable items for Danske Bank A/S amounted to DKK 116.7 billion (31 December 2018: DKK 116.8 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 2019 the common equity tier 1 capital ratio was 19.6% (31 December 2018: 19.7%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

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

Assets held for sale and Liabilities in disposal groups held for sale includes assets and liabilities that falls under IFRS 5

Assets held for sale

(DKK millions)	30 June 2019	31 December 2018
Danica Pension Försäkringsaktiebolag	-	58,901
Loans held for sale	3,354	944
Other	416	402
Total	**3,770**	**60,247**

In December 2018, Danica Pension entered into an agreement to sell Danica Pension Försäkringsaktiebolag. The sale was conditional on approval by relevant authorities. After final approval, the sale settled in May 2019. The sale resulted in a gain of DKK 1.3 billion.

At the end of June 2019, loans held for sale consists primarily of a portfolio of loans in Estonia that together with related liabilities was classified as a disposal group held for sale in the first quarter of 2019. In June 2019, the Group entered into an agreement where the counterparty intends to acquire the portfolio. The occurrence of the sale is conditional on further negotiations, including final scope and price of the transaction. Both parties expect to finalise the transaction in the autumn of 2019.

At the end of 2018, loans held for sale consisted of a portfolio of non-performing loans of DKK 944 million that was sold with settlement in the first quarter of 2019.

In April 2019, the Group, together with the other owners, entered into an agreement to sell the shares in the associate undertaking LR Realkredit. The sale is conditional on approval by relevant authorities.

Liabilities in disposal groups held for sale of DKK 331 million at 30 June 2019 relate to the exit from Estonia. At the end of 2018, liabilities held for sale consisted of deposits under unit-linked contracts and insurance liabilities in Danica Pension Försäkringsaktiebolag.

10. Other assets and other liabilities

Other assets amounted to DKK 38,515 million (31 December 2018: DKK 30,239 million), including holdings in associates of DKK 385 million (31 December 2018: DKK 381 million), investment property of DKK 3,068 million (31 December 2018: DKK 3,167 million), tangible assets of DKK 8,076 million (31 December 2018: DKK 7,768 million) and right-of-use lease assets of DKK 5,972 million, including domicile property of DKK 4,933 million and other tangible assets of DKK 1,039 million. There are no comparatives for right-of-use assets, as the accounting standard IFRS 16 was implemented on 1 January 2019. Refer to note 2 for a description of the implementation of IFRS 16 and the impact to the opening balance sheet as at 1 January 2019.

Other liabilities amounted to DKK 41,765 million (31 December 2018: DKK 40,117 million), including accrued interest and commissions due of DKK 5,698 million (31 December 2018: DKK 7,159 million), lease liabilities of DKK 5,836 million, other staff commitments of DKK 2,697 million (31 December 2018: DKK 2,960 million) and the provision of DKK 1,500 million relating to the donation of the estimated gross income from the non-resident portfolio at the Estonian branch. Any confiscated or disgorged gross income will be deducted from the donation to the foundation.

11. 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 32,792 million (31 December 2018: DKK 33,367 million). The loans represent part of the capital allocated to these units. The settlement of the loans is neither planned nor likely to occur in the foreseeable future and the loans are part of the net investment in those units. Therefore, the foreign currency gains/losses on these loans are recognised in Other comprehensive income. Until May 2019, the currency risk on the loans was hedged by establishing funding arrangements with third parties in the matching currencies and the foreign currency gains/losses on these funding arrangements were also recognised in Other comprehensive income. In May 2019, part of the funding was changed to DKK in order to create so-called structural FX hedge positions 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. 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 2019, the structural FX hedge position totalled DKK 30,659 million and a gain of DKK 330 million has been recognised in Other comprehensive income.

Notes – Danske Bank Group

12. 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 2019	31 December 2018
Financial guarantees	5,029	6,513
Other guarantees	69,298	77,204
Total	**74,327**	**83,717**

(b)Commitments (DKK millions)	30 June 2019	31 December 2018
Loan commitments shorter than 1 year	206,008	183,767
Loan commitments longer than 1 year	168,164	161,350
Other unutilised loan commitments	287	282
Total	**374,459**	**345,399**

In addition to credit exposure from lending activities, uncommitted loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 253 billion (31 December 2018: DKK 205 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

(c) Regulatory and legal proceedings

Danske Bank is in dialogue with the authorities regarding the terminated non-resident portfolio at the Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the USA.

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

In November 2018, Danske Bank was preliminary charged by the Danish State Prosecutor for Serious Economic and international Crime ("SØIK") with violating the Danish AML Act on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016.

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

The Bank is reporting to, responding to inquiries and cooperating with various authorities, including the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), relating to the Bank's Estonian branch.

Danske Bank is cooperating with these authorities. The timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain. It is not yet possible to reliably estimate the timing or amount of potential settlement or fines, if any, which could be material.

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

On 9 January 2019, an action was filed in the United States District Court for the Southern District of New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against the Bank and certain of its officers and former officers and/or directors. The complaint alleges that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 by, among other things, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters. The complaint seeks unspecified damages on behalf of a putative class of purchasers of the Bank's American Depositary Receipts between 9 January 2014 and 29 April 2019. The Bank intends to defend itself against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

Notes – Danske Bank Group

12. Contingent liabilities continued

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action led by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 14 March 2019, 169 separate cases were further initiated simultaneously concerning shareholder claims relating to the Estonian AML matter with claims totalling approximately DKK 3.5 billion. These court actions filed with the Copenhagen City Court relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and alleged failure to timely inform the market of such violations. The Bank intends to defend itself against these claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

Owing to its business volume, Danske Bank is continually a party to other various lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA on other matters. In general, Danske Bank does not expect the outcomes of any of these 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.

(d) Further explanation

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

The Group participates in the Danish Guarantee Fund and the Danish Resolution Fund. The funds' capital must amount to at least 0.8% and 1%, respectively, of the covered deposits of all Danish credit institutions by 31 December 2024. The 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. Danske Bank A/S and Realkredit Danmark A/S make contributions to the Resolution Fund on the basis of their size and risk relative to other credit institutions in Denmark. The annual contribution is accrued over the year as operating expenses. If the Resolution Fund does not have sufficient means to make the required payments, extraordinary contributions of up to three times the latest annual contributions may be required. Further, Danish banks participate in the Danish Restructuring Fund, which reimburses creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015.

Payments to the Restructuring Fund are calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark. However, each institution's contribution to the Restructuring Fund may not exceed 0.2% of its covered deposits.

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

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

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

Notes – Danske Bank Group

13. Assets provided or received as collateral

As at 30 June 2019, the Group had deposited securities worth DKK 8.1 billion as collateral with Danish and international clearing centres and other institutions (31 December 2018: DKK 9.8 billion).

As at 30 June 2019, the Group had provided cash and securities worth DKK 98.6 billion as collateral for derivatives transactions (31 December 2018: DKK 74.1 billion).

As at 30 June 2019, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 450.6 billion (31 December 2018: DKK 410.1 billion) as collateral for policyholders' savings of DKK 428.3 billion (31 December 2018: DKK 399.5 billion).

As at 30 June 2019, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 818.6 billion (31 December 2018: DKK 811.6 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 333.2 billion (31 December 2018: DKK 310.2 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

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

	30 June 2019			31 December 2018		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	37,345	37,345	-	38,658	38,658
Trading portfolio securities	252,840	78,506	331,346	245,428	60,851	306,279
Loans at fair value	-	803,995	803,995	-	794,930	794,930
Loans at amortised cost	-	344,933	344,933	-	317,543	317,543
Assets under insurance contracts	-	352,073	352,073	-	325,220	325,220
Other assets	-	72	72	-	81	81
Total	**252,840**	**1,616,924**	**1,869,765**	**245,428**	**1,537,283**	**1,782,711**
Own issued bonds	22,755	90,177	112,932	15,346	79,392	94,737
Total, including own issued bonds	**275,595**	**1,707,102**	**1,982,697**	**260,774**	**1,616,675**	**1,877,448**

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 252.8 billion at 30 June 2019 (31 December 2018: DKK 245.4 billion).

