Annual Report 2022

Danske Bank Group

Annual Report 2022 consists – in accordance with the requirements of the ESEF Regulation – of a zip file danskebank-2022-12-31-en.zip that includes an XHTML file. The XHTML file is the official version of Annual Report 2022. This PDF version of Annual Report 2022 is a copy of the XHTML file. In case of discrepancies, the XHTML file prevails.

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Letter to our stakeholders

The year 2022 will go down in history as a year marred by Russia's invasion of Ukraine as well as the energy and cost-of-living crises that have affected households and businesses around the world.

Russia's aggression has caused suffering and injustice for the people of Ukraine. It has brought war to the European continent and has led to insecurity and geopolitical uncertainty by disrupting a world order that has been shaped since the end of the Cold War.

Danske Bank has joined the global effort to isolate Russia from the financial markets. We have been in close dialogue with our customers to offer advice and support on how to handle the consequences of the war, and we have expanded our corporate volunteering programme to give our colleagues more opportunities to spend working hours carrying out voluntary work in support of Ukraine. We have also responded by launching a new green loan on attractive terms for homeowners who want to retire their oil or gas heater or invest in other energy-efficiency improvements.

Over the past year, we also engaged in a closer-than-usual dialogue with our customers to help them deal with the challenges of soaring inflation and higher interest rates, similar to when we helped them navigate the challenges and uncertainties caused by the COVID-19 pandemic.

For Danske Bank, 2022 was also a turning point – and we can now focus more on becoming the bank we aspire to be. In late summer, we presented a solution to the debt collection case, which will accelerate the closure of this matter. And in December, we reached final resolutions with US and Danish authorities following the investigations into the non-resident portfolio at Danske Bank's former Estonia branch.

These resolutions mark the end of the investigations into Danske Bank by US and Danish authorities. Although we are relieved that we can now fully shift our attention to the opportunities ahead, we also regret having to inform our shareholders that due to the fines that we have agreed to pay to reach the resolution, we feel obligated to propose to the general meeting in March that no dividend be paid for 2022, despite our enduring intention to honour our shareholders for their trust in us.

Our progress towards putting our legacy cases behind us is one outcome of our focus on getting compliance under control. This is one of the key areas of the strategy that we announced in 2019 with the purpose of becoming a better bank for customers, employees, shareholders and the societies we are part of.

And thanks to the hard work of our dedicated and purpose-driven employees, we are making strong progress in reaching the goals we have set for the end of 2023.

In addition to the substantial investments we have made to get compliance under control, we have seen good commercial momentum with increased demand for the products and advisory services we provide to customers to help them navigate the challenging times. Our core banking activities have seen solid momentum with increased lending, seven consecutive quarters of increased net interest income, and an improving underlying cost base. We have made progress across the board in Denmark, and our business customer units in particular have delivered strong results across the Nordic markets. Furthermore, our Large Corporates & Institutions unit had a higher level of customer satisfaction than any other bank in the Nordic countries for the seventh consecutive year.

Dealing with the pandemic helped us devise better and more flexible ways of working, to the benefit of employees and the bank as a whole, and from this we have developed new digital solutions that make it easier and more convenient for our customers to engage with us. In 2022, we made it even easier for our customers to do their day-to-day banking on the go by making it possible for them to make international transfers, open new accounts and create or edit regular transfers through Danske Mobile Banking, which now has more than 725,000 daily logons.

We also continued our efforts to become a more inclusive and purposeful workplace with engaged and motivated employees. The Satisfaction & Motivation score among employees increased to 76, only one point short of our goal of reaching 77 by the end of 2023.

Over the past year, our dialogue with customers on building greater financial resilience and averting the negative consequences of the current energy crisis also helped us to accelerate the sustainability dialogue we want to have with all customers – households as well as businesses.

At Danske Bank, we see the sustainability transition as the defining challenge and opportunity of the 21st century. We have a clear ambition to be the leading bank for sustainable finance in Denmark and among the market leaders in the other Nordic countries. And over the past year, we have continued to make significant progress.

Among other initiatives, we launched new home loans for energy-efficiency improvements, green concept loans for renewable energy and electric transportation, and new sustainable investment funds. We signed the Finance for Biodiversity Pledge, and in January 2023, we unveiled Danske Bank's Climate Action Plan, which sets comprehensive climate targets for the entire bank in accordance with the Science Based Targets initiative.

With a current tally of DKK 273 billion, we are now close to fulfilling our commitment to provide DKK 300 billion in sustainable financing by the end of 2023. We remain the leading Nordic arranger of sustainable bonds, and we attained a top-20 ranking last year in Bloomberg's global ranking for green bonds. The Bloomberg Intelligence research unit also ranked Danske Bank number one among 54 international banks for best performance on measuring the carbon emissions from our lending activities.

Becoming a better bank is an ongoing effort, and while we continue to work on reaching our 2023 goals, we are getting ready to present our updated goals and strategy for the period beyond 2023.

As the largest financial services provider in Denmark and one of the largest financial institutions in the Nordic countries, we recognise that it is both our responsibility and in our interest to contribute to the sustainable growth and development of the societies we are part of. This recognition lies at the heart of how we lead and develop Danske Bank.

During 2023, we will give investors an update on our mid-term financial targets as well as our plans for delivering long-term value for all stakeholders – our customers, our employees, our shareholders, and the societies we are part of.

Martin Blessing
Chairman of the Board of Directors

Carsten Egeriis
Chief Executive Officer

Danske Bank 2022 at a glance

Key figures 2022

DKK 41,203 million	DKK -5,068 million	-3.1%
Total income	Net profit	Return on shareholders' equity

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Our 2023 financial ambitions

Return on shareholders' equity of **8.5-9%**

Cost/income ratio in the **mid-50s**

Strategic focus

Our strategic focus is to become a better bank for everyone, and we have four ambitions towards 2023.

Customers
To become the preferred bank for our customers today and for generations to come.

Employees
Satisfaction & Motivation score of **77** in 2023.

Investors
Achieve a return on shareholders' equity of **8.5-9%** and a cost/income ratio in the mid-50s.

Society
Operate **sustainably, ethically and transparently** – and have a positive impact on the societies we are part of.

Danske Bank's take on sustainability

> *"At Danske Bank, we see the sustainability transition as the defining challenge and opportunity of the 21st century. As Denmark's largest bank and one of the largest financial institutions in the Nordic countries, we have both the responsibility and the financial ability to make a difference. We do this by advising, supporting and financing our customers' transition to a more sustainable future – and by actively supporting the green transition of the Nordic societies"*
>
> *Carsten Egeriis, Group CEO*

Focus on biodiversity loss

In December 2022, Danske Bank joined the **Finance for Biodiversity Pledge,** and we committed to measuring and setting biodiversity targets for our corporate lending and investments.

Commitment to science-based climate targets

In January 2023, Danske Bank committed to the **Science Based Target initiative (SBTi),** and we will align the carbon emissions from our lending and investment portfolios and from our own operations with **net-zero targets by 2050** or sooner.

Sustainability training of all employees

To integrate sustainability into our processes and solutions, Danske Bank has a mandatory sustainability finance eLearning module for all employees, designed to support our common understanding of how we **create the greatest societal impact** through our core business activities.

The power of finance

Danske Bank is committed to using the power of finance to create sustainable progress, and managing the impact from our financing and investment activities is at the core of our sustainability efforts.

Financial highlights – Danske Bank Group

Income statement
(DKK millions)

	2022	2021	Index 22/21	2020	2019	2018
Net interest income	25,188	22,049	114	22,151	22,104	23,571
Net fee income	12,590	13,525	93	12,217	12,636	15,258
Net trading income	1,426	4,126	35	4,297	4,350	4,570
Net income from insurance business	63	2,088	3	1,669	2,385	-
Other income	1,936	797	243	594	1,059	966
Total income	41,203	42,584	97	40,928	42,534	44,365
Operating expenses	26,478	25,663	103	27,027	25,900	23,511
of which resolution fund, bank tax etc.	962	687	140	606	-	-
Provision for Estonia matter	13,800	-	-	-	-	1,500
Impairment charges on goodwill	1,627	-	-	-	803	-
Profit before loan impairment charges	-703	16,921	-	13,901	15,831	19,354
Loan impairment charges	1,568	348	-	7,001	1,516	-650
Profit before tax, core	-2,271	16,573	-	6,900	14,315	20,004
Profit before tax, Non-core	-13	-2	-	-596	-493	-282
Profit before tax	-2,284	16,571	-	6,304	13,822	19,722
Tax	2,784	3,651	76	1,715	-1,249	4,548
Net profit	**-5,068**	**12,920**	**-**	**4,589**	**15,072**	**15,174**
Attributable to additional tier 1 etc.	86	451	19	551	786	781

Balance sheet (end of year)
(DKK millions)

	2022	2021	Index 22/21	2020	2019	2018
Due from credit institutions and central banks	191,853	320,042	60	345,938	174,377	201,435
Repo loans	247,752	253,954	98	257,883	346,708	316,362
Loans	1,803,955	1,834,372	98	1,838,126	1,821,309	1,769,438
Trading portfolio assets	638,799	509,589	125	682,945	495,313	415,811
Investment securities	302,613	303,425	100	296,769	284,873	276,424
Assets under insurance contracts	455,416	547,806	83	545,708	494,992	377,369
Other assets (including Non-core)	122,611	166,647	74	141,862	143,477	221,629
Total assets	**3,762,999**	**3,935,834**	**96**	**4,109,231**	**3,761,050**	**3,578,467**
Due to credit institutions and central banks	91,159	101,786	90	125,267	98,828	148,095
Repo deposits	137,920	193,391	71	223,973	232,271	262,181
Deposits	1,169,879	1,167,638	100	1,193,173	962,865	894,495
Bonds issued by Realkredit Danmark	685,238	770,661	89	775,844	795,721	741,092
Other issued bonds	298,068	355,757	84	360,127	350,190	330,477
Trading portfolio liabilities	554,321	374,958	148	499,331	452,190	390,222
Liabilities under insurance contracts	487,422	588,736	83	591,930	535,891	417,279
Other liabilities (including Non-core)	140,325	166,882	84	138,571	130,853	208,257
Subordinated debt	38,350	39,321	98	32,337	31,733	23,092
Additional tier 1 capital holders	-	5,497	-	8,508	14,237	14,300
Shareholders' equity	160,318	171,207	94	160,171	156,271	148,976
Total liabilities and equity	**3,762,999**	**3,935,834**	**96**	**4,109,231**	**3,761,050**	**3,578,467**

Ratios and key figures

	2022	2021	Index 22/21	2020	2019	2018
Dividend per share (DKK)	-	2.0		2.0	-	8.5
Earnings per share (DKK)	-6.1	14.6		4.7	16.7	16.5
Return on avg. shareholders' equity (%)	-3.1	7.6		2.6	9.6	9.8
Adj. return on avg. shareholders' equity (% p.a.)*	6.2	7.6		2.6	10.1	10.8
Net interest income as % of loans and deposits	0.84	0.73		0.76	0.81	0.88
Cost/income ratio (C/I), (%)	101.7	60.3		66.0	62.8	56.4
Adj. cost/income ratio (C/I), (%)*	64.3	60.3		66.0	60.9	53.0
Total capital ratio (%)	22.1	22.4		23.0	22.7	21.3
Common equity tier 1 capital ratio (%)	17.8	17.7		18.3	17.3	17.0
Share price (end of year) (DKK)	137.3	113.0		100.7	107.8	128.9
Book value per share (DKK)	188.4	200.6		187.6	183.1	174.3
Full-time-equivalent staff (end of year)	21,022	21,754	97	22,376	22,006	20,683

The financial highlights have been restated as explained in note G3(a). The financial highlights represent alternative performance measures that are non-IFRS measures. Note G3 provides an explanation of differences in the presentation between IFRS and the financial highlights. For a description of the alternative performance measures used and definition of ratios, see Definition of Alternative Performance Measures on page 64.

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

Executive summary

2022 was truly an unusual year with the re-emergence of intense geopolitical tension, a pandemic becoming endemic, financial markets volatility at a level not seen since the financial crisis and asset repricing as a result of monetary tightening to bring down inflation. Soaring inflation, especially energy price inflation driven partly by the war in Ukraine, led to a decline in real incomes and meant that 2022 became "the year of inflation". These conditions continued in the last quarter of 2022, which saw a continually deteriorating macroeconomic outlook, and mean that we will most likely see lower economic activity in 2023.

Having said that, towards the end of the year, there was increased risk appetite among investors in the financial markets, albeit from low levels, and some signs point towards both energy prices and the rate hikes by central banks having peaked, at least for now. In addition, labour markets and consumer spending in the Nordic countries remain resilient, providing a strong starting point for weathering the coming economic slowdown.