At 30 June 2019, the Group had received securities worth DKK 375.5 billion (31 December 2018: DKK 332.4 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At 30 June 2019, the Group had sold securities or provided securities as collateral worth DKK 151.9 billion (31 December 2018: DKK 149.2 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. The risk management notes in Annual report 2018 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

14. Fair value information for financial instruments

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

	30 June 2019		31 December 2018	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	137,358	-	40,997
Due from credit institutions and central banks	59,565	97,063	56,978	168,622
Trading portfolio assets	534,067	-	415,818	-
Investment securities	143,779	121,727	134,004	142,420
Loans at amortised cost	-	1,014,937	-	986,240
Loans at fair value	1,058,493	-	1,057,340	-
Assets under pooled schemes and unit-linked investment contracts	94,818	-	93,988	-
Assets under insurance contracts	421,284	-	341,156	-
Loans held for sale and insurance assets	-	3,354	58,901	944
Total	**2,312,006**	**1,374,439**	**2,158,185**	**1,339,223**
Financial liabilities				
Due to credit institutions and central banks	142,341	79,888	186,097	62,504
Trading portfolio liabilities	450,973	-	390,226	-
Deposits	196,011	921,263	171,591	887,528
Issued bonds at fair value	792,352	-	759,588	-
Issued bonds at amortised cost	-	287,751	-	285,629
Deposits under pooled schemes and unit-linked investment contracts	100,177	-	97,840	-
Liabilities in disposal groups held for sale	-	331	58,467	-
Non-preferred senior bonds	-	66,216	-	26,353
Subordinated debt	-	25,415	-	23,092
Loan commitments and guarantees	-	2,532	-	2,450
Total	**1,681,854**	**1,383,396**	**1,663,809**	**1,287,556**

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

Financial instruments at fair value

Note 31 in Annual Report 2018 provides more information about fair value calculation methods for financial instruments.

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

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

Financial instruments at amortised cost

Note 31 in Annual Report 2018 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. No significant change to this difference has occurred during the first half of 2019.

Notes – Danske Bank Group

14. Fair value information for financial instruments continued

	Quoted prices	Observable input	Non-observable input	Total
30 June 2019				
Financial assets				
Due from credit institutions and central banks	-	59,565	-	59,565
Derivatives				
Interest rate contracts	5,237	231,393	3,852	240,482
Currency contracts etc.	23	59,021	1,197	60,241
Trading portfolio bonds	209,099	18,315	-	227,414
Trading portfolio shares	5,702	-	228	5,930
Investment securities, bonds	123,142	19,426	-	142,568
Investment securities, shares	43	-	1,168	1,211
Loans at fair value	-	1,058,493	-	1,058,493
Assets under pooled schemes and unit-linked investment contracts	94,818	-	-	94,818
Assets under insurance contracts, bonds				
Danish mortgage bonds	63,343	8,013	327	71,683
Other covered bonds	91,382	11,417	6,908	109,707
Assets under insurance contracts, shares	99,820	2,464	39,309	141,593
Assets under insurance contracts, derivatives	1,700	95,970	631	98,301
Total	**694,309**	**1,564,077**	**53,620**	**2,312,006**
Financial liabilities				
Due to credit institutions and central banks	-	142,341	-	142,341
Derivatives				
Interest rate contracts	4,775	211,348	3,398	219,521
Currency contracts etc.	15	78,933	647	79,595
Obligations to repurchase securities	150,954	889	13	151,856
Deposits	-	196,011	-	196,011
Issued bonds at fair value	792,352	-	-	792,352
Deposits under pooled schemes and unit-linked investment contracts	-	100,177	-	100,177
Total	**948,096**	**729,699**	**4,058**	**1,681,854**

Notes – Danske Bank Group

14. Fair value information for financial instruments continued

	Quoted prices	Observable input	Non-observable input	Total
31 December 2018				
Financial assets				
Due from credit institutions and central banks	-	56,978	-	56,978
Derivatives				
Interest rate contracts	5,169	156,378	2,833	164,380
Currency contracts etc.	12	78,343	1,539	79,894
Trading portfolio bonds	152,369	13,962	-	166,331
Trading portfolio shares	4,790	-	423	5,213
Investment securities, bonds	102,791	30,095	-	132,886
Investment securities, shares	40	-	1,077	1,117
Loans at fair value	-	1,057,340	-	1,057,340
Assets under pooled schemes and unit-linked investment contracts	93,988	-	-	93,988
Assets under insurance contracts, bonds				
Danish mortgage bonds	74,998	9,774	325	85,097
Other covered bonds	94,534	8,169	3,806	106,509
Assets under insurance contracts, shares	76,542	2,431	33,306	112,279
Assets under insurance contracts, derivatives	340	34,239	2,692	37,271
Assets held for sale	58,901	-	-	58,901
Total	**664,474**	**1,447,709**	**46,001**	**2,158,184**
Financial liabilities				
Due to credit institutions and central banks	-	186,097	-	186,097
Derivatives				
Interest rate contracts	5,977	134,767	2,784	143,528
Currency contracts etc.	7	96,673	784	97,464
Obligations to repurchase securities	147,508	1,650	76	149,234
Deposits	-	171,591	-	171,591
Issued bonds at fair value	759,588	-	-	759,588
Deposits under pooled schemes and unit-linked investment contracts	-	97,840	-	97,840
Liabilities in disposal groups held for sale	-	58,467	-	58,467
Total	**913,080**	**747,085**	**3,644**	**1,663,809**

Notes – Danske Bank Group

14. Fair value information for financial instruments continued

As at 30 June 2019, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 40,692 million (31 December 2018: DKK 34,730 million), illiquid bonds of DKK 7,235 million (31 December 2018: DKK 4,131 million) and derivatives with a net market value of DKK 1,635 million (31 December 2018: DKK 3,497 million).

Unlisted shares of DKK 39,309 million (31 December 2018: DKK 33,306 million) are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the shares. Changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The remaining portfolio of unlisted shares of DKK 1,383 million (31 December 2018: DKK 1,424 million) consists primarily of banking-related investments and holdings in private equity funds. A 10% increase or decrease in the fair value would amount to DKK 138 million (31 December 2018: DKK 142 million). Under the current market conditions, a 10% decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. In the first half of 2019, the Group recognised DKK 111 million in unrealised losses (30 June 2018: DKK 192 million) and DKK 14 million in realised gains (30 June 2018: DKK 13 million) on those shares. The unrealised adjustments in the first half of 2019 and in 2018 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised gains in the first half of 2019 amounted to DKK 462 million (30 June 2018: DKK 612 million, unrealised losses) and the realised gains to DKK 1,141 million (30 June 2018: DKK 441 million).

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 135 million (31 December 2018: DKK 110 million). If the credit spread narrows 50bp, fair value will increase DKK 135 million (31 December 2018: DKK 110 million).

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

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

	30 June 2019			31 December 2018		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	34,730	4,131	3,497	19,359	4,016	-389
Value adjustment through profit or loss	1,698	7	547	1,905	43	272
Acquisitions	25,849	9,610	84	15,752	1,348	3,714
Sale and redemption	-21,585	-6,513	-2,492	-6,914	-1,276	44
Transferred from quoted prices and observable input	-	-	-	4,628	-	-160
Transferred to quoted prices and observable input	-	-	-1	-	-	15
Fair value end of period	**40,692**	**7,235**	**1,635**	**34,730**	**4,131**	**3,497**

The valuation of derivatives includes amortisation of the value of initial margins over the remaining term to maturity. The initial margins relate to elements not covered by CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. As at 30 June 2019, the value of unamortised initial margins was DKK 1,308 million (31 December 2018: DKK 1,180 million).

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2018 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions)		Lending activities				
30 June 2019	Total	Core	Non-core	Counter-party credit risk	Trading and investment securities	Customer-funded in-vestments
Balance sheet items						
Demand deposits with central banks	131.5	131.5	0.1	-	-	-
Due from credit institutions and central banks	156.6	96.7	0.4	59.6	-	-
Trading portfolio assets	534.1	-	-	300.7	233.3	-
Investment securities	265.5	-	-	-	265.5	-
Loans at amortised cost	1,014.9	1,006.0	9.0	-	-	-
Loans at fair value	1,058.5	804.0	-	254.5	-	-
Assets under pooled schemes and unit-linked investment contracts	94.8	-	-	-	-	94.8
Assets under insurance contracts	459.4	-	-	-	-	459.4
Loans held for sale	3.4	-	3.4	-	-	-
Off-balance-sheet items						
Guarantees	74.3	73.6	0.7	-	-	-
Loan commitments shorter than 1 year	206.0	203.5	2.5	-	-	-
Loan commitments longer than 1 year	168.2	167.4	0.8	-	-	-
Other unutilised commitments	0.3	-	-	-	0.3	-
Total	**4,167.5**	**2,482.6**	**16.8**	**614.7**	**499.1**	**554.2**
31 December 2018						
Balance sheet items						
Demand deposits with central banks	32.2	32.2	-	-	-	-
Due from credit institutions and central banks	225.6	168.6	-	57.0	-	-
Trading portfolio assets	415.8	-	-	244.3	171.5	-
Investment securities	276.4	-	-	-	276.4	-
Loans at amortised cost	986.2	972.1	14.1	-	-	-
Loans at fair value	1,057.3	794.9	-	262.4	-	-
Assets under pooled schemes and unit-linked investment contracts	94.0	-	-	-	-	94.0
Assets under insurance contracts	377.4	-	-	-	-	377.4
Off-balance-sheet items						
Guarantees	83.7	83.1	0.7	-	-	-
Loan commitments shorter than 1 year	183.8	181.0	2.7	-	-	-
Loan commitments longer than 1 year	161.3	160.4	0.9	-	-	-
Other unutilised commitments	0.3	-	-	-	0.3	-
Total	**3,894.1**	**2,392.3**	**18.4**	**563.7**	**448.2**	**471.4**

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 253 billion at 30 June 2019 (31 December 2018: DKK 205 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

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

For details about the Group's credit risk management and the use of information on expected credit losses for risk management purposes, see Risk Management 2018.

Classification of customers

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

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

In its credit risk management, the Group uses point in time (PIT) PD estimates for risk classification. These PIT PD estimates express a customer's probability of default within the next 12 months in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands. During a downturn, a customer's PIT PD may increase, and the customer may migrate to a lower rating category. The effect from a downturn is thus larger when PIT PD is used than if the classification were based on through-the-cycle (TTC) PD, which the Group uses to calculate the risk exposure amount for credit risk.

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

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

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

A facility is transferred from stage 2 to stage 3 when it becomes credit-impaired. A facility becomes credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. This includes observable data about (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event; (c) the borrower, for financial or contractual reasons relating to the borrower's financial difficulty, having been granted a concession that would not otherwise have been considered; (d) it is becoming probable that the borrower will enter into bankruptcy or other financial restructuring; and (e) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss. It may not be possible to identify a single discrete event – instead, the combined effect of several events may cause a financial asset to become credit-impaired. Credit-impaired facilities are placed in rating category 10 or 11. For customers in rating category 10, the stage 3 classification applies only to customers where a loss is expected in the most likely scenario. For rating category 11 (default), all facilities are classified as stage 3 exposures.

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

Notes – Danske Bank Group

Credit exposure continued

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

30 June 2019	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	200.3	0.0	-	0.0	0.0	-	200.3	0.0	-	190.3	0.0	-
2	0.01	0.03	183.9	0.2	0.0	0.0	0.0	0.0	183.9	0.2	0.0	100.0	0.0	-0.0
3	0.03	0.06	467.3	0.9	0.0	0.0	0.0	0.0	467.3	0.9	0.0	183.0	0.2	0.0
4	0.06	0.14	601.8	4.1	0.1	0.1	0.0	0.0	601.7	4.1	0.1	221.0	2.7	0.0
5	0.14	0.31	458.4	20.0	0.0	0.2	0.1	0.0	458.3	19.9	0.0	145.6	11.0	-0.0
6	0.31	0.63	245.5	25.0	0.1	0.3	0.3	0.0	245.3	24.7	0.1	82.1	9.3	-0.0
7	0.63	1.90	125.3	50.0	0.1	0.2	1.2	0.0	125.1	48.7	0.1	34.9	13.8	-0.0
8	1.90	7.98	11.6	38.7	0.1	0.4	2.4	0.0	11.1	36.3	0.1	2.8	9.6	-0.0
9	7.98	25.70	0.9	10.6	0.1	0.0	1.3	0.0	0.9	9.3	0.1	0.3	2.8	0.0
10	25.70	99.99	5.0	8.3	23.2	0.0	0.3	4.7	5.0	8.0	18.5	1.9	1.6	6.2
11 (default)	100.00	100.00	1.4	0.4	18.9	-	-	8.1	1.4	0.4	10.8	0.5	0.1	1.0
Total			**2,301.6**	**158.2**	**42.6**	**1.3**	**5.7**	**12.8**	**2,300.3**	**152.5**	**29.8**	**962.4**	**51.1**	**7.2**

31 December 2018	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	178.9	0.1	-	0.0	0.0	-	178.9	0.1	-	193.2	0.0	-
2	0.01	0.03	169.8	0.3	0.0	0.0	0.0	0.0	169.8	0.3	0.0	88.4	0.1	0.0
3	0.03	0.06	443.9	0.9	0.0	0.0	0.0	0.0	443.8	0.9	0.0	151.6	0.2	0.0
4	0.06	0.14	593.2	10.2	0.2	0.1	0.0	0.0	593.1	10.2	0.2	218.1	8.5	0.0
5	0.14	0.31	442.7	13.7	0.4	0.2	0.1	0.0	442.5	13.6	0.4	136.8	6.1	0.0
6	0.31	0.63	246.4	17.4	0.1	0.3	0.3	0.0	246.1	17.1	0.1	76.5	5.2	0.0
7	0.63	1.90	131.5	45.4	0.1	0.3	1.4	0.0	131.2	44.0	0.1	38.6	14.0	0.0
8	1.90	7.98	16.3	32.2	0.1	0.6	2.0	0.0	15.6	30.2	0.1	3.3	7.8	0.0
9	7.98	25.70	1.3	9.4	0.2	0.1	1.1	0.0	1.2	8.3	0.2	0.4	2.0	0.2
10	25.70	99.99	4.3	8.9	22.1	0.0	0.4	4.4	4.3	8.6	17.7	1.4	1.6	5.5
11 (default)	100.00	100.00	1.4	1.1	20.3	-	0.1	9.0	1.4	1.0	11.3	0.1	0.1	0.9
Total			**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

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. The Group has updated this segmentation in the first quarter of 2019 in order to better reflect current credit risk management areas. Comparative information has been restated to reflect the amended industry segmentation.

30 June 2019	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	238.8	0.0	0.0	0.0	0.0	0.0	238.8	0.0	0.0	253.8	0.0	0.0
Financials	100.8	1.5	0.5	0.1	0.0	0.2	100.7	1.4	0.3	64.3	0.9	0.1
Agriculture	52.2	16.4	6.8	0.1	1.3	1.9	52.1	15.1	4.9	11.9	2.5	0.6
Automotive	32.6	0.9	0.4	0.0	0.0	0.2	32.6	0.9	0.3	24.0	0.4	0.1
Capital goods	62.4	6.7	1.6	0.0	0.1	0.5	62.4	6.6	1.1	54.1	5.7	0.8
Commercial Property	281.9	22.7	5.7	0.2	0.7	1.4	281.8	22.0	4.3	50.7	8.0	0.4
Construction & Building materials	47.1	6.4	1.1	0.0	0.1	0.5	47.1	6.2	0.6	34.8	3.8	0.3
Consumer goods	64.1	3.2	0.9	0.0	0.1	0.3	64.1	3.1	0.6	46.8	2.1	0.2
Hotels, restaurants and leisure	14.6	1.0	0.6	0.0	0.0	0.1	14.5	0.9	0.5	4.7	0.4	0.1
Metals and Mining	11.5	0.5	0.3	0.0	0.0	0.2	11.5	0.5	0.1	9.1	0.3	0.1
Other Commercials	24.7	0.2	0.1	0.0	0.0	0.0	24.7	0.2	0.0	22.2	0.1	-0.0
Pharma and medical devices	36.7	1.4	0.0	0.0	0.0	0.0	36.7	1.3	0.0	33.7	1.2	0.0
Private Housing Co-ops. & Non-Profit Associations	190.0	5.2	2.2	0.0	0.2	0.4	190.0	5.1	1.8	32.5	0.6	0.3
Pulp and Paper, Chemicals	30.6	1.7	0.3	0.0	0.0	0.1	30.6	1.7	0.2	23.3	0.7	0.0
Retailing	24.8	2.8	1.1	0.0	0.2	0.6	24.8	2.6	0.5	14.8	1.8	0.2
Services	54.6	2.7	0.9	0.0	0.1	0.5	54.5	2.6	0.4	40.9	1.3	0.1
Shipping, Oil & Gas	41.2	11.8	10.4	0.0	0.4	2.3	41.2	11.3	8.1	19.9	5.7	2.7
Social services	26.4	0.8	0.4	0.0	0.0	0.1	26.4	0.8	0.4	12.0	0.3	0.0
Telecom & Media	18.9	0.8	0.2	0.0	0.0	0.1	18.9	0.7	0.1	17.1	0.5	0.0
Transportation	12.5	1.7	0.2	0.0	0.0	0.1	12.5	1.6	0.2	6.7	0.6	0.0
Utilities and infrastructure	42.0	0.7	0.1	0.0	0.0	0.0	42.0	0.7	0.1	29.2	0.2	0.0
Personal Customers	893.1	69.2	8.7	0.7	2.1	3.3	892.4	67.1	5.4	156.0	14.1	1.0
Total	**2,301.6**	**158.2**	**42.6**	**1.3**	**5.7**	**12.8**	**2,300.3**	**152.5**	**29.8**	**962.4**	**51.1**	**7.2**