As our customers have had to navigate the most challenging environment in decades, our position as a strong Nordic bank with solid credit quality and adequate capital and liquidity buffers has enabled us to support customers and societies in navigating these challenging conditions. We are therefore continuously in close dialogue with our customers across segments to provide advisory services and to remain their preferred financial partner. At Business Customers, we implemented a new service model that tailors services to customers' unique needs. Large Corporates & Institutions remains the leading Nordic wholesale banking operation; top-ranked in transaction league tables and in customer satisfaction as reflected in the independent Nordic Prospera research by Kantar.

Closing the books on 2022 also marks an important turning point for Danske Bank, as final resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations of the Estonia matter were reached and a solution to the debt collection case that provided clarity for our customers was announced. This means that we can now focus more on becoming the bank we aspire to be, to the benefit of customers and society.

As we proceed with our ambition to be one of the leading banks in the Nordic countries for sustainable finance, we continued on our net-zero pathway. In January 2023, we published Danske Bank's Climate Action Plan, which outlines our targets and actions for achieving the goal of limiting future global warming to 1.5°C. Danske Bank has also taken a strong lead among international banks when it comes to helping customers to reduce their carbon emissions. This was shown by a survey from the Bloomberg Intelligence research unit, which recently ranked Danske Bank number one among 54 international banks when it comes to setting targets for reducing the carbon emissions of our lending activities.

Throughout 2022, our business model delivered a reinforced commercial momentum, and net interest income improved, driven primarily by deposit repricing initiatives, positive trends in volumes and higher interest rates. Fee income was resilient, although weakening towards the end of the year, with especially activity-driven fees holding up well and good customer demand for our risk advisory solutions.

While total costs continued to be impacted by high remediation costs given our efforts to close legacy issues, we saw underlying costs continuing to trend lower as our efforts to make Danske Bank more efficient also continued to result in a decrease in the number of FTEs.

While the deteriorating macroeconomic outlook and higher interest rates are expected to impact both businesses and households, the quality of our lending book remained strong with low loan impairment charges. We further note that we have taken a conservative approach in recent years with regard to the Commercial Real Estate segment, applying concentration limits and caps to certain sub-segments and geographies, which is expected to limit the downside risk.

MobilePay transaction
In the fourth quarter of 2022, the merger between MobilePay and Vipps was approved by the EU commission. The sale of our shares in MobilePay generated a gain of DKK 415 million.

Capital
For 2022, our total capital ratio was 22.1% and our CET1 capital ratio was 17.8%, against 22.4% and 17.7%, respectively, at the end of 2021.

Dividend
In 2022, Danske Bank made an additional provision of DKK 13,800 million related to the Estonia matter. Consequently, the Board of Directors will propose to the annual general meeting in 2023 that no dividend be paid out for 2022. Danske Bank's dividend policy remains unchanged, targeting a dividend of 40-60% of net profit. Danske Bank has strong capital and liquidity positions, and the Board of Directors remains committed to our capital distribution policy.

Estonia matter
On 13 December 2022, Danske Bank announced that it had reached final co-ordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. Under the terms of the coordinated resolution and as part of a cross-crediting agreement between the agencies, the total settlement amount is fixed at DKK 15,300 million.

Debt collection case
In the third quarter, we announced an accelerated solution for our debt collection customers that entails setting the debt of approximately 90,000 customers at zero and compensating customers for any potential overcollection as a result of the issues with our debt collection systems. In the fourth quarter, we began communicating to customers whose debt is set to zero.

The solution we have chosen means that we will inform the customers whose debt is written off, and that we will start to pay out compensation in 2023.

In the third quarter, it was announced that further sample checks related to the customer compensation model were needed, and this work has resulted in our taking a more conservative approach, which is to the benefit of our debt collection customers. This approach impacts our provisions by a further DKK 310 million, taking the increase in provisions in 2022 to a total of DKK 1,560 million.

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

Financials
Danske Bank posted a net loss of DKK 5,068 million in 2022, against a net profit of DKK 12,920 million in 2021. The return on shareholders' equity was a negative 3.1% for 2022 and 10.5% for the fourth quarter. Excluding the provision for the Estonia matter of DKK 13,800 million and the goodwill impairment charge of DKK 1,627 million, net profit was DKK 10,359 million and the return on shareholders' equity was 6.2%.

Our core banking activities continued to deliver good progress, with solid business lending growth at Large Corporates & Institutions and with deposit repricing leading to higher net interest income. Net fee income from everyday banking products maintained the positive trend throughout 2022. We saw good remortgaging activity as a result of the rise in interest rate levels as well as increasing service fees due to repricing. Investment fees decreased as customer activity within capital markets was significantly lower, and income in Asset Management fell following a decline in assets under management and lower performance fees.

Net trading income recovered in the second half of the year, as market conditions became more supportive. However, the extraordinarily high volatility and lower liquidity in the Nordic fixed income markets made market-making services and the management of the risk held to support our fixed income franchise challenging. Net trading income decreased to DKK 1,426 million in 2022, primarily as a result of losses in our Rates & Credit business at Large Corporates & Institutions.

Income from insurance business also saw a negative effect from the financial market turmoil in 2022. We saw a stabilisation of the result, driven by value adjustments as the interest rate environment normalised in the fourth quarter. The underlying business is strong, and the underlying loss on the health and accident business was reduced. However, some of the negative effect was offset by the gain of DKK 415 million on the sale of Danica Norway.

Underlying expenses continued to progress according to plan, which helped mitigate elevated remediation costs and costs related to the Estonia matter. Furthermore, operating expenses were impacted by a one-off amount of DKK 910 million due to provisions for the debt collection case. The number of FTEs continued to decrease and stood at 21,022 at the end of 2022 (end-2021: 21,754).

In 2022, Danske Bank made an additional provision of DKK 13,800 million related to the Estonia matter. In addition to the provision booked in 2022, a provision of DKK 1,500 million was booked in 2018.

At Danica Pension, goodwill amounting to DKK 1,627 million related to the acquisition of SEB Pension Danmark was assessed to be impaired due to increasing discount rates and the current turbulence in the financial markets.

Impairments reflect the macroeconomic uncertainty and slowing economic growth due to increased inflationary pressure as well as interest rate hikes, while COVID-19-related uncertainty decreased. Although the macroeconomic landscape remains uncertain and develops at a fast pace, the credit quality of individual customers was strong across the core loan portfolios as a result of the post-pandemic economic recovery. The accelerated solution to the debt collection case led to a one-off increase in loan impairment charges of DKK 650 million in the third quarter. This covers part of the remediation costs related to compensating customers for potential overcollection.

Outlook for 2023

Net profit is expected to be in the range of DKK 15 – 17 billion, including the impact of the new Danish bank tax. The outlook is in line with our 2023 financial ambitions.

We expect core income lines to grow in 2023, driven by higher net interest income and our continued efforts to drive commercial momentum.

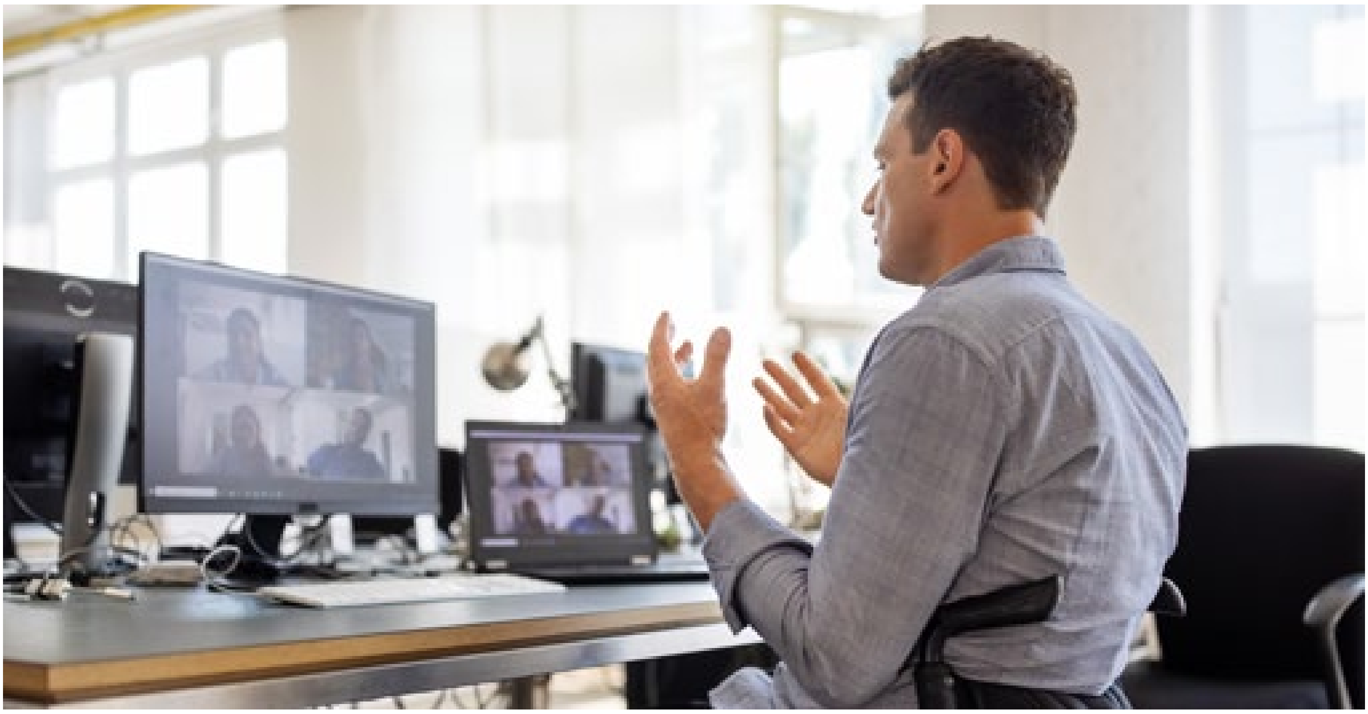
Despite a high degree of uncertainty, we expect income from trading and insurance activities to recover from the levels in 2022.

We expect costs in 2023 to be in the range of DKK 25 – 25.5 billion, despite inflationary pressure, reflecting our continued focus on cost management. The outlook includes sustained elevated remediation costs of around DKK 1.1 billion.

We expect loan impairment charges of up to DKK 3 billion (18 bp), driven primarily by a weaker macroeconomic outlook that will affect model-driven impairments.

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

Strategy execution



Introduction
The challenging environment we observed in the first half of the year turned out to continue throughout the second half of 2022. We stayed close to our customers and successfully helped them navigate the turbulence, while demonstrating our important role in the financial markets during a year of extreme volatility, as we provided much-needed liquidity to our business and corporate customers. In the last year of our current strategy cycle, we remain focused on following through on our plans for 2023, while taking the first steps in developing the vision, ambitions and targets that will elevate Danske Bank to an even stronger position in the next strategy cycle.

At the outset of the Better Bank plan, we had a clear ambition to simplify our business, improve efficiency, increase digitalisation and strengthen compliance, as well as to sharpen our commercial focus. 2022 was a year of many accomplishments, including the reorganisation of our Personal Customers and Business Customers units made to create an end-to-end value chain perspective crucial for long-term success, significant progress with our remediation efforts and consistent steps towards fully digital banking solutions across our segments.

Amid unresolved geopolitical tension and heightened volatility in the financial markets, we are satisfied with the commercial momentum as evidenced across our core banking lines. An increase in net interest income as rates returned to positive territory and positive trends in volumes fuelled top-line growth. Fee income remained resilient, and we are therefore well on track to meet our 2023 ambition of a return on shareholders' equity of 8.5-9%.

Customer satisfaction
We proceed with unabashed determination to become the preferred bank for our customers today and for generations to come. It has become clear that customer satisfaction trends considerably higher when a transaction or interaction with an adviser is involved, as opposed to satisfaction based on pure perception. To understand our customer satisfaction scores more accurately, we have adjusted our measurements to capture the concrete value delivered to our focus segments. Our former ambition of being in the top two across all segments has therefore been replaced by more specific and nuanced goals.

Building on the improvements of the past few years, we are now looking ahead to a new phase of the journey towards becoming a better Danske Bank.

Subsequent to the launch of our new commercial organisation in May and the integration of the new teams, we further adjusted our organisation to benefit from the optimised structure. In addition to the organisational structure, we continued our efforts to simplify our processes and the product portfolio. As part of this initiative, we have strengthened the foundational processes for product management and are continuing to streamline Danske Bank's product offering while upholding high risk management requirements.