Notes – Danske Bank Group

Credit exposure continued

31 December 2018	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public Institutions	206.3	0.0	0.0	0.0	0.0	0.0	206.3	0.0	0.0	203.7	0.0	0.0
Financials	111.5	1.8	0.6	0.1	0.0	0.2	111.4	1.7	0.3	87.9	0.8	0.1
Agriculture	58.8	8.8	6.7	0.4	1.1	1.9	58.4	7.7	4.8	11.1	2.1	0.6
Automotive	33.5	1.1	0.4	0.0	0.0	0.2	33.5	1.0	0.2	24.3	0.6	0.1
Capital goods	59.9	6.6	1.7	0.0	0.1	0.6	59.8	6.5	1.2	52.6	5.5	0.8
Commercial Property	279.6	17.5	6.3	0.2	0.7	1.6	279.4	16.9	4.7	47.8	5.0	0.3
Construction & Building materials	46.4	5.1	1.1	0.0	0.1	0.5	46.4	4.9	0.7	34.0	2.9	0.4
Consumer goods	64.1	2.7	1.0	0.0	0.1	0.3	64.0	2.6	0.7	47.0	1.5	0.2
Hotels, restaurants and leisure	13.4	1.1	0.6	0.0	0.0	0.1	13.4	1.0	0.5	3.8	0.5	0.1
Metals and Mining	11.5	0.4	0.4	0.0	0.0	0.2	11.5	0.4	0.2	9.1	0.2	0.1
Other Commercials	18.5	0.2	0.0	0.0	0.0	0.0	18.5	0.1	-0.0	23.1	0.0	0.0
Pharma and medical devices	28.5	0.8	0.0	0.0	0.0	0.0	28.5	0.8	0.0	25.9	0.6	0.0
Private Housing Co-ops. & Non-Profit Associations	183.8	3.4	2.2	0.1	0.1	0.5	183.7	3.3	1.7	32.6	0.5	0.2
Pulp and Paper, Chemicals	30.6	1.2	0.3	0.0	0.0	0.1	30.6	1.2	0.2	22.5	0.4	0.1
Retailing	24.3	3.1	1.2	0.0	0.1	0.6	24.3	3.0	0.6	13.5	2.1	0.2
Services	55.9	3.3	1.2	0.0	0.1	0.5	55.9	3.2	0.7	43.9	1.8	0.2
Shipping, Oil & Gas	43.9	13.8	10.0	0.0	0.5	2.4	43.9	13.3	7.6	26.9	7.1	2.0
Social services	26.2	0.9	0.3	0.0	0.0	0.1	26.1	0.8	0.3	12.2	0.3	0.1
Telecom & Media	17.5	0.6	0.2	0.0	0.0	0.1	17.5	0.6	0.1	15.5	0.4	0.0
Transportation	11.9	1.4	0.3	0.0	0.0	0.1	11.9	1.3	0.2	6.5	0.4	0.0
Utilities and infrastructure	39.8	1.9	0.2	0.0	0.0	0.1	39.8	1.9	0.1	27.6	1.2	0.1
Personal Customers	863.7	63.9	8.7	0.6	2.1	3.3	863.1	61.7	5.5	136.8	11.7	1.2
Total	**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

Notes – Danske Bank Group

Credit exposure continued

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

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

30 June 2019	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
Retail	475.0	35.3	5.1	0.6	1.4	2.4	474.5	33.9	2.6	61.7	6.3	0.6
Commercial	447.0	37.5	18.6	0.3	2.1	5.3	446.8	35.4	13.3	134.6	11.9	2.2
Banking DK	**922.1**	**72.8**	**23.7**	**0.8**	**3.5**	**7.7**	**921.2**	**69.3**	**15.9**	**196.3**	**18.2**	**2.7**
Sweden	268.7	19.2	1.3	0.1	0.5	0.4	268.6	18.7	0.9	97.7	6.5	0.4
Norway	220.1	15.7	2.8	0.1	0.3	0.7	220.0	15.4	2.1	75.4	5.2	0.8
Finland	152.4	12.5	2.6	0.0	0.4	0.7	152.4	12.2	1.8	37.6	2.3	0.3
Other	35.3	9.5	0.5	0.0	0.3	0.3	35.2	9.2	0.2	19.1	3.0	0.0
Banking Nordic	**676.5**	**56.9**	**7.2**	**0.3**	**1.4**	**2.2**	**676.3**	**55.4**	**5.0**	**229.8**	**17.0**	**1.5**
C&I*	**526.0**	**19.4**	**8.8**	**0.1**	**0.6**	**2.1**	**525.9**	**18.8**	**6.7**	**460.5**	**12.9**	**2.2**
Wealth Management	**89.9**	**3.9**	**1.3**	**0.0**	**0.1**	**0.2**	**89.8**	**3.8**	**1.0**	**22.1**	**1.1**	**0.5**
Northern Ireland	**68.1**	**5.2**	**1.5**	**0.0**	**0.2**	**0.5**	**68.1**	**5.1**	**1.0**	**34.9**	**1.8**	**0.2**
Other	19.0	0.1	0.1	0.0	0.0	0.0	19.0	0.1	0.1	18.8	0.0	0.1
Total	**2,301.6**	**158.2**	**42.6**	**1.3**	**5.7**	**12.8**	**2,300.3**	**152.5**	**29.8**	**962.4**	**51.1**	**7.2**

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

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

31 December 2018	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail	469.1	31.7	4.7	0.5	1.5	2.3	468.6	30.2	2.4	51.8	5.7	0.8
Commercial	422.9	24.3	18.4	0.7	1.8	5.5	422.3	22.6	12.9	103.5	8.6	1.9
Banking DK*	**892.0**	**56.0**	**23.1**	**1.2**	**3.2**	**7.8**	**890.8**	**52.8**	**15.3**	**155.3**	**14.4**	**2.6**
Sweden	271.9	16.5	1.3	0.1	0.5	0.4	271.8	16.0	0.9	100.6	5.1	0.4
Norway	189.1	13.7	2.2	0.1	0.3	0.9	189.1	13.4	1.3	60.6	4.1	0.6
Finland	147.9	13.6	2.7	0.0	0.3	0.8	147.9	13.3	1.9	36.0	2.4	0.3
Other	37.0	9.1	1.0	0.0	0.3	0.4	37.0	8.8	0.6	19.8	2.3	0.1
Banking Nordic	**645.9**	**52.8**	**7.2**	**0.2**	**1.4**	**2.6**	**645.7**	**51.4**	**4.7**	**216.9**	**14.0**	**1.3**
C&I**	**534.7**	**21.4**	**9.5**	**0.1**	**0.6**	**2.1**	**534.6**	**20.8**	**7.4**	**471.8**	**14.5**	**1.8**
Wealth Management*	**82.1**	**4.1**	**1.6**	**0.0**	**0.1**	**0.3**	**82.1**	**4.0**	**1.3**	**20.6**	**0.9**	**0.5**
Northern Ireland	**62.6**	**5.3**	**2.1**	**0.0**	**0.1**	**0.6**	**62.5**	**5.2**	**1.5**	**31.9**	**1.8**	**0.4**
Other	12.2	0.1	0.0	0.0	0.0	0.0	12.2	0.1	0.0	11.9	0.1	0.0
Total	**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

* In Q2 2019, a portfolio of loans to primarily commercial customers was transferred from Banking DK to Wealth Management to align the customer segmentation between Realkredit Danmark and the rest of Group. Comparative information has not been restated. At the end of 2018, this portfolio amounted to around DKK 3 billion.

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

Notes – Danske Bank Group

Credit exposure continued

Forbearance practices and repossessed assets

The Group adopts forbearance plans to assist customers in financial difficulty. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and settlements. Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to retain long-term business relationships during economic downturns if there is a realistic possibility that the customer will be able to meet 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 2019, the Group recognised properties taken over in Denmark at a carrying amount of DKK 19 million (31 December 2018: DKK 26 million) and there were no properties taken over in other countries (31 December 2018: DKK 0 million). The properties are held for sale and included under Other assets in the balance sheet.

Forbearance leads to objective evidence of impairment, and impairments relating to forborne exposures are handled according to the principles described in Annual Report 2018, note 1, Basis of preparation – Measurement of loans.

The table below shows the exposures that are subject to forbearance measures and is based on the EBA's definition as described in Annual Report 2018.

Exposures subject to forbearance measures

	30 June 2019		31 December 2018	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active forbearance	5,284	7,149	9,143	8,828
Under probation	5,984	-	6,482	-
Total	**11,268**	**7,149**	**15,625**	**8,828**

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

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

The Group defines non-performing loans as stage 3 exposures. However, for non-retail exposures with one or more non-performing loans, the entire amount of the customer's exposure is considered to be non-performing. For retail exposures, only impaired facilities are included in non-performing loans. The Group excludes exposures in stage 3 with no impairment charges or where the allowance account is considered immaterial to the gross exposure.

The table below shows the reconciliation between the gross exposure in stage 3 and gross non-performing loans.

NPL Bridge	30 June 2019			31 Dec. 2018		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	23.7	18.9	42.6	23.2	20.3	43.6
None or an immaterial allowance account	7.4	4.1	11.5	9.4	4.3	13.6
Gross non-performing loans	16.3	14.8	31.1	13.9	16.0	29.9
Expected credit loss	4.6	7.8	12.4	4.3	8.8	13.0
Net non-performning loans	11.7	6.9	18.6	9.6	7.3	16.9

Non-performing loans in core activities

(DKK millions)	30 June 2019	31 Dec. 2018
Total non-performing loans	18,650	16,903
- portion from customers in default*	6,939	7,289
Coverage ratio (default) (%)	95	96
Coverage ratio (non-default) (%)	69	69
Coverage ratio (total non-performing loans) (%)	83	85
Non-performing loans as a percentage of total gross exposure (%)	1.2	1.2

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

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

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2018, including impact on loans granted by Realkredit Danmark	1,498	5,530	15,602	22,631
Transferred to stage 1 during the period	971	-814	-157	-
Transferred to stage 2 during the period	-30	876	-846	-
Transferred to stage 3 during the period	-20	-422	442	-
ECL on new assets	361	1,032	1,606	2,999
ECL on assets derecognised	-317	-1,180	-2,408	-3,905
Impact of net remeasurement of ECL (incl. changes in models)	-818	408	863	453
Write-offs debited to the allowance account	-30	-14	-1,611	-1,654
Foreign exchange adjustments	-12	-7	-33	-51
Other	-30	-35	-54	-119
ECL allowance account as at 31 December 2018	**1,574**	**5,375**	**13,405**	**20,353**
Transferred to stage 1 during the period	271	-250	-21	-
Transferred to stage 2 during the period	-286	445	-159	-
Transferred to stage 3 during the period	-3	-147	150	-
ECL on new assets	168	742	1,397	2,307
ECL on assets derecognised	-176	-619	-1,350	-2,146
Impact of net remeasurement of ECL (incl. changes in models)	-321	340	141	160
Write-offs debited to the allowance account	-1	-3	-961	-965
Foreign exchange adjustments	-	5	58	62
Other	63	-169	126	20
ECL allowance account as at 30 June 2019	**1,289**	**5,719**	**12,785**	**19,793**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Banking DK	Banking Nordic*	C&I	Wealth Management	Northern Ireland	Other*	Allowance account Total*
ECL allowance account as at 1 January 2018	14,045	4,427	2,779	468	902	12	22,631
ECL on new assets	1,381	712	773	63	61	8	2,999
ECL on assets derecognised	-1,964	-823	-908	-98	-103	-9	-3,905
Impact on remeasurement of ECL (incl. change in models)	-117	166	325	23	58	-1	453
Write-offs debited to allowance account	-1,189	-315	-18	-20	-112	-	-1,654
Foreign currency translation	-8	-50	19	-	-13	-	-51
Other	37	17	-164	-13	-	3	-119
ECL allowance acount as at 31 December 2018*	**12,185**	**4,134**	**2,806**	**423**	**792**	**12**	**20,353**
ECL on new assets	1,339	547	326	48	46	2	2,307
ECL on assets derecognised	-1,066	-643	-284	-56	-92	-5	-2,146
Impact on remeasurement of ECL (incl. change in models)	-299	-70	514	-21	37	-1	160
Write-offs debited to allowance account	-269	-117	-526	-	-53	-	-965
Foreign currency translation	-5	19	40	-	8	-	62
Other	135	4	-110	-8	-	-	21
ECL allowance acount as at 30 June 2019	**12,020**	**3,874**	**2,765**	**387**	**738**	**9**	**19,793**

* Comparative figures have been changed. The total allowance account is unchanged.

The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base-case, upside and downside scenarios), including an assessment of the probability for each scenario. The base-case scenario is assigned a probability of 65% (31 December 2018: 70%), the up-side scenario a probability of 15% (31 December 2018: 15%) and the downside scenario a probability of 20% (31 December 2018: 15%). On the basis of these assessments, the allowance account in core activities at 30 June 2019 amounted to DKK 19.8 billion (31 December 2018: DKK 20.4 billion). If the base-case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.6 billion (31 December 2018: 0.4 billion). Compared to the base-case scenario, the allowance account would increase DKK 3.4 billion (31 December 2018: DKK 3.4 billion), if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.5 billion (31 December 2018: 0.5 billion) compared to the base-case scenario. However, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit losses (ECL) forecasts.

According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, facilities with an initial PD below 1% are transferred to stage 2 if the facility's 12-month PD has increased by at least 0.5 of a percentage point and the facility's lifetime PD has doubled since origination). The allowance account is relatively stable in terms of changes to the definition of significant increase in credit risk. At 31 December 2018, the allowance account would increase by DKK 0.05 billion, if instead an increase in the facility's 12-month PD by at least 0.25 of a percentage point combined with a doubling of the lifetime PD was considered a significant increase in credit risk.

The Group applies post-model adjustments of DKK 4.6 billion (31 December 2018: DKK 4.4 billion). Around half of all the adjustments relate to high-risk industries such as Agriculture and Oil & gas, for which the Group has no specific expected credit loss models, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Remaining adjustments are made to take into account non-linear downside risks, such as the property market in Copenhagen for which the macroeconomic forecasts used in the models are based on the Danish property market as a whole and therefore adjustments are made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses.

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

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

Following the decision in the first quarter of 2019 to close down the banking activities in the Baltics and Russia, customers in these countries were transferred to the Non-core unit from Corporates & Institutions in the first quarter of 2019. Comparative information has not been restated. As a result, credit exposure of DKK 3 billion was transferred to the Non-core unit.