Sustainability

In 2022, we continued to develop and make progress on our sustainability agenda across the Group. This included our launch of new home loans for energy-efficiency improvements, green concept loans for renewable energy and electric transportation, and new sustainable investment funds. We maintained our strong position within sustainable finance, including our position as the Nordic leader for the arrangement of sustainable bonds, and we received recognition for our sustainability reporting and for our efforts to reduce the carbon footprint of our lending activities. We enhanced our sustainability commitments by signing the Finance for Biodiversity Pledge, and we set emission reduction targets based on the methodologies outlined by the Science Based Targets initiative (SBTi) which are laid out in Danske Bank's Climate Action Plan and sent to SBTi for validation. Looking ahead, we will further support and enable our customers' sustainable transition journeys by continuing to develop our offerings across segments and by remaining at the forefront of this evermore important agenda.

People, culture, and engagement

2022 was a year of building on the momentum achieved in 2021 in terms of engagement and leadership and of becoming a purposeful and inclusive workplace. We continued to invest in developing our leaders' capacity to drive strategic execution with clear direction and accountability, while remaining committed to leading in accordance with our purpose and culture commitments. We celebrated the first anniversary of our purpose and culture commitments with stories from employees that show how we are united in our purpose and culture and all play our part in Danske Bank's contribution to customers and society. We built further on this momentum with the launch of a Pondus Award – given each quarter to an individual or a team who role-model how our purpose and culture commitments drive business and engagement results. For the inaugural award, we had more than 1,000 nominations. Internally, our employee engagement increased again in 2022 to reach a Satisfaction & Motivation index score of 76, and we are thus well on our way to reaching the 2023 engagement target of 77.

Compliance

Our work to protect society and the integrity of the financial markets in which we operate remains central to our values and our aim to maintain a sound business culture. In terms of strengthening the robustness of our compliance and financial crime frameworks, we are seeing vast improvements from the hand-held remediation efforts of recent years towards efficient automated processes. Areas of progress span conduct risk, market integrity, sanctions and transaction monitoring. While we will remain focused on remediation activities in 2023, we expect our improving risk management processes and controls to enable faster identification of, and responses to, future compliance issues.

Personal Customers

In recent years, we have strengthened our compliance setup and remediated legacy issues while strengthening our commercial platform. During 2022, the progress within our compliance setup enabled us to increasingly focus on fully leveraging our position to regain commercial momentum, and we see a positive trajectory in this regard.

The improved momentum we saw in 2022 was a result of multiple initiatives taken to sharpen our value proposition. In Denmark, the positive trend for our market position that we have seen over the past years continued in 2022. In most quarters, we continued to narrow the gap between our mortgage front and back books, while additionally seeing a highly increased preference for the Danske Bolig Fri product – an alternative to a mortgage loan - which increased more than 60% from the level at the end of 2021. Further, given the challenges consumers face in adapting to a changing cost of living and in managing their investments when markets are volatile, we increasingly directed our efforts towards providing expert advisory services for existing customers in Denmark as well as in the other Nordic countries. Additionally, in Denmark, we took another step towards a differentiated business model, for example by tailoring offers for private banking customers with complex needs through a new unified Private Banking structure that will take effect in March 2023.

In parallel, demand for digital convenience continued to grow across all our markets. To cater for our customers' needs and capitalise on this trend, we continued to invest in and strengthen our digital value proposition, which will become an increasingly important cornerstone of future retail banking. We have seen solid progress in terms of both innovation and simplification of the digital experience. For example, we introduced digital account opening in Danske Mobile Banking in 2022, and by the end of the year, 53% of all new savings and transaction accounts were opened digitally. During 2022, we also saw an increase in the proportion of customers who no longer use Danske eBanking but only Danske Mobile Banking from 36% to 44%. Notable new features implemented in Danske Mobile Banking in 2022 include the possibility to set up, delete and edit regular transfers as well as to transfer money abroad. We also introduced the possibility of adding a Dankort card to Apple Pay and in general simplified our everyday banking offering. These initiatives marked an initial step towards a fully digital setup, and they are already enhancing the customer experience and pushing the standard across the industry. In 2022, 70% of our meetings were conducted online – the highest proportion in our peer group – with an average online meeting satisfaction score of 8.35/10, against 8.23 for our peer group[1].

Going forward, strengthening digital value chains and deploying our expert advice at the right moments in our customers' lives will be at the heart of our work towards achieving a structurally lower cost base and improving our efficiency. Digitalisation and advisory services will be the foundation of our value proposition through which we aim to strengthen our market position.

Across the other Nordic countries, our focus on commercial execution and optimisation of our service models, for example for mortgages, will allow for faster processing times and quicker responses to customers. To further enhance our ability to deliver swift and high-quality assistance to customers via telephone, email and chat, we gathered our contact centres across Finland, Norway and Sweden under joint leadership to better leverage technical capabilities and processing skills. This initiative also allows us to accelerate the adoption of new technology and simplify customers' everyday banking processes. The extension of our strong partnership with Akademikerne in Norway resulted in an improved value proposition and enhanced profitability, which will enable us to align our business activities with the cost of capital.

Across all our markets, we continuously aim to enhance our value propositions within sustainability and to make it easier for our customers to make sustainable choices. In Denmark, we aim to ensure that we offer attractive prices on green financing for home and car loans, and we have teamed up with external partners to offer market-leading advice on environmentally- and climate-friendly home renovations.

Business Customers
The overall objective of our Business Customers unit is to be the preferred bank for businesses with complex needs and to offer an attractive value proposition to all businesses across the Nordic countries, underpinned by a solid digital foundation.

Our must-win areas to reach this overall objective include optimising our pricing and increasing capital productivity, growing our market share and establishing a cost-efficient service model.

During 2022, we optimised our pricing, with positive effects on both deposit margins and on the profitability of products and services. Repricing primarily targeted changes in the business packages and trade finance fees. Moreover, we executed on capital efficiency initiatives, improving our capital utilisation well above our original ambitions. Cross-selling activities saw successful results throughout the year, along with an increase in ancillary income.

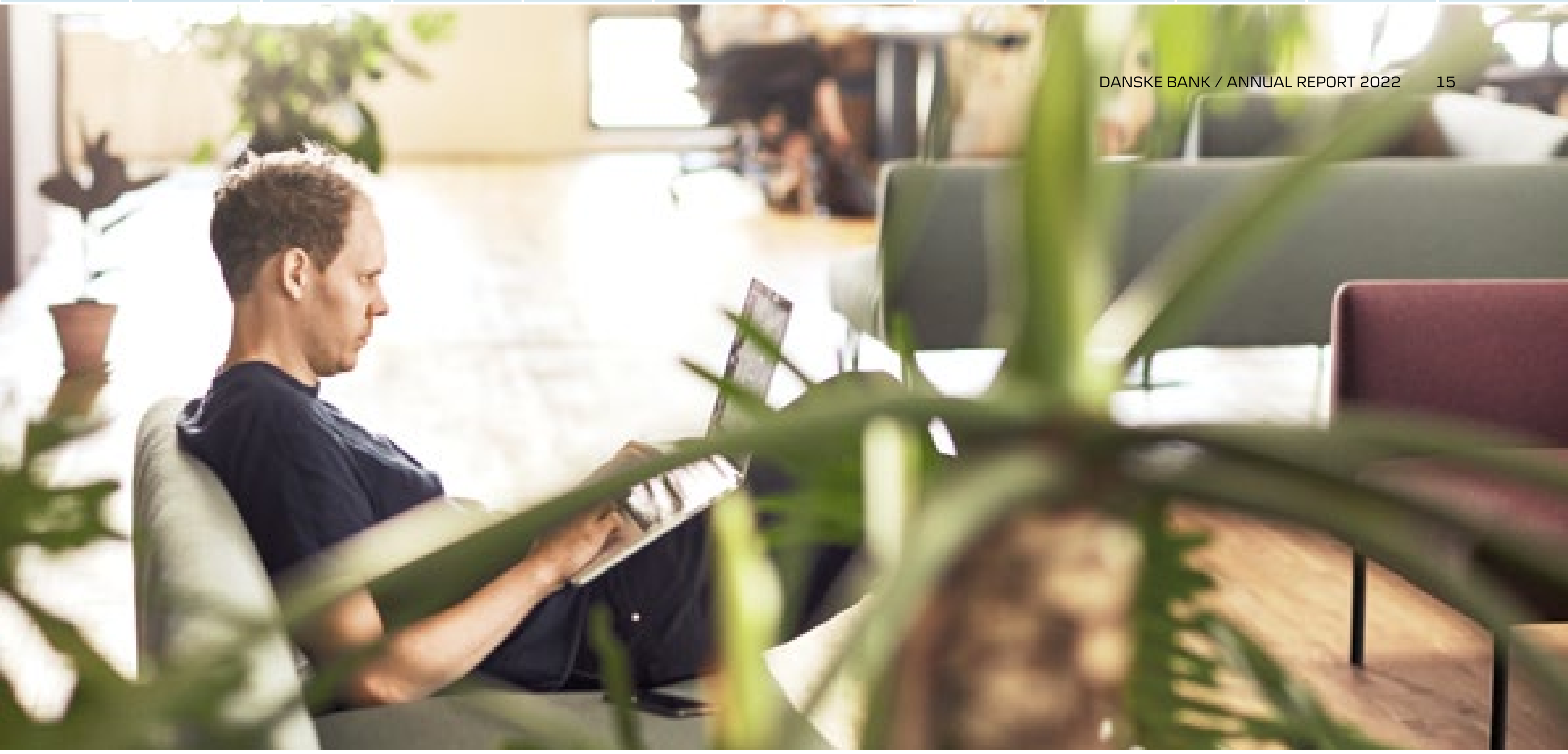
In mid-2022, the Business Customers unit was restructured to further release the potential of the new cost-efficient service model that was launched at the end of 2021. The intention of the new service model is to focus advisory services on customers with more complex needs, while customers with less complex needs are offered digital self-service options. This is a significant step in our digital-first approach, along with enhancing our digital value propositions. In 2022, we released Marketplace for our small business customers in Sweden who use District, our financial platform. With Marketplace, more than 60,000 customers can now order our 12 most popular products in District. The adoption of our digital services is thus picking up, with 9% of available products and services now being ordered digitally. We continue our efforts to raise the adoption rate into 2023. These efforts are already beginning to pay off, and our advisory services are now ranked number one in Norway and Sweden (among business customers with a turnover of >EUR 5 million), and our everyday banking services are ranked number one in Denmark and Norway (among business customers with a turnover of <EUR 5 million).

In addition, the implementation of our Nordic commercial real estate strategy, comprising the optimisation of capital utilisation, customer segment prioritisation and commercial real estate specialisation among advisers, saw good progress.

We see a challenging environment for our customers ahead, but our tiered service model makes us well positioned to cater for the different needs of our diverse customer base. Several digital releases are planned for 2023, such as District adaptations for customers with less complex needs. We will continue to introduce market-leading solutions for our business customers, while also closing identified digital gaps.

Large Corporates & Institutions
In 2022, we continued to see an inflow of customers in our market in Sweden, a cornerstone in strengthening our position outside Denmark. The repricing initiatives for our everyday banking services taken throughout the year had a positive

[1] Source: Market Benchmark Satisfaction Survey, PCDK, October 2022. 6-month rolling average. Peer group: Jyske Bank, Nordea, Nykredit and Sydbank.



impact on income. Within advisory services and investment business, despite the challenging market conditions that significantly affected the Equity Capital Market space, we focused our efforts and resources on our M&A advisory services. This resulted in a top-five position in the Nordic M&A Bloomberg league table, with leading positions in terms of deal value in Denmark, Finland and Norway. Furthermore, our strong focus on growing our Debt Capital Market business resulted in a leading position within Nordic issuance, and we maintained our leading position among Nordic banks in terms of volumes supported in the European debt capital markets.

Efficient use of capital continued to be a key focus area in 2022, with risk/reward considerations being at the centre of balance sheet decisions. This included an ongoing focus on reallocating capital to improve profitability, which will continue as part of our 2023 ambitions. In 2022, we supported our customers' increasing demand for bridge financing, as the capital markets were volatile. Moreover, we have been supporting our customers in the utility sector, where we saw an increasing demand for liquidity over the summer as energy prices spiked, which led to increasing working capital needs in combination with significant margin calls.