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

30 June 2019	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	11,860	912	732	26	83	269	11,834	829	463	6,002	321	188
Personal customers	3,200	473	268	13	38	88	3,187	435	180	821	98	43
Commercial customers	7,099	414	464	13	45	181	7,086	370	283	3,852	202	145
Public Institutions	1,561	24	-	-	-	-	1,560	24	-	1,329	21	-
Non-core conduits etc.	3,179	-	1,026	-	-	532	3,179	-	494	541	-	66
Total	**15,039**	**912**	**1,758**	**26**	**83**	**801**	**15,012**	**829**	**957**	**6,543**	**321**	**254**

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

31 December 2018	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	13,074	1,027	810	28	76	291	13,046	951	519	6,148	383	194
Personal customers	4,034	594	341	11	35	106	4,023	558	235	1,578	212	91
Commercial customers	6,991	400	469	16	39	185	6,975	360	284	2,789	143	103
Public Institutions	2,049	33	-	-	1	-	2,049	32	-	1,781	28	-
Non-core conduits etc.	3,450	-	888	-	-	422	3,450	-	466	555	-	181
Total	**16,524**	**1,027**	**1,698**	**28**	**76**	**713**	**16,496**	**951**	**985**	**6,703**	**383**	**375**

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

30 June 2019	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	137	-	-	-	-	-	137	-	-	-	-	-
2	0.01	0.03	2,889	123	69	-	-	-	2,889	123	69	1,793	123	69
3	0.03	0.06	1,478	17	10	-	-	-	1,478	17	10	237	17	9
4	0.06	0.14	2,737	142	79	1	-	-	2,736	142	79	1,520	48	32
5	0.14	0.31	2,547	174	98	4	-	-	2,544	174	98	822	30	21
6	0.31	0.63	1,465	96	54	4	-	-	1,461	96	54	244	-	2
7	0.63	1.90	2,167	186	82	11	20	-	2,157	166	82	1,121	62	37
8	1.90	7.98	870	89	67	6	32	36	864	57	32	355	14	9
9	7.98	25.70	204	44	8	-	30	-	204	14	8	186	12	7
10	25.70	99.99	81	8	158	-	-	11	81	8	148	-	-	-
11 (default)	100.00	100.00	462	32	1,133	-	-	754	462	32	379	265	15	69
Total			**15,039**	**912**	**1,758**	**26**	**83**	**801**	**15,012**	**829**	**957**	**6,543**	**321**	**254**

Notes – Danske Bank Group

Credit exposure continued

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

31 December 2018	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	137	-	-	-	-	-	137	-	-	-	-	-
2	0.01	0.03	1,088	-	-	-	-	-	1,088	-	-	-	-	-
3	0.03	0.06	1,740	19	10	-	-	-	1,740	19	10	264	19	10
4	0.06	0.14	3,299	195	105	2	-	-	3,298	195	105	1,877	83	52
5	0.14	0.31	2,691	191	103	3	-	-	2,688	191	103	669	31	15
6	0.31	0.63	2,583	180	96	7	-	-	2,576	180	96	1,335	85	45
7	0.63	1.90	3,185	269	115	10	32	-	3,175	237	115	1,674	113	57
8	1.90	7.98	1,119	93	40	6	17	-	1,113	76	40	619	36	19
9	7.98	25.70	257	45	10	-	27	-	257	18	10	223	16	8
10	25.70	99.99	161	16	879	-	-	407	161	16	472	-35	-3	170
11 (default)	100.00	100.00	265	19	340	-	-	306	265	19	34	77	4	1
Total			**16,524**	**1,027**	**1,698**	**28**	**76**	**713**	**16,496**	**951**	**985**	**6,703**	**383**	**375**

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 655 million at 30 June 2019 (31 December 2018: DKK 910 million), of which the average unsecured portion of non-performing loans was 18.0% at the end of June 2019 (31 December 2018: 23.4%).

Notes – Danske Bank Group

Credit exposure continued

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 June 2019	31 December 2018
Counterparty credit risk		
Derivatives with positive fair value	300.7	244.3
Reverse transactions and other loans at fair value*	314.1	319.4
Credit exposure from other trading and investment securities		
Bonds	491.7	441.6
Shares	7.1	6.3
Other unutilised commitments**	0.3	0.3
Total	**1,113.9**	**1,011.9**

* Reverse transactions and other loans at fair value included as counterparty credit risk are loans in the trading units of Corporates & Institutions. These loans consist of reverse transactions of DKK 312,544 million, of which DKK 58,822 million relates to credit institutions and central banks, and other primarily short-term loans of DKK 1,519 million, of which DKK 743 million relates to credit institutions and central banks.
** Other unutilised commitments comprises private equity investment commitments and other obligations.

Derivatives with positive fair value

(DKK millions)	30 June 2019	31 December 2018
Derivatives with positive fair value before netting	614,336	371,431
Netting (under accounting rules)	313,614	127,157
Carrying amount	300,723	244,274
Netting (under capital adequacy rules)	220,970	175,637
Net current exposure	79,753	68,636
Collateral	49,973	42,189
Net amount	**29,780**	**26,448**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	240,482	164,380
Currency contracts	58,959	78,080
Other contracts	1,282	1,814
Total	**300,723**	**244,274**

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 2019							
Held-for-trading (FVPL)	136,923	2,241	52,301	24,451	3,814	7,684	227,414
Managed at fair value (FVPL)	14,129	491	25,305	3,713	595	545	44,777
Held to collect and sell (FVOCI)	10,715	1,219	74,243	7,787	3,583	244	97,791
Held to collect (AMC)	42,078	343	69,937	7,081	2,166	123	121,727
Total	**203,844**	**4,295**	**221,785**	**43,032**	**10,158**	**8,596**	**491,710**
31 December 2018							
Held-for-trading (FVPL)	93,333	883	33,302	29,801	2,798	6,214	166,331
Managed at fair value (FVPL)	14,949	486	38,187	4,026	634	320	58,602
Held to collect and sell (FVOCI)	9,071	1,261	60,543	827	2,582	-	74,284
Held to collect (AMC)	53,033	1,015	77,378	7,427	3,144	422	142,420
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

As at 30 June 2019, the Group had an additional bond portfolio worth DKK 181,390 million (31 December 2018: DKK 191,606 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2018 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost at the end of 30 June 2019 and 31 December 2018.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2019							
Denmark	46,089	-	221,785	-	-	1,219	269,093
Sweden	23,647	-	-	43,032	-	2,462	69,141
UK	11,189	-	-	-	1,772	331	13,292
Norway	10,282	-	-	-	5,934	2,593	18,810
USA	21,209	280	-	-	-	7	21,496
Spain	7,281	-	-	-	-	2	7,283
France	15,972	-	-	-	468	65	16,505
Luxembourg	-	3,173	-	-	-	-	3,174
Finland	13,815	805	-	-	538	1,103	16,262
Ireland	4,943	-	-	-	4	11	4,958
Italy	7,014	-	-	-	-	6	7,020
Portugal	1,958	-	-	-	-	-	1,958
Austria	5,613	-	-	-	-	14	5,627
Netherlands	5,115	-	-	-	126	252	5,493
Germany	26,645	-	-	-	1,083	20	27,748
Belgium	3,073	-	-	-	6	5	3,084
Other	-	36	-	-	226	504	766
Total	**203,844**	**4,295**	**221,785**	**43,032**	**10,158**	**8,596**	**491,710**
31 December 2018							
Denmark	39,404	-	209,263	-	-	782	249,450
Sweden	42,755	-	146	42,081	-	1,939	86,920
UK	6,306	-	-	-	1,989	159	8,454
Norway	10,539	-	-	-	3,867	1,700	16,106
USA	11,055	338	-	-	-	4	11,397
Spain	4,360	-	-	-	2	1	4,362
France	11,421	-	-	-	948	387	12,757
Luxembourg	-	2,841	-	-	-	3	2,843
Finland	10,944	435	-	-	1,041	653	13,073
Ireland	3,738	-	-	-	8	13	3,758
Italy	1,488	-	-	-	-	2	1,490
Portugal	899	-	-	-	-	-	899
Austria	3,717	-	-	-	-	12	3,729
Netherlands	7,848	-	-	-	94	477	8,419
Germany	11,287	-	-	-	993	50	12,330
Belgium	4,625	-	-	-	85	5	4,715
Other	-	32	-	-	132	769	933
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2019							
AAA	122,382	3,298	221,747	43,029	8,919	134	399,509
AA+	25,090	353	-	-	644	124	26,211
AA	31,550	643	-	3	590	1,207	33,994
AA-	2,422	-	-	-	-	490	2,912
A+	-	-	-	-	-	339	339
A	5,592	-	10	-	5	3,322	8,929
A-	30	-	1	-	-	304	335
BBB+	6,601	-	-	-	-	442	7,043
BBB	1,987	-	27	-	-	1,382	3,397
BBB-	7,674	-	-	-	-	210	7,884
BB+	1	-	-	-	-	285	286
BB	-	-	-	-	-	214	214
BB-	-	-	-	-	-	39	39
Sub-inv. grade or unrated	514	-	-	-	-	103	617
Total	**203,844**	**4,295**	**221,785**	**43,032**	**10,158**	**8,596**	**491,710**
31 December 2018							
AAA	111,689	2,474	209,353	42,081	8,319	148	374,064
AA+	20,341	470	-	-	35	123	20,969
AA	22,757	701	-	-	799	1,595	25,852
AA-	4,911	-	-	-	2	173	5,087
A+	-	-	-	-	-	570	570
A	3,738	-	34	-	4	2,117	5,893
A-	1	-	-	-	-	360	362
BBB+	4,358	-	-	-	-	426	4,784
BBB	218	-	23	-	-	736	976
BBB-	2,368	-	-	-	-	281	2,649
BB+	4	-	-	-	-	170	174
BB	-	-	-	-	-	127	127
BB-	-	-	-	-	-	30	30
Sub-inv. grade or unrated	-	-	-	-	-	99	99
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

Financial statements – Danske Bank A/S

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc. as amended by the Executive Order No. 707of 1 June 2016, the Executive Order No. 1043 of 5 September 2017 and the Executive Order No. 1441 of 3 December 2018. The amendments to the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. included in the Executive Order no. 1441 of 3 December 2018 incorporate changes due to IFRS 16 Leases.