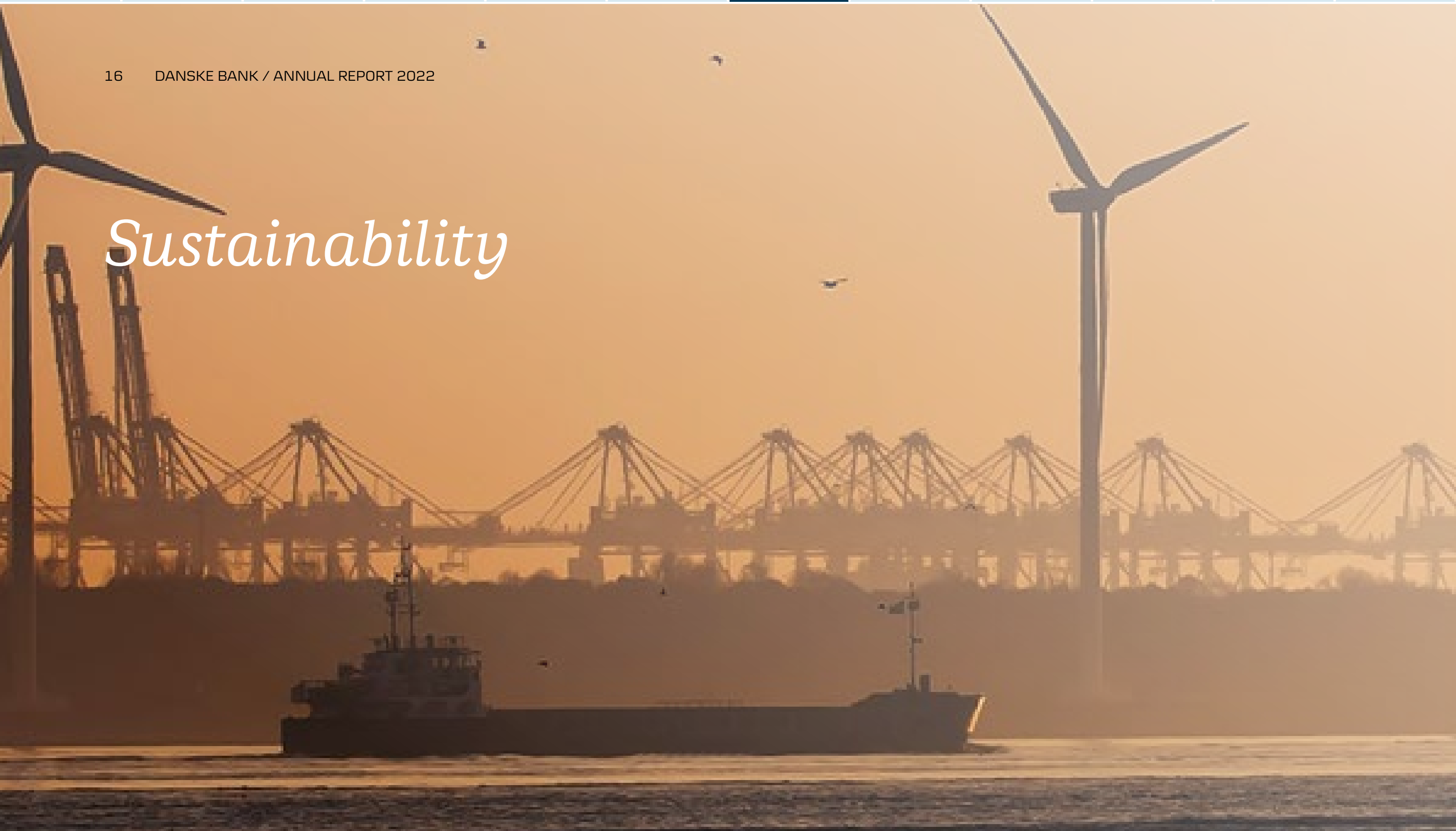
We continued to enhance our value proposition within the area of sustainability and supported our customers in a substantial number of transactions. Our good traction resulted in a leading position within Nordic Green, Social and Sustainability bonds issuance as well as a leading position in the Nordic countries in the Bloomberg sustainability-linked loans league table. We also focused on setting targets for reducing the carbon emissions of our lending activities. Our efforts were recognised by the Bloomberg Intelligence research unit, which ranked Danske Bank as number one among 54 international banks in terms of achieved reduction in financed CO_2 emissions and future emission targets.

In the area of responsible investments, we further enhanced our processes, disclosures and reporting to continuously align with the expectations of society and our investors and with the evolving agenda. To ensure transparency and better accommodate customers' sustainability preferences, we have, for instance, established a model for identifying sustainable investments in portfolios across our product range. On the product side, we launched our new multi-asset product, Global Ansvarlig Portefølje (Global Responsible Portfolio, GRP), which has a high proportion of sustainable investments and ensures a good level of diversification across equities and bonds.

Our development efforts in 2022 focused on improving processes, resulting in freed-up capacity and cost optimisation and improved services for our customers. Some key examples of improved services for customers include a new account management feature in District as well as the roll-out of the Cash Flow Forecast tool we have developed. Moreover, we further strengthened our compliance, risk and control processes and capabilities, with highlights including the stabilisation and automation of payment systems and simplification of our depositary setup.

We accomplished major improvements of our markets platform and digital self-service solutions in the corporate space, making everyday banking even easier and safer for our customers. To accelerate the execution of our digital corporate strategy, we also launched several strategic partnerships during the year with Altapay, Axeptia and Zenegy, among others.

Overall, we achieved strong traction on the various commercial initiatives, as proved by the increase in lending volumes and the continually strong momentum and growth within corporate everyday banking services. In addition, our continued focus on supporting customers and improving our offering resulted in very positive customer satisfaction scores, as reflected in the independent Nordic Prospera research by Kantar that ranks us Nordic number one in the 'Prospera Grand Total' report for the seventh consecutive year. Hence, we are confident that we are on the right track to meet our 2023 ambitions, as we now focus on concluding our Better Bank strategy cycle with positive results.



Sustainability

The development of sustainable societies requires a massive step-up in capital investment across sectors and industries over the coming decades. As a large financial institution, Danske Bank can play a pivotal role in enabling this transformation by bringing about a shift in how capital is deployed and by supporting customers in instigating sustainable change. Over the past couple of years, we have seen a fast-growing demand for sustainable products, solutions and operations across sectors.

Financial sector leadership in sustainability

At Danske Bank, we want to play a leading role in the sustainability transformation – and we have a clear ambition to lead on sustainable finance in the Nordic countries and to be the leading bank for sustainable finance in Denmark. Sustainable finance covers financial activities that support economic growth while simultaneously reducing negative impacts and increasing positive impacts on environmental, social and governance (ESG) factors.

To enable us to achieve this ambition and to create societal and business value, sustainable finance is placed at the core of Danske Bank's 2023 Group Sustainability Strategy. This strategy addresses five additional focus areas that cover themes of importance to our stakeholders and for our role as a bank in society. We monitor our progress against set targets, and we have a strategic focus on five of the 17 UN Sustainable Development Goals (SDGs). Through our sustainable finance offerings, we have a potential positive or negative impact on all 17 SDGs, determined by underlying activities.

As we embark on the final year of our current strategy and Better Bank transformation programme, we are developing a new overall Group strategy that further integrates our sustainability ambitions, climate transition plan and new focus on biodiversity.

Net-zero bank by 2050

Through Danske Bank's membership of the Net-Zero Banking Alliance, we have committed to aligning the carbon emissions of our lending and investment portfolios with net-zero targets by 2050 or sooner. We have also committed to setting intermediate 2030 targets for all high-emitting sectors in which we have significant financial exposures and to reporting annually on our progress.

On the basis of the mapping of our financed emissions and the tools and know-how we have accumulated over the past years, we in 2022 developed a comprehensive Group-wide climate action plan with further future commitments, which we launched in January 2023. This includes committal to the Science Based Targets initiative (SBTi) and intermediate 2030 science-based targets covering our lending and investment portfolios and our own operations. Targets are considered science based when they align with what the latest scientific research deems necessary for meeting the objectives of the Paris Agreement, which are to limit global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. We expect the submitted targets to be validated by the SBTi during the first half of 2023, and we plan to report on these from 2023. Read more in Danske Bank's Climate Action Plan.

2023 Group Sustainability Strategy

Sustainable finance
We help our customers achieve their sustainability ambitions through financing and investing.

2023 targets – financing
DKK 300 billion in sustainable financing, including granted green loans and arranged sustainable bonds since 2019.

Paris-aligned carbon emission reduction targets set for our lending portfolio.

2023 and 2030 targets – investment
DKK 150 billion invested in funds with sustainability objectives by 2030 since 2021.

DKK 50 billion invested in the green transition by Danica Pension by 2023 – and DKK 100 billion by 2030 since 2019.

Entrepreneurship
We support new businesses in creating sustainable growth.

2023 target
10,000 start-ups and scale-ups supported with growth and impact tools, services and expertise since 2016.

Financial confidence
We help people become financially confident.

2023 target
2 million people supported with financial literacy tools and expertise since 2018.

Governance & integrity
We operate in a responsible and transparent manner.

2023 target
Over 95% of our employees trained annually in risk and compliance.

Employee well-being & diversity
We foster well-being, diversity and inclusion in our workplace.

2023 target
Minimum of 35% women in senior leadership positions.

Minimum score of 77 in employee engagement survey.

Environmental footprint
We minimise our own environmental footprint.

2023 and 2030 target
40% carbon emission reductions by 2023 – and 60% by 2030 in relation to 2019.

Sustainable finance

Danske Bank is committed to using the power of finance to create sustainable progress, and managing the impact from our financing and investment activities is at the core of our sustainability efforts. Our efforts are reflected in the Bloomberg Intelligence's Carbon Score, in which Danske Bank is recognised as the lender with best performance on financed CO_2 emissions among global banks. Also, by year-end 2022 we remained the leading Nordic arranger of sustainable bonds in Bloomberg's league table, and we secured a 16th place in Bloomberg's global ranking for green bonds.

Despite the slowdown in the economy and turmoil in the financial markets in 2022, both of which affected our overall progress, we remain cautiously optimistic that we can achieve our sustainable finance volume targets, which were updated in 2021.

Our Group-wide sustainable finance framework helps to ensure that we work in an effective and consistent manner as we develop our offerings and products. Both the framework and our Sustainable Finance Policy are inspired by the Principles for Responsible Banking and are subject to regular updates in line with the ongoing phase-in of sustainable finance regulation.

Danske Bank's Position Statements detail our stance on material sustainability issues across sectors and themes, and they are subject to approval by our Business Integrity Committee. In March 2022, we updated our stance on agriculture and forestry. Both sectors are central to the climate change and biodiversity loss crises and represent potential transition risks.

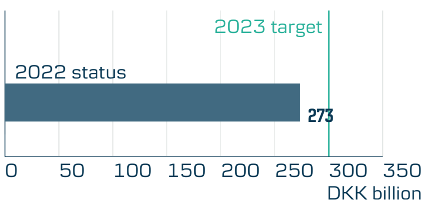
We continue to follow how the ongoing implementation of the EU Taxonomy supports our offering of sustainable finance products. We have initiated the journey of integrating the EU Taxonomy Regulation, although guidance and enhancements to the regulation are still being discussed in the EU and its advisory bodies. In 2022, we updated our Green Bond Framework and renamed it as the Green Finance Framework. Consequently, Danske Bank now broadly aligns with the Technical Screening Criteria of the EU Taxonomy, and the scope of activities to be financed by the issuance of green bonds has been extended. In our Sustainability Report 2022, we disclose the proportion of taxonomy-eligible and taxonomy-non-eligible activities related to the environmental objectives of climate change adaptation and climate change mitigation in accordance with Article 8 of the EU Taxonomy Regulation and the underlying Disclosures Delegated Act.

In 2022, we also worked to develop our approach to assessing companies' transition plans, both within lending and investment. The methods we use to drive change differ. Within corporate lending, we typically have close long-term relationships and can drive change through these. Within investments, we use active ownership to drive change by securing solid returns for our pension and business customers through investments that take ESG factors into account and through financing of new green technologies and solutions.

Read more on our climate-related risks and opportunities in the TCFD section below.

Financing

Lending



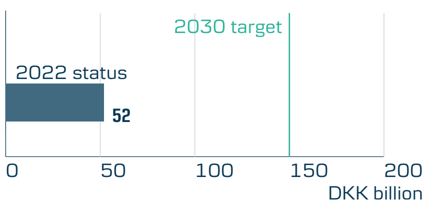
Sustainable financing, including granted green loans and arranged sustainable bonds.

Data is accumulated from 2019.

In 2022, we saw an increase of 42% in our sustainability financing volumes from 2021, due mainly to our continuous successes in sustainable bond arranging. The data does not include sustainability-linked loans and bonds.

Investment

Asset management

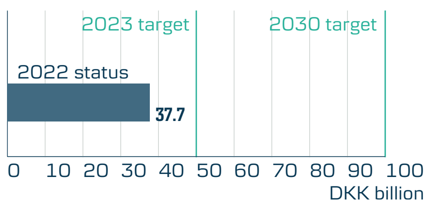


Investments in funds with a sustainable investment objective.

Data is accumulated from 2021.

In 2022, our investments decreased substantially 20% from 2021, due to the general market turmoil. Similarly, equities and fixed income simultaneously posted significant negative returns.

Asset ownership



Investments in the green transition by Danica Pension.

Data is accumulated from 2019.

In 2022, our green investments increased 12% from 2021, due mainly to growth in green bonds investments and a larger percentage of sustainability-certified real estate projects.

Biodiversity as our second impact area

The Principles for Responsible Banking serve as a framework for how banks should align their businesses with societal goals to contribute to a sustainable future, including the UN SDGs and the Paris Agreement. As a founding signatory, Danske Bank in 2019 committed to identifying the most significant positive and negative impacts of our lending portfolio and to setting targets for two significant impact areas. Climate change was our first area, and on the basis of a comprehensive impact assessment conducted in 2022, we identified biodiversity and healthy eco-system as our next area of focus and have joined the Partnership for Biodiversity Accounting Financials and the Finance for Biodiversity Pledge.

Governance and integrity

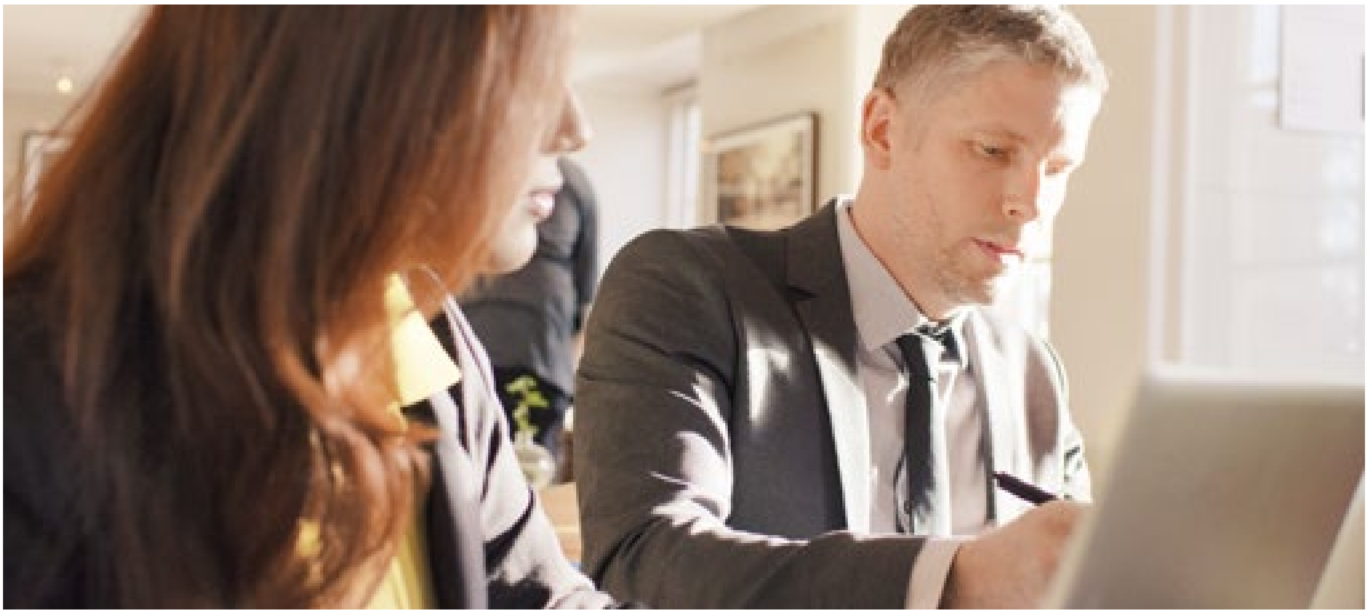
Danske Bank continues to develop and embed a strong compliance culture that sets clear expectations for the conduct of employees and of the Group. This is achieved by setting a clear tone from the top, by promoting individual accountability and risk-awareness through appropriate policies and training, and by supporting open communication through accessible tools, behavioural standards and reward structures. Furthermore, our Code of Conduct Policy outlines the principles that govern our behaviour and way of doing business.

Our mandatory eLearning training provides essential knowledge to empower employees to do the right thing for customers, colleagues and society. All employees must complete annual courses on a range of risk and compliance topics related to our policies, processes and applicable regulation. In 2022, 97% of employees completed and passed the risk and compliance training (2021: 96%), which is in line with our annual target of over 95%.

Furthermore, all employees must also undergo our annual sustainability eLearning course to ensure that they know how we are working with sustainability and how they can use this insight when they engage in discussions with colleagues, customers and partners.

To prevent and detect financial crime, we are continuing to enhance Danske Bank's financial crime framework to ensure that we have the right people, structures and controls in place. In 2022, substantial progress was made with this Group-wide plan, which remains on track for completion by the end of 2023. The plan is set to enable a holistic management of financial crime risks and covers risks associated with money laundering, terrorist financing, sanctions, fraud, tax evasion and facilitation of tax evasion, and bribery and corruption.

Communicating openly and sharing concerns with colleagues, managers and/or HR are key to ensuring a sound business culture, and such behaviour is guided and promoted by our Code of Conduct and by our Culture Commitments. We encourage employees to speak up about suspected wrongdoing, and our escalation procedures and processes are designed to help employees recognise potentially significant issues and take immediate and appropriate action. Through



Danske Bank's whistleblowing scheme, employees can submit their concerns anonymously without fear of retaliation. The scheme also applies to external stakeholders. In 2022, the number of reports submitted was 52% higher than in 2021, indicating that the scheme is well established.

To help build a resilient and sustainable supply chain, we in 2022 finalised the implementation of our new improved supplier ESG assessment process. In 2022, approximately 40% of our total active supplier base was invited for ESG assessment, and our ambition is that all active suppliers handled through Group Procurement & Premises will be ESG-assessed by 2023.

Diversity & Inclusion

Danske Bank is working to create a more diverse workforce and inclusive culture as one of the key drivers in building a better workplace. In 2022, we continued our efforts to advance our Diversity & Inclusion (D&I) agenda, both at Danske Bank and towards society in general. Following up on our D&I mission statement and governance structure, we updated our D&I Policy in anticipation of new legislation in Denmark, and we raised the profile our D&I team to elevate and integrate our efforts more broadly and deeper across the organisation. In our aim for gender equality, we focus on preventing biases and on developing gender-balanced recruitment processes. With a gender balance of 34% women in senior leadership positions in 2022 (2021: 32%), we maintain our focus to ensure that we reach our target of more than 35% women in senior leadership positions by 2023. We also further improved LGBTQ+ rights and conditions, and in 2022, Danske Bank was ranked amongst the world's top 100 employers for these efforts.

Employee well-being

We are working to become an even more attractive and inclusive workplace where everybody feels that they belong and that offers employees flexibility in their work and support in their professional development. Introduced in 2021, our Purpose and our Culture Commitments foundational frameworks guide our ways of working and shape the culture across Danske Bank. In 2022, we invested heavily in leadership development to ensure that all leaders are able to lead in line with our Purpose and our Culture Commitments. A third of all leaders participated in leadership development programmes focused on purposeful leadership, increasing self-awareness and awareness of context, choices and unconscious bias.

Danske Bank's flexible working model has had a positive impact on employee engagement and well-being, and in 2022

Human rights due diligence
In support of the UN Guiding Principles on Business and Human Rights and to further strengthen our human rights due diligence framework, we in 2022 conducted a high-level review to identify potential salient risks in Danske Bank's business activities, including in our own operations, our financing activities and our supply chain. The review and strengthening of measures to mitigate salient human rights risks also ensure our alignment with upcoming legislation such as the Norwegian Transparency Act, the minimum social safeguards of the EU Taxonomy, the Corporate Sustainability Due Diligence Directive, and the Corporate Sustainability Reporting Directive.

we continued to enable more hybrid and flexible settings by building upon the lessons we have learned from working at home and from the office.

Environmental footprint
Reducing carbon emissions from our premises and our travel activities is a central element in our efforts to minimise our environmental footprint. In 2022, our operations resulted in 6,979 tonnes of CO_2 equivalent (CO_2e) emissions[2] across scopes 1, 2 and 3 (2021: 4,733 tonnes CO_2e), which is a 55% decrease from 2019, and we are well on our way to meeting our target of a 40% reduction by 2023 – and a 60% reduction by 2030. The 2022 figure includes additional scope 3 carbon emissions as we now include emissions from employees working from home to reflect the redistribution of operational emissions from our office locations to employees' home locations. In 2023, we plan to also include emissions from employee commuting and from waste in our operations as part of scope 3.

Entrepreneurship
Danske Bank helps growth companies across our business and market areas to develop into viable businesses and increase their positive societal impact. Since 2016, we have supported 7,231 start-ups and scale-ups with growth and impact tools (2021: 6,329), services and expertise. However, the ongoing COVID-19 pandemic and the current uncertain economic situation are affecting job growth among start-ups, and this affects our ability to reach our target of having supported 10,000 start-ups by 2023. However, we have previously seen that start-ups adapt quickly to changes in their environment and over time will bounce back.

Financial confidence
Since 2018, we have supported almost 2.1 million children, young people and parents with financial literacy tools and expertise (2021: 1.6 million), and we have thereby reached and exceeded our target of supporting 2 million one year ahead of time.

This is an essential part of our efforts to help people across our markets to achieve greater financial confidence. In 2022, we further developed our school programmes, and we resumed our in-class guest lectures after a two-year hiatus caused by COVID-19. In 2023, we will also focus on fostering good money habits in children through entrepreneurship.

More information
Throughout 2022, integration of ESG and sustainability considerations into our enterprise risk management framework continued, and our work in this area is covered in our Risk Management 2022 report.

ESG ratings cover a range of analytical activities that address a business's societal impact. Danske Bank has chosen to focus on dialogue with five providers, who have been selected on the basis of their importance to our investors. This is described further in the Capital and liquidity management section.

Danske Bank's Sustainability Report 2022 meets proposal 14, cf. the 25 proposals by Finance Denmark's Anti-money Laundering Task Force, and ensures compliance with sections 135a and b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. It also represents our disclosures related to Article 8 of the EU Taxonomy and underlying delegated acts. The report is supplemented by our Sustainability Fact Book 2022 and Danske Bank's self-assessment for progress with the implementation of the Principles for Responsible Banking. All of these publications are available for download at www.danskebank.com/sustainability.

New regulation
As part of the European Commission's Action Plan on Sustainable Growth, the Corporate Sustainability Reporting Directive (CSRD), which amends the current Non-Financial Reporting Directive (NFRD), was adopted in the fourth quarter of 2022. The CSRD modernises and strengthens the rules about the social and environmental information that should be reported in accordance with the upcoming European Sustainability Reporting Standards (ESRSs). The requirements include reporting on all material sustainability impacts, risks and opportunities in a sustainability statement in the Group's annual report, from the financial year ending 2024. Final ESRSs are expected to be issued in the first half of 2023. The Group is currently evaluating the CSRD and the draft ESRSs.

[2] *CO_2 equivalent (CO_2e) is a metric used to compare the emissions of different greenhouse gases, taking into account their different global warming potentials. The greenhouse gas amounts are converted into equivalent amounts of carbon dioxide with the global warming potential remaining the same.*

Task Force on Climate-related Financial Disclosures

Since 2019, Danske Bank has been reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). With each year, we aim to further develop and improve our disclosures to reflect our increasing climate ambitions and actions. Our approach to the TCFD recommendations is to embed climate considerations into our core business activities in line with our sustainability strategy. To this end, we collaborate across the Danske Bank Group to share and develop best practices. In 2022, advancing our approach to managing climate-related risks and opportunities continued to be a key focus area. During the year, we refined existing climate targets for all business activities and related climate actions, established a framework for assessing high-emitting customers' transition plans and executing these, worked on setting science-based emission reduction targets, and extended our sustainable product offerings. Furthermore, to continuously enhance our expertise and contribute to sharing knowledge across the financial sector, Danske Bank participates in various industry-wide collaborations and knowledge-sharing forums.

Governance

To reflect this ambition and to drive our climate agenda, climate-related aspects are integrated into our governance structure at different levels.