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

- As of 1 January 2019 Danske Bank A/S is required to recognise assets (right-of-use assets) and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. Due to the revised principles assets and liabilities have been increased by DKK 6,142 million at 1 January 2019. There has been no implementation impact on shareholders' equity.
- Right-of-use lease assets are included in the same line item as is used for for owned assets. As of 1 January 2019 domicile properties include right-of-use assets of DKK 5,059 million and Other tangible assets include right-of-use assets of DKK 1,083 million.
- Lease liabilities are recognised as Other liabilities, except liabilities of uncertain timing or amount, which are recognised as Other provisions for liabilities.
- In the income statement, expenses related to lessee leases are presented as depreciation and interest expenses, respectively.

Note 2 to the financial statements for Danske Bank Group provides further information on changes in accounting policies implemented as at 1 January 2019, including the impact from the implementation of IFRS 16. Except for these changes, Danske Bank A/S has not changed its significant accounting policies from those applied in the Annual Report 2018 and explained on page 208 in Annual Report 2018.

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

(DKK millions)	Net profit First half 2019	Net profit First half 2018	Equity 30 June 2019	Equity 31 December 2018
Consolidated financial statement (IFRS)	7,020	8,878	162,988	163,276
Domicile properties	-	-	269	269
Tax effect	-	-	-32	-32
Consolidated financial statements (Danish FSA rules)	**7,020**	**8,878**	**163,224**	**163,513**

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2019	First half 2018
2	Interest income	14,803	13,473
3	Interest expense	8,484	6,075
	Net interest income	6,319	7,398
	Dividends from shares etc.	430	71
4	Fee and commission income	6,230	6,951
	Fees and commissions paid	1,054	1,303
	Net interest and fee income	11,925	13,117
5	Value adjustments	1,580	1,870
	Other operating income	773	869
6	Staff costs and administrative expenses	9,301	8,905
	Amortisation, depreciation and impairment charges	1,610	1,085
	Loan impairment charges etc.	522	-667
	Income from associates and group undertakings	4,948	3,661
	Profit before tax	7,790	10,195
8	Tax	771	1,317
	Net profit for the period	7,020	**8,878**

Statement of comprehensive income – Danske Bank A/S

(DKK millions)	First half 2019	First half 2018
Net profit for the year	7,020	8,878
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension plans	130	-41
Tax	-15	2
Items that will not be reclassified to profit or loss	**115**	**-39**
Items that are or may be reclassified subsequently to profit or loss		
Translation of units outside Denmark	439	-361
Hedging of units outside Denmark	-28	277
Unrealised value adjustments of bonds at fair value (OCI)	189	21
Realised value adjustments of bonds at fair value (OCI)	-8	-14
Tax	-39	-118
Items that are or may be reclassified subsequently to profit or loss	**554**	**-195**
Total other comprehensive income	**669**	**-234**
Total comprehensive income for the year	**7,689**	**8,644**
Portion attributable to		
Shareholders of Danske Bank A/S (the Parent Company)	7,298	8,254
Additional tier 1 capital holders	390	390
Total comprehensive income for the year	**7,689**	**8,644**

Balance sheet – Danske Bank A/S

Note	(DKK millions)	30 June 2019	31 December 2018	30 June 2018
	Assets			
	Cash in hand and demand deposits with central banks	116,825	21,333	46,713
	Due from credit institutions and central banks	133,735	237,772	285,392
2	Loans and other amounts due at fair value	256,271	262,410	232,145
2	Loans and other amounts due at amortised costs	870,074	842,424	838,296
	Bonds at fair value	365,228	284,619	328,450
	Bonds at amortised cost	86,323	106,354	112,745
	Shares etc.	7,101	6,250	9,188
	Holdings in associates	374	375	446
	Holdings in group undertakings	87,292	90,008	86,189
	Assets under pooled schemes	52,615	50,274	53,498
	Intangible assets	7,165	7,197	6,937
	Land and buildings	5,073	296	305
	Investment property	219	219	230
	Domicile property	4,854	76	75
	Other tangible assets	4,969	3,918	3,854
	Current tax assets	2,366	1,711	1,808
	Deferred tax assets	419	468	602
	Assets held for sale	3,505	154	155
	Other assets	323,495	260,838	312,736
	Prepayments	1,668	1,151	1,342
	Total assets	**2,324,499**	**2,177,552**	**2,320,801**
	Liabilities and equity			
	Amounts due			
	Due to credit institutions and central banks	235,568	254,085	266,174
	Deposits and other amounts due	1,057,015	997,607	993,539
	Deposits under pooled schemes	53,463	50,398	54,172
	Issued bonds at fair value	13,276	16,669	66,478
4	Issued bonds at amortised cost	279,663	244,730	266,229
	Current tax liabilities	32	572	644
	Other liabilities	491,506	421,413	473,436
	Deferred income	417	696	774
	Total amounts due	**2,130,941**	**1,986,169**	**2,121,446**
	Provisions for liabilities			
	Provisions and pensions and similar obligations	173	143	150
	Provisions for deferred tax	5,944	6,076	5,837
2	Provisions for losses on guarantees	2,445	2,373	2,169
	Other provisions for liabilities	337	36	46
	Total provisions for liabilities	**8,899**	**8,628**	**8,201**
	Subordinated debt			
	Subordinated debt	21,434	19,242	30,029
	Equity			
	Share capital	8,622	8,960	8,960
	Accumulated value adjustments	-59	-640	-761
	Equity method reserve	23,340	23,628	24,115
	Retained earnings	117,082	109,650	114,472
	Proposed dividends	-	7,616	-
	Shareholders of Danske Bank A/S (the Parent Company)	148,985	149,213	146,785
	Additional tier 1 etc.	14,239	14,299	14,340
	Total equity	**163,224**	**163,513**	**161,125**
	Total liabilities and equity	**2,324,499**	**2,177,552**	**2,320,801**

Statement of capital – Danske Bank A/S

Change in equity

(DKK millions)	Share Capital	Accumulated value adjustments*	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional Tier 1	Total
Total equity as at 31 December 2018	8,960	-640	23,628	109,650	7,616	149,213	14,299	163,513
Effect from changed accounting policies			-288			-288		-288
Restated total equity as at 1 January 2019	8,960	-640	23,340	109,650	7,616	148,925	14,299	163,225
Net profit for the year	-	-	202	6,427	-	6,629	390	7,020
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	130	-	130	-	130
Translation of units outside Denmark	-	439	-	-	-	439	-	439
Hedging of units outside Denmark	-	-28	-	-	-	-28	-	-28
Unrealised value adjustments of bonds at fair value (OCI)	-	189	-	-	-	189	-	189
Realised value adjustments of bonds at fair value (OCI)	-	-8	-	-	-	-8	-	-8
Tax	-	-13	-	-41	-	-54	-	-54
Total other comprehensive income	**-**	**580**	**-**	**89**	**-**	**669**	**-**	**669**
Total comprehensive income for the period	**-**	**580**	**202**	**6,516**	**-**	**7,298**	**390**	**7,689**
Transactions with owners								
Paid interest Additional Tier 1	-	-	-	-	-	-	-394	-394
Dividends paid	-	-	-	383	-7,616	-7,233	-	-7,233
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-9,438	-	-9,438	-57	-9,494
Sale of own shares and additional tier 1 capital	-	-	-	9,390	-	9,390	-	9,390
Tax and other changes	-	-	-	42	-	42	-	42
Total equity as at 30 June 2019	**8,622**	**-59**	**23,542**	**116,880**	**-**	**148,985**	**14,239**	**163,224**

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

On 29 April 2019 the share capital was reduced by DKK 337,690,000 nominally by cancelling 33,769,000 shares from Danske Bank's holding of own shares acquired under the 2018 share buy-back programme.