Board oversight

The Board of Directors (BoD) has the overall responsibility for the Danske Bank Group's sustainability strategy and exerts oversight over climate-related issues in a variety of manners – both as routinely scheduled items at board meetings and when important matters arise. The BoD approves and reviews progress on sustainability strategy execution and related policies, and it reviews the annual external sustainability reporting. In addition to monitoring climate-related risks, the BoD also takes into consideration environmental, social and governance (ESG) aspects when it evaluates the Group's sector risk and risk appetite. In 2022, the BoD engaged in discussions about Danske Bank's Climate Action Plan, transition plan assessments, commercial approach to sustainability, and the integration of climate-related KPIs into executive remuneration, and it addressed the topic of leadership ambitions in the area of sustainable finance – all of which serve as key inputs for the Group strategy beyond 2023.

Management role

Our management, understood as both our Executive Leadership Team and the broader senior leadership, plays an important role in our climate governance. Their involvement takes place both within governance structures within specific business units and functions and through various committees and councils across the organisation with which climate-related aspects are anchored.

Committees and councils

The Business Integrity Committee (BIC) has a direct escalation line to the Board of Directors. It consists of all members of the Executive Leadership Team and is chaired by Danske Bank's CEO, Carsten Egeriis. The BIC is responsible for endorsing the sustainability strategy and related policies, which involves addressing climate-related issues, driving strategy execution and monitoring progress on a regular basis. This responsibility

Overview of the Group's climate-related governance structure

includes management of climate-related risks and opportunities, which are a central element in the sustainable finance focus area of the Group's sustainability strategy. Additionally, the BIC has partial duties to review and make decisions on ESG risks and to approve the climate-related position statements, and it is also responsible for Danske Bank's approach to climate-related products and services and the Group's implementation of TCFD recommendations. BIC meetings take place quarterly, as a minimum, and during the five meetings held in 2022, the BIC engaged in key climate-related decisions and discussions regarding the Group's Climate Action Plan, including the bank's commitment to the Science Based Targets initiative, the Finance for Biodiversity Pledge, the sustainable finance governance, the commercial sustainability approach, and Danske Bank's position statements on forestry and agriculture. The BIC also has two subcommittees that deal with climate-related issues: the Responsible Investment Committee and the Regulatory Sustainable Finance Theme Steering Committee (see details below).

The Group All Risk Committee includes all members of the Executive Leadership Team (ELT). This committee is responsible for making decisions on material risks related to the Group's business model and activities and is responsible for monitoring these. These risks cover all risk categories, business units, functions and geographical regions aligned with the Group's Enterprise Risk Management framework. Sustainability risks, including climate-related risks, are considered as a cross-taxonomy driver with an impact on the majority of the Group's risk categories. Risk efforts are prioritised where the impact on the Group is deemed material. The committee convenes at least nine times per year and addresses climate-related issues during, for example, sector reviews and discussions on the topics of risk appetite.

The Group Credit Committee is a committee consisting of ELT members that focuses on credit approvals. For all credit applications presented to the Committee, an ESG risk assessment also covering climate-related risk is carried out that includes credit and reputational questions concerning the credit exposure. In recent years, increasingly mature ESG risk assessments have been seen by the Committee. For customers in high-risk or high-emitting sectors, customer transition plans are included in the assessment process. The ESG risk assessment is considered in the credit approval process and the lack of a credible transition plan can lead to rejection of lending. Credit cases are endorsed by the Group Credit Committee and approved by the Board of Directors.

The Responsible Investment Committee (RIC) sets the ambition level and develops and oversees the implementation of the Group's responsible investment strategy. This committee makes decisions related to responsible investments and ensures that decisions align with the long-term Group sustainability strategy. The ESG Integration Council is a subcommittee of the RIC and is responsible for endorsing and advising on responsible investment-related matters such as the incorporation of sustainability and climate-related risks into investment analysis and decision-making processes and the inclusion of sustainability- and climate-related issues in ownership guidelines and practices.

The overall responsibility of the Sustainable Finance Theme Steering Committee is to manage and monitor progress within the Sustainable Finance Theme, which includes climate-related regulation such as the EU Taxonomy Regulation, Capital Requirements Regulation and Pillar 3 disclosure requirements. The committee oversees alignment between the regulatory implementation and the strategic priorities related to the regulation in scope.

The Sustainable Finance Council – which includes sustainability experts from all business units, Group Sustainability, Group Risk Management, the CFO area, Compliance and Communications – advises the BIC on sustainable finance and climate-related matters. The Sustainable Finance Council holds monthly meetings to enable regular discussions and continuous advancement of the sustainable finance agenda, including climate-related aspects.

Business units and Group functions

Climate-related responsibilities are integrated across the organisation, with specific responsibilities being assigned to specific units. For example, the Group Sustainability unit functions as a centre of excellence regarding all sustainability-related issues, including climate, and it is responsible for the Sustainability Report; developing the Group's sustainability strategy, KPIs and targets; and enabling and monitoring strategy execution. Group Risk Management is responsible for setting out principles and standards for identifying, assessing and managing climate-related risks, including providing oversight and challenge. Regarding Danske Bank's own operations, Technology & Services has the overall governance for the carbon footprint management, and Procurement & Premises is responsible for collecting and providing relevant data, reporting and key category management towards the net-zero strategy. In addition, there are other Group functions that work with climate-related risks and opportunities, such as Group Compliance, Group Legal and the CFO area.

The business units integrate the Group-level sustainability strategy, including its climate-related aspects, into individual business unit strategies, and they implement the strategy in product offerings, advisory services, processes and policies. Business units develop and execute action plans to achieve the respective sustainability- and climate-related targets at business unit level.

For more information about our sustainability governance and an overview of Group functions that work with climate-related aspects, please see our Sustainability Report 2022.

Climate strategy

Given that climate-related risks and opportunities have important strategic implications for Danske Bank and for our customers, they are important for our business in the short, medium and long term. The financial industry plays a key role in the net-zero transition, and Danske Bank assumes the responsibility associated with its position as a major financial institution in the Nordic countries. Consequently, climate-related considerations are an important pillar of our strategy. Through our customer advisory services and financial solutions offering, we can support the green transition to a low-carbon society. This responsibility towards the societies we are part of is at the core of Danske Bank and it is reflected in our Danske Bank purpose of “releasing the potential in people and businesses by using the power of finance to create sustainable progress today and for generations to come”. To fulfil our responsibility, we continued to increase our efforts in relation to the net-zero transition throughout 2022. In support of this, we developed Danske Bank’s Climate Action Plan, published in January 2023, which outlines our targets and actions for achieving the goal of limiting future global warming to 1.5°C.

Identified risks and opportunities

As a financial institution, Danske Bank interacts with the entire economy, including multiple sectors and customer segments. As a result, we face various climate-related risks and opportunities through our business activities and across all customer segments. However, the magnitude and time scale of climate-related risks associated with the net-zero transition vary greatly across sectors as each sector faces individual challenges and differing transition paths.

Climate-related risks

Danske Bank takes a risk-based approach by focusing its climate-related risk efforts on highly exposed sectors – primarily high-emitting sectors. For example, emissions can predominantly be attributed to sectors such as shipping and oil and gas. Approaches for identifying relevant transition risks in Danske Bank’s portfolios include carbon emission estimates and climate scenario analyses.

Relevant physical risks are also identified, especially for our property portfolio. Flooding risk is the primary physical risk hazard to be taken into consideration in the Nordic countries. This includes analysing the risks arising from projected sea level rises and the increased frequency and severity of storms.

For more details on climate-related risks, please see our Risk Management 2022 report.

Climate-related opportunities

Climate-related risks also represent opportunities for Danske Bank to support customers across all segments. As a major Nordic bank and through our services and products, we have the opportunity to empower our customers and the societies we are part of. Although many of our customers have already started their transition journey, significant amounts of additional capital will be needed to realise the net-zero transition across all sectors. We are committed to supporting and engaging with customers undertaking the necessary transition.

We have further expanded our sustainable product offering, for example with green concept loans for renewable energy, green investments products, and sustainability-linked loans. Additionally, we collaborate with partners to develop joint products to best serve our customers in the green transition. For example, we have teamed up with energy and climate partners to help our personal customers determine the most beneficial energy improvement investments for their homes. Overall, we see a further increase in demand for these products, and through our advisory services and product offerings, we will continue to focus our efforts to support our customers in navigating the transition to net zero.

Impact on business, strategy and financial planning

Climate-related considerations have material implications for our business, strategy and financial planning. These implications can affect Danske Bank’s customer acquisition and retention, competitive position, balance sheet health, and the market value of our investments. In addition, transition and physical risks have a direct impact on customers, and consequently have implications for our business. Because of this, climate-related considerations are integrated into our business processes and are a key pillar of Danske Bank’s strategy.

To future-proof our business and enhance collaboration across the industry, we have committed to various net-zero initiatives, including the Net-Zero Banking Alliance, the Net Zero Asset Managers Initiative and the Net-Zero Asset Owner Alliance, and we have engaged in various collaboration initiatives and working groups. We are supporting the goal of global net-zero greenhouse gas emissions by 2050 or sooner, and we have worked on setting science-based targets, including specific intermediate and long-term targets, aligned with the methodologies of the Science Based Targets initiative (SBTi) and the 1.5°C trajectory. Specifically, we have worked on emission reduction targets for high-emitting portfolios, including for our lending, asset management, and life insurance and pension activities, as well as for own operations.

To achieve our targets and deliver on our strategy, we integrate climate considerations into business processes. For our lending portfolio, we conduct a transition assessment of corporate customers that have high transition risks, and this informs our customer engagement and dialogue. We also perform ESG risk due diligence for new and existing customers. For investments, ESG factors are integrated into decision-making, which includes identifying and making investment decisions based on, for example, climate-related transition and physical risks and opportunities. Additionally, we actively engage with companies to influence and support them in reducing their emissions and in participating in the net-zero transition as we believe we can better address climate-related issues in our investments by leveraging active ownership activities. On a product and advisory services level, we adapt offerings to meet customer needs and facilitate the transition to a low-carbon society.

Climate-related risks and opportunities are also taken into account in the Group's financial planning process. Climate-related risks are included for consideration as part of the Group's annual internal capital adequacy assessment process, primarily in terms of credit risk and whether the residual risks from climate change are sufficiently captured through usual credit parameters or through additional impairments booked to the allowance account. Business units have sustainable finance as a core opportunity in their strategic roadmaps and as an integral part of their financial planning. We will continue to further integrate climate-related risk and opportunity considerations into our financial and capital efforts.

To deliver on our own climate agenda, we are continuously developing our capabilities and increasing our efforts to capitalise on climate-related opportunities and mitigate risks. Across the Group, more than 120 employees in dedicated roles work with sustainability, including climate-related aspects. This represents a significant increase on the previous year's number of approximately 90 employees. Moreover, all staff at Danske Bank are trained in sustainability-related matters, including climate change, and are provided with role-specific training, particularly for frontline staff, to further embed sustainability considerations into everything we do. Sustainability, including climate-related aspects, is also integrated into the incentive programme of our executive and senior leadership and is part of the remuneration process for our portfolio managers.

Resilience of organisation strategy
Maintaining a robust level of resilience against potential climate-related risks requires sensitivity assessments and continuous monitoring of transition progress. The findings of these are an important pillar for the overall strategy development and specific portfolio exposure strategies, and they support the development of target-setting measures. Therefore, transition and physical risk scenario analyses are conducted to help further assess the sensitivity and future resilience of the Group's portfolios. It is important to note that scenario analyses rely on forward-looking parameters and long-term horizons, and this involves a higher level of uncertainty than standard forms of stress testing. The scenario analyses have therefore not yet been used to model forward-looking credit losses, but instead they help to identify exposure at risk, support the identification of potential risk-mitigating efforts and inform portfolio strategies.

For our transition scenario analyses, scenarios are applied following the Network for Greening the Financial Sector (NGFS) suggestions and recommendations from the International Energy Agency (IEA). For our physical risk scenario analysis, historical worst flooding risk scenarios with varying return periods across our Nordic markets are used. For results of the scenarios analysis conducted in 2022, see chapter 4 on Sustainability risk management in our Risk Management 2022 report. To prioritise the Group's efforts, focus has been set on high-risk sectors identified in the climate risk heat map (see chapter 4 on Sustainability risk management in our Risk Management 2022 report). If necessary, due diligence, risk appetite and risk policies are further tightened to ensure resilience.

Analysing the climate-related impact of our entire lending portfolio is also critically important for understanding significant climate action areas and identifying potential climate transition risk areas. In 2020, we committed to aligning our lending portfolio with the principles of the Paris Agreement, and since then we have been mapping, refining and updating the financed CO_2e emissions resulting from our lending activities. The results of this work formed the basis for setting science-based targets and defining our climate-related actions.

We constantly evaluate our exposures in sectors considered highly exposed to climate change and take action when deemed relevant. We worked on the update of our Group position statement on fossil fuels to accelerate the phase-out of coal-fired energy production from our lending portfolios by 2030 and excluded long-term financing or refinancing to exploration and production companies engaging in activities related to oil and gas expansion[3] beyond that which was approved for development by 31 December 2021.

Our development of sustainable finance products and advisory services has resulted in Danske Bank remaining the leading Nordic arranger of sustainable bonds in Bloomberg's league table, and in Bloomberg's global ranking for green bonds, we secured a 16th place. Advisory services and engagement are also significant ways through which we can take action to capitalise on climate-related opportunities. In 2022, climate and greenhouse gas emissions were the most frequently discussed ESG engagement topic within our asset management business.

Risk Management

Climate-related risks are considered as external factors that can affect existing financial risks, including credit, market and liquidity risk, and non-financial risks, such as operational and compliance-related risks. Climate-related risk is therefore considered a cross-cutting driver of existing risks. The Group takes a risk-based approach and annually assesses which risk types are considered to be materially affected by climate-related risk drivers.

[3] Applies to conventional, unconventional and frontier oil and gas expansion.

The table below provides an overview of the focus areas with respect to climate risk management in 2022.

Disclosure area	Process for identifying and assessing climate-related risk	Process from managing climate-related risk and integrating this into our overall risk management processes
Lending	Climate risk pertains to transition risks, which are risks associated with the shift to a low-carbon economy, and to physical risks arising from projected climate changes such as weather-related hazards. Credit risk will be affected by both of these climate-related risks in the medium and long term. The Group takes a risk-based approach in prioritising risk management efforts for sectors that are likely to be most exposed to transition and physical risks. For that purpose, applying a climate risk heat map, the Group prioritises its risk management efforts for sectors that are the most sensitive to transition risks and physical risks. The Group's climate risk heat map is based on a mix of qualitative and quantitative input to define credit exposures most exposed to transition and physical risks. Identification of climate-related risks occur through: • sustainability due diligence when granting or renewing a loan • sustainability risk assessments for high-risk portfolios • climate scenario analysis for key sectors to determine the future resilience of the Group's portfolios and to help identify potential risk-mitigating efforts and inform portfolio strategies • measuring the carbon footprint of our lending portfolio to further account for transition-related risks Physical risks are identified mainly for collateral-related exposure (flooding risk, in particular) by using data on historically worst flood events and most extreme climate projections.	Expectations towards customers related to how the Group manages climate-related risks are outlined in the Group's position statements. Any restrictions outlined in the position statements are further embedded as policy requirements in our Credit Policy, which outlines our procedure for how sustainability risks (including climate risk) are managed. The Group manages climate-related transition risk at several levels. • Customer level, where the Group has developed a methodology to assess business customers' transition plans to gain a more granular overview of the transition risks. The customer assessments are based on criteria that aim to capture both the customers' current performance as well as their short-, medium- and long-term ambitions and plans to meet their decarbonisation strategy and targets. In addition, the assessments include an evaluation of the customers' risk of not executing on their strategies because of external factors that affect their ability to transition, e.g. technology and government support factors. Furthermore, ESG due diligence is performed in the credit-granting process, which includes climate-related risk considerations. • Portfolio level, where the Group sets long-term targets for sectors with high financed emissions. Climate risks are also considered part of the Group's risk appetite-setting process, with limits either tightened or introduced for high-risk segments to further manage the portfolios. This allows for actively steering the sustainability risks at portfolio level. We also use scenario analysis and carbon emission estimates to further assess needed actions to ensure our loan portfolio supports the needed transition. • In addition, the Group has intensified its focus on customers that are considered to be lagging in the transition process but have started from weak financial positions. For these customers, the Group identifies relevant mitigating actions. For physical risks, the risks associated with flooding risk are managed primarily at the portfolio level, but the concentration risk does not currently give rise to further actions. This will continue to be monitored, and it will be relevant to assess other physical risk hazards in the future, for example extreme heat, pending good coverage of climate data in the Nordic countries.
Asset management	The process for identifying and assessing climate-related risks follows the overall process for incorporating sustainability risks, which is outlined in our Responsible Investment Policy. Central to this is our investment teams' focus on sustainability issues that are likely to affect a company's business and ability to deliver attractive returns to our investors. To enable a systematic approach, we have developed our proprietary analytical tool, called mDASH (short for materiality dashboard). The tool allows us to: • identify relative level of exposure to climate-related risks across sectors and industries • assess companies' performance in managing climate-related exposures • guide engagement with companies on material climate-related risks • examine alignment with different global warming pathways via scenario analysis	Based on the materiality perspective, we use several tools to manage climate-related risk. We have several options at our disposal to determine the right approach for a given investee company, from active ownership (engagement) to inclusion (portfolio adjustment) and exclusion (divestment). In terms of active ownership, we engage with companies on climate-related issues and have incorporated relevant aspects into our voting guidelines. As a signatory of the Net Zero Asset Managers Initiative, we are committed to engaging with the 100 largest emitters in our portfolios by 2025. If necessary, we exclude companies that are involved in activities that have significant negative climate impact, and for some of our funds we also use a carbon risk score as an inclusion criterion, the aim of which is to achieve a score as per the disclosure in the fund prospectus. Also, we address relevant carbon risk-related aspects through our membership of various initiatives, including The Institutional Investors Group on Climate Change and Climate Action 100+.

For more details, please see our Risk Management 2022 report.

Metrics and targets

Danske Bank's climate-related risks and opportunities are evaluated and monitored through different metrics covering our business units and own operations. Targets are set to reflect our ambitions in our roadmap to net zero, and progress against these targets is reported on an annual basis. In 2022, we continued our efforts to improve our climate-related metrics so that more data can become available, and we worked on our financed emission reduction targets across our lending and investment portfolios to align with the SBTi guidance and Danske Bank's net-zero commitments. As a result, we have adapted our targets previously set for the shipping[4], utilities[5], and oil and gas[6] sectors, and we have developed additional emission intensity reduction targets for commercial real estate, personal mortgages and the steel and cement sectors. As these new climate-related targets were first published in January 2023 as part of Danske Bank's Climate Action Plan, data for the reporting year 2022 is not yet available. The newly developed metrics will be included in next year's TCFD reporting.

The table below provides an overview of the key climate-related metrics and targets that are currently monitored.

Disclosure area		Current metrics	Target	More details
Climate-related risks	Transition risks	Proportion of lending activities materially exposed to transition risks: 14%[7] (2021: around 15%)	No targets	Risk Management 2022 report, Chapter 4 Sustainability risk management, section 4.2.1
	Physical risks	Proportion of lending activities materially exposed to physical risks: around 4%[7] (2021: around 6%)	No targets	Risk Management 2022 report, Chapter 4 Sustainability risk management, section 4.2.1
	Financed emissions	Weighted average carbon intensity of investment products: 68.40 tonnes CO_2e/million USD revenue (2020: 85.40 tonnes CO_2e/million USD revenue)	50% reduction from 2020 to 2030	Climate Action Plan, Asset Management chapter, Asset Management Targets section
		Number of engagements: 20[8]	Engagement with the 100 largest emitters	Climate Action Plan, Asset Management chapter, Asset Management Targets section
	Own operations	Total scope 1 + scope 2 + scope 3 CO_2e emissions: 6,979 tonnes CO_2e[9] (2021: 4,733 tonnes CO_2e)	60% reduction by 2030	Climate Action Plan, performance overview & assurance chapter, ESG performance data section
Climate-related opportunities	Sustainable product offering	Facilitated sustainable financing since 2019: DKK 273 billion (2021: DKK 192 billion)	DKK 300 billion by 2023	Annual Report 2022, Sustainability chapter, sustainable finance section
		Assets under management in Article 9 funds: DKK 52 billion[10] (2021: DKK 65 billion)	DKK 150 billion in 2030	Annual Report 2022, Sustainability chapter, sustainable finance section
		Investments in the green transition by Danica Pension: DKK 37.7 billion (2021: DKK 33.5 billion)	DKK 50 billion in 2023	Annual Report 2022, Sustainability chapter, sustainable finance section

[4] Previous target for lending portfolio: 20-30% reduction in emissions per unit transported (measured in gCO2e/DKK million lent) by 2030 against a 2020 baseline.
[5] Previous target for lending portfolio: 30% reduction in carbon emissions per kWh of power generation (measured in gCO2e/kWh) by 2030 against a 2020 baseline.
[6] Previous target: 50% reduction in lending exposure (measured in absolute target/risk appetite) by 2030 against a 2020 baseline.
[7] Year-on-year decrease in exposure at risk for both transition and physical risk is due to updates to the methodology related to EPC labels and flood risk maps in Denmark, lowering the exposure at risk for the property-related portfolios. The overall risk profile is considered to be stable compared to 2021. The Group will continue to refine the climate risk heat map and will be subject to change.
[8] Target was set in 2022, therefore not comparative information available.
[9] Scope 3 carbon emissions related to employees of the Group working from home was added in 2022.
[10] Decrease reflects negative developments in the financial markets.

For further climate-related metrics and targets specific to Danica Pension, please see Danica Pension's separate TCFD disclosure.

Read more
For further information, please see the following publications: Danica Pension's TCFD disclosure, which outlines how climate-related topics are addressed in the Group's pension subsidiary; Danske Bank's Climate Action Plan, which introduces our new climate-related targets and addresses how Danske Bank approaches the climate transformation; our Sustainability Report 2022, which covers climate-related aspects as an integral part of Danske Bank's sustainability strategy; and our Risk Management 2022 report for more information on identified sustainability risks, including the Group's climate risk heat map.

Estonia and remediation matters

In 2022, Danske Bank continued its remediation efforts, including the handling of the Estonia matter and the debt collection case in Denmark.

Estonia matter

Investigation

On 13 December 2022, Danske Bank announced that it had reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. In relation to the resolutions with the U.S. authorities, Danske Bank has pleaded guilty to a criminal charge from the DoJ of conspiracy to commit bank fraud. Furthermore, Danske Bank agreed to settle a civil securities fraud action with the SEC. Under the SCU resolution, Danske Bank has agreed to accept fines and confiscation for violations of the Danish AML Act and the Danish Financial Business Act.

The coordinated resolutions mark the end of the criminal and regulatory investigations into Danske Bank by the authorities in Denmark and the United States.

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

The aggregate amounts payable to the US and Danish authorities total USD 2.06 billion (approximately DKK 15.3 billion – hedged following the provision). This is covered by the provisions booked in connection with our financial results for the third quarter of 2022 and the third quarter of 2018. Reflecting cross-crediting arrangements between the three authorities as well as currency conversions, the amounts payable to the authorities are as follows: DoJ: USD 1,209 million, SEC: USD 179 million and SCU: DKK 4,749 million. All amounts have been paid in January 2023.

Danske Bank has accepted and agreed to the terms of the resolutions. As part of the Bank's agreement with DoJ, the Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025. As a result of the resolutions, the investigations by U.S. and Danish authorities are now closed as to Danske Bank. However,

the Bank remains in contact with DoJ as a matter of post-resolution obligations set forth in the agreement with DoJ.

Civil claims

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

Update on the debt collection case

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

Furthermore, Danske Bank has decided to compensate customers for any potential overcollection related to the issues in the historical debt collection systems on the basis of a data-driven model.

In the coming period, we expect to begin communicating the effect of the solution to customers and expect the compensation payout to the vast majority of customers to be completed by the end of 2023.

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

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

Financial review

Income statement
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Net interest income	25,188	22,049	114	7,442	6,307	118
Net fee income	12,590	13,525	93	3,054	2,999	102
Net trading income	1,426	4,126	35	747	503	149
Net income from insurance business	63	2,088	3	386	-286	-
Other income	1,936	797	243	733	244	-
Total income	41,203	42,584	97	12,362	9,767	127
Operating expenses	26,478	25,663	103	6,909	6,777	102
of which resolution fund, bank tax etc.	962	687	140	235	237	99
Provision for Estonia matter	13,800	-	-	-200	14,000	-
Impairment charges on goodwill	1,627	-	-	-	1,627	-
Profit before loan impairment charges	-703	16,921	-	5,654	-12,637	-
Loan impairment charges	1,568	348	-	774	368	210
Profit before tax, core	-2,271	16,573	-	4,880	-13,005	-
Profit before tax, Non-core	-13	-2	-	-2	-28	7
Profit before tax	-2,284	16,571	-	4,877	-13,033	-
Tax	2,784	3,651	76	704	760	93
Net profit	**-5,068**	**12,920**	-	**4,174**	**-13,792**	-
Attributable to additional tier 1 etc.	86	451	19	-	-	-

2022 vs 2021
Net profit decreased to a net loss of DKK 5,068 million (2021: a net profit of DKK 12,920 million). The result for 2022 was affected by the provision for the Estonia matter of DKK 13,800 million and the goodwill impairment charge of DKK 1,627 million. Excluding these one-offs, net profit amounted to DKK 10,359 million. Further, the accelerated solution to the debt collection case led to a total effect on profit before tax of DKK 1,560 million, consisting of a negative effect on operating expenses of DKK 910 million and an increase in loan impairment charges of DKK 650 million. Higher net interest income and other income could not fully compensate for the effect that the market turmoil had on net trading income and on net income from insurance business.