Statement of capital – Danske Bank A/S

Change in equity

(DKK millions)	Share Capital	Accumulated value adjustments *	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional Tier 1	Total
Total equity as at 1 January 2018	9,368	-677	23,841	110,597	9,368	152,498	14,339	166,836
Net profit for the period	-		-3,878	12,366		8,488	390	8,878
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-41	-	-41	-	-41
Translation of units outside Denmark	-	-361	-	-	-	-361	-	-361
Hedging of units outside Denmark	-	277	-	-	-	277	-	277
Unrealised value adjustments of bonds at fair value (OCI)	-	-	-	21	-	21	-	21
Realised value adjustments of bonds at fair value (OCI)	-	-	-	-14	-	-14	-	-14
Tax	-	-	-	-116	-	-116	-	-116
Total other comprehensive income	-	-84	-	-150	-	-234	-	-234
Total comprehensive income for the period	-	-84	-3,878	12,216	-	8,254	390	8,644
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-392	-392
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Share capital reduction	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-25,852	-	-25,852	3	-25,849
Sale of own shares and additional tier 1 capital	-	-	-	20,667	-	20,667	-	20,667
Tax	-	-	-	71	-	71	-	71
Total equity as at 30 June 2018	8,960	-761	19,963	118,625	-	146,785	14,340	161,125

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

Notes – Danske Bank A/S

1. Value adjustments

(DKK millions)	30 June 2019	30 June 2018
Loans at fair value	210	-510
Bonds	1,040	-292
Shares etc.	18	-231
Currency	979	1,396
Derivatives	2,979	686
Assets under pooled schemes	21	55
Other liabilities	-3,668	769
Total	**1,580**	**1,872**

2. Loans (including reverse transactions) and guarantees broken down by sector and industry (%)

(DKK millions)	30 June 2019 Pct.	31 December 2018 Pct.
Public sector	4.3	6.3
Business customers		
Agriculture, hunting, forestry and fisheries	2.2	2.3
Manufacturing industries and extraction of raw materials	9.1	8.6
Energy and utilities	1.6	1.7
Building and construction	1.8	1.7
Trade	4.6	4.9
Transport, hotels and restaurants	3.4	3.4
Information and communication	1.0	1.0
Finance and insurance	25.9	25.0
Property administration	13.9	14.4
Other	4.1	4.4
Total Business customers	67.6	67.5
Personal customers	28.1	26.2
Total	100.0	**100.0**

The comparative information has been restated to include reverse transactions measured at fair value through profit or loss.

Notes – Danske Bank A/S

3. 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 2018	6	1	2	288	3,730	11,754	606	976	957	18,320
Transferred to stage 1 during the period	-	-	-	479	-455	-24	86	-84	-2	-
Transferred to stage 2 during the period	-	-	-	-13	208	-194	-4	29	-25	-
Transferred to stage 3 during the period	-	-	-	-3	-109	112	-18	-69	87	-
ECL on new assets	10	1	-	139	419	915	32	118	101	1,736
ECL on assets derecognised	-2	-1	-	-143	-505	-1,057	-66	-149	-243	-2,165
Impact of net remeasurement of ECL (incl. changes in models)	-2	-	-	-376	338	207	-119	135	-165	18
Write offs debited to the allowance account	-	-	-	-	-	-624	-	-	-	-624
Foreign exchange adjustments	-	-	-	-8	2	-36	-	6	6	-30
Other changes	-	-	-	-	-	-87	-	-	-165	-251
ECL allowance account as at 31 December 2018	**12**	**1**	**2**	**363**	**3,628**	**10,966**	**518**	**961**	**551**	**17,003**
Transferred to stage 1 during the period	-	-	-	164	-149	-14	41	-41	-	-
Transferred to stage 2 during the period	-	-	-	-21	106	-85	-28	35	-7	-
Transferred to stage 3 during the period	-	-	-	-	-100	101	-	-10	10	-
ECL on new assets	3	-	-	81	443	1,046	47	177	298	2,096
ECL on assets derecognised	-7	-2	-	-81	-380	-970	-29	-173	-244	-1,887
Impact of net remeasurement of ECL (incl. changes in models)	1	-	-	-223	110	186	-28	16	-3	58
Write offs debited to the allowance account	-	-	-	-	-	-609	-	-	-	-609
Foreign exchange adjustments	-	-	-	-1	-	47	-	6	8	58
Other changes	-	-	-	-2	-	-276	-	-	-2	-280
ECL allowance account as at 30 June 2019	**7**	**2**	**2**	**347**	**3,526**	**10,077**	**542**	**872**	**1,065**	**16,440**

4. Issued bonds at amortised cost

Issued bonds at amortised cost includes non-preferred senior bonds of DKK 66,216 million.

Notes – Danske Bank A/S

Ratios and key figures	First half 2019	Full year 2018	First half 2018
Total capital ratio (%)	24.9	24.7	25.2
Tier 1 capital ratio (%)	23.2	23.3	22.3
Return on equity before tax (%)	4.8	10.4	6.2
Return on equity after tax (%)	4.3	9.0	5.4
Income/cost ratio (%)	168.1	180.5	209.4
Interest rate risk (%)	3.7	3.4	3.4
Foreign exchange position (%)	3.9	1.7	4.2
Foreign exchange risk (%)	-	-	-
Loans plus impairment charges as % of deposits	102.7	106.8	81.1
Liquidity Coverage Ratio (%)	122.9	109.9	124.3
Sum of large exposures as % of CET1 capital	103.8	101.8	109.3
Impairment ratio (%)	-	-	-0.1
Growth in loans (%)	3.2	2.0	12.3
Loans as % of equity	6.9	6.8	6.6
Return on assets (%)	0.3	0.7	0.4
Earnings per share (Nominal value DKK 100)*	82.2	170.0	100.6
Book value per share (DKK)	191.1	190.6	182.6
Proposed dividend per share (DKK)	-	8.5	-
Share price end of period/earnings per share (DKK)	12.6	7.6	19.9
Share price end of period/book value per share (DKK)	0.54	0.68	1.09

* Calculated as net profit divided by number of shares. The number of shares, is according to the Danish FSA guidelines, calculated by a simple average of outstanding shares beginning and end of the period, and after the elimination of own shares. It is not comparable to the earnings per share disclosed for the group (as defined under IFRS).

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the Interim report - first half 2019 of Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 30 June 2019 and of the results of the Group's operations and the consolidated cash flows for the period starting 1 January 2019 and ending 30 June 2019. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 18 July 2019

Executive Board

Chris Vogelzang
CEO

Jacob Aarup-Andersen

Christian Boris Baltzer

James Ditmore

Carsten Rasch Egeriis

Jakob Groot

Glenn Söderholm

Frederik Gjessing Vinten

Philippe Vollot

Board of Directors

Karsten Dybvad
Chairman

Carol Sergeant
Vice Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Bente Avnung Landsnes

Lars-Erik Brenøe

Jens Due Olsen

Christian Sagild

Gerrit Zalm

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Thorbjørn Lundholm Dahl
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Independent auditors' review report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the consolidated and parent interim financial statements
We have reviewed the consolidated and parent interim financial statements of Danske Bank A/S for the financial period 1 January to 30 June 2019, pp. 33-83 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 2019 have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies, and that the Parent Company's Interim Financial Statements have not been prepared, in all material respects, in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial entities.

Emphasis of matter
Without modification, we draw the attention to note 12 of the consolidated interim financial statements that includes a description of the contingent liability regarding the uncertainty as to the outcome of the investigations by the authorities in Estonia, Denmark, France and the USA into the terminated non-resident portfolio at Danske Bank's Estonian Branch.

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

Copenhagen, 18 July 2019
Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 95 35 56

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

Supplementary information

Financial calendar

1 November 2019	Interim report – first nine months 2019
5 February 2020	Annual Report 2019
17 March 2020	Annual general meeting
30 April 2020	Interim report – first quarter 2020
17 July 2020	Interim report – first half 2020
4 November 2020	Interim report – first nine months 2020

Contacts

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Links

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

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