Income
Net interest income increased to DKK 25,188 million (2021: DKK 22,049 million), benefiting from changes to base rates, but also from income on deposits following repricing and market developments in rates as well as larger volumes. In Northern Ireland, the increase in net interest income was driven by actions taken in response to higher UK interest rates.

Net fee income decreased to DKK 12,590 million (2021: DKK 13,525 million). We saw good remortgaging activity as a result of the rise in interest rate levels as well as an increase in service fees due to repricing. Net fee income from everyday banking products maintained a positive trend throughout 2022. Investment fees decreased as customer activity within capital markets was significantly lower, and income in Asset Management fell following a decline in assets under management and lower performance fees.

Net trading income decreased to DKK 1,426 million (2021: DKK 4,126 million). Net trading income recovered in the second half of the year, as market conditions became more supportive. During 2022, we continued to support our customers through the volatile repricing on the financial markets. However, the extraordinarily high volatility and lower liquidity in the Nordic fixed income markets made market-making services and the management of the risk held to support our fixed income franchise challenging. Net trading income benefited from a one-off gain of DKK 170 million on the sale of shares in Sanistål, whereas a negative effect of eliminations of returns on own shares had an adverse effect.

Net income from insurance business amounted to DKK 63 million (2021: DKK 2,088 million). The underlying business is strong, and the underlying loss on the health and accident business was reduced. Following the negative market developments, the result of the life insurance business decreased. Costs of DKK 150 million to cover compensation to customers, as announced on 9 September 2022, also had a negative effect on the result. However, some of the negative effect was offset by the gain of DKK 415 million on the sale of Danica Norway.

Other income amounted to DKK 1,936 million (2021: DKK 797 million). The increase was due partly to the sale of our activities in Luxembourg, which generated a one-off gain of DKK 421 million, and to the sale of our shares in MobilePay, which generated a gain of DKK 415 million, and to increased sales prices of assets in our leasing operations.

Operating expenses

Operating expenses amounted to DKK 26,478 million (2021: DKK 25,663 million). Underlying expenses continued to progress according to plan, which helped mitigate elevated remediation costs and costs related to the Estonia matter. Furthermore, as announced on 31 August 2022, we have chosen an accelerated solution for the vast majority of our debt collection customers. Operating expenses were impacted by a one-off amount of DKK 910 million due to an increase in provisions for compensation to customers.

Finally, the Resolution fund, bank tax etc. item increased to DKK 962 million (2021: DKK 687 million) as a result of the Swedish bank tax that came into force on 1 January 2022.

Provision for the Estonia matter

On 13 December 2022, Danske Bank announced that it had reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. Under the terms of the coordinated resolution and as part of a cross-crediting agreement between the agencies, the total settlement amount was fixed at DKK 15,300 million. In addition to the provision booked in 2022 of DKK 13,800 million, a provision of DKK 1,500 million was booked in 2018.

Impairment charges on goodwill

Goodwill in Danica Pension arising from the purchase of SEB Pension Danmark in 2018 and amounting to DKK 1,627 million was assessed to be impaired due to increasing discount rates and the current turbulence in the financial markets and was thus written off.

Loan impairment charges

On the back of strong credit quality, loan impairment charges in core business segments normalised in 2022, amounting to DKK 1,568 million (2021: DKK 348 million).

Loan impairment charges

(DKK millions)	2022 Charges	2022 % of net credit exposure*	2021 Charges	2021 % of net credit exposure*
Personal Customers	927	0.10	60	0.01
Business Customers	578	0.09	426	0.06
Large Corporates & Institutions	-774	-0.25	-13	-0.00
Northern Ireland	168	0.30	-127	-0.24
Group Functions	669	17.37	2	0.04
Total core	**1,568**	**0.08**	**348**	**0.02**

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

Impairments reflect the macroeconomic uncertainty and slowing economic growth due to increased inflationary pressure as well as interest rate hikes, while COVID-19-related uncertainty decreased. Although the macroeconomic landscape remains uncertain and develops at a fast pace, the credit quality of individual customers was strong across the core loan portfolios as a result of the post-pandemic economic recovery.

The accelerated solution to the debt collection case led to a one-off increase in loan impairment charges of DKK 650 million in the third quarter, impacting the result of Group Functions. This covers part of the remediation costs related to compensating customers for potential overcollection. In addition, debt of approximately DKK 1.0 billion was written off. However, the write-offs were covered by matching impairment charges and had no impact on loan impairment charges in 2022 at Group level.

A continued review of post-model adjustments throughout the year resulted in new post-model adjustments of DKK 1.6 billion to address idiosyncratic risks in the portfolios stemming from the surge in inflation and energy costs as well as the worsening macroeconomic outlook. Developments in 2022 also led to an increase in post-model adjustments related to the property segment and to personal customers due to increasing inflation and interest rates and the risk of a decline in property prices and disposable incomes. On the other hand, COVID-19-related uncertainty has declined since the end of 2021, and the related post-model adjustments were fully released by September 2022, as the new virus variants did not cause prolonged lockdowns. The total allowance account amounted to DKK 19.7 billion (end-2021: DKK 22.7 billion), including post-model adjustments of DKK 6.6 billion (end-2021: DKK 6.3 billion).

Personal Customers saw increasing impairment charges in 2022, while Business Customers had impairment charges comparable to the charges in 2021. The charges were driven by changes in the macroeconomic scenarios to account for expectations of higher inflation and interest rate hikes as well as increased post-model adjustments. For Business Customers in particular, this was partly offset by strong credit quality and reversals as customers benefited from the post-pandemic economic recovery.

Large Corporates & Institutions continued to have net loan impairment reversals in 2022 owing to improved credit quality driven by the post-pandemic economic recovery and the resulting decline in charges made against facilities to individual customers. The effect of this was partly offset by increasing post-model adjustments.

The changes to the macroeconomic scenarios were driven primarily by a lower GDP, rising interest rates and reinforced inflationary pressure as a result of rapid price increases on commodities such as energy, metals and agricultural products. Base-case, upside and downside scenarios were all updated following the macroeconomic uncertainty. The scenario weights from the fourth quarter of 2021 were maintained in 2022 and were as follows: The base-case scenario has a probability of 70% (2021: 70%), the upside scenario has a probability of 10% (2021: 10%) and the downside scenario has a probability of 20% (2021: 20%).

Tax

The tax expense of DKK 2,784 million (2021: DKK 3,651 million) was affected mainly by non-deductible items, including the additional provision for the Estonia matter and the goodwill impairment charge. The effective tax rate excluding the additional provision for the Estonia matter and the goodwill impairment charge was 21.2% (2021: 22.0 %).

Q4 2022 vs Q3 2022

Net profit for the fourth quarter amounted to DKK 4,174 million (Q3 2022: DKK 1,835 million, excluding the provision for the Estonia matter and the goodwill impairment charge).

- **Net interest income** increased to DKK 7,442 million (Q3 2022: DKK 6,307 million) due to higher lending volumes and repricing of deposits as a consequence of the rise in interest rates. In Northern Ireland, we saw an increase in net interest income, reflecting higher UK interest rates and related repricing initiatives.

- **Net fee income** amounted to DKK 3,054 million (Q3 2022: DKK 2,999 million), driven by higher remortgaging activity and good activity within M&A advisory services.

- **Net trading income** increased to DKK 747 million (Q3 2022: DKK 503 million), driven mainly by positive value adjustments of the derivatives portfolio and a one-off gain on the sale of shares in Sanistål. The negative effect of eliminations of returns on own shares partly offset these positive effects.

- **Net income from insurance business** amounted to DKK 386 million (Q3 2022: a negative DKK 286 million). The result of the life insurance business increased from the third-quarter result, as Danica Pension was able to collect the full risk allowance for 2022. The result of the health and accident business decreased.

- **Other income** increased to DKK 733 million (Q3 2022: DKK 244 million), due mainly to a one-off gain on the sale of shares in MobilePay.

- **Operating expenses** amounted to DKK 6,909 million (Q3 2022: DKK 6,777 million), driven mainly by seasonality and higher IT cost. Further sample checks related to the customer compensation model were needed, and this work has resulted in our taking a more conservative approach, which is to the benefit of our debt collection customers. This approach impacted our provisions by a further DKK 310 million, as the accelerated solution affected operating expenses for the fourth quarter of 2022. In the third quarter of 2022, operating expenses were impacted by a one-off amount of DKK 600 million to cover compensation to debt collection customers for potential overcollection of debt.

- **The provision for the Estonia matter** amounted to a reversal of DKK 200 million (Q3 2022: DKK 14,000 million) due to a reduction of the provision made to cover the settlement of the matter.

- **The goodwill impairment charge** amounted to DKK 0 million (Q3 2022: DKK 1,627 million). In the third quarter, an impairment charge related to Danica Pension's acquisition of SEB Pension Danmark was recognised.

- **Loan impairment charges** for core business segments amounted to DKK 774 million in the fourth quarter (Q3 2022: DKK 368 million). Impairment charges were driven by updated macroeconomic scenarios and increased post-model adjustments. On the other hand, credit quality continued to be strong throughout the fourth quarter, resulting in impairment reversals relating to individual customer exposures.

- **Tax amounted** to DKK 704 million (Q3 2022: DKK 760 million). The tax amount was affected, among other things, by the non-taxable profit on the sale of shares in MobilePay.

DKK 4,174 million
Profit before tax
for the fourth quarter of 2022

Balance sheet

Lending (end of period)
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Personal Customers	805.1	883.2	91	805.1	803.5	100
Business Customers	639.6	653.0	98	639.6	625.9	102
Large Corporates & Institutions	322.5	264.8	122	322.5	354.2	91
Northern Ireland	53.8	55.8	96	53.8	54.5	99
Group Functions incl. eliminations	-0.1	-2.9	-	-0.1	1.8	-
Allowance account, lending	16.9	19.6	86	16.9	15.6	108
Total lending	**1,804.0**	**1,834.4**	**98**	**1,804.0**	**1,824.3**	**99**

Deposits (end of period)
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Personal Customers	410.8	407.9	101	410.8	415.4	99
Business Customers	285.2	292.5	98	285.2	287.5	99
Large Corporates & Institutions	389.5	383.5	102	389.5	399.3	98
Northern Ireland	94.6	99.0	96	94.6	96.2	98
Group Functions incl. eliminations	-10.2	-15.3	-	-10.2	-11.1	-
Total deposits	**1,169.9**	**1,167.6**	**100**	**1,169.9**	**1,187.3**	**99**

Covered bonds
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Bonds issued by Realkredit Danmark	685.2	770.7	89	685.2	667.0	103
Own holdings of bonds*	42.1	42.4	99	42.1	42.5	99
Total Realkredit Danmark bonds*	**727.3**	**813.1**	**89**	**727.3**	**709.5**	**103**
Other covered bonds issued	156.7	165.1	95	156.7	162.8	96
Own holdings of bonds	99.0	86.9	114	99.0	89.2	111
Total other covered bonds	**255.8**	**252.0**	**102**	**255.8**	**252.0**	**102**
Total deposits and issued mortgage bonds etc.	**2,152.9**	**2,232.7**	**96**	**2,152.9**	**2,148.9**	**100**
Lending as % of deposits and issued mortgage bonds etc.	83.8	82.2		83.8	84.9	

**Includes only bonds issued to fund lending. For further information, see the Definition of alternative performance measures section.*

Lending
Lending stood at DKK 1,804 billion (end-2021: DKK 1,834 billion). Excluding the changes in the fair value of mortgage loans in Denmark following the increases in interest rate levels, lending increased 3% from the level at the end of 2021 to DKK 1,882 billion. Mortgage lending at nominal value at Realkredit Danmark amounted to DKK 802 billion (end-2021: DKK 808 billion).

The increase in lending at Large Corporates & Institutions was driven partly by higher volumes in Sweden, reflecting our strategic ambition to grow the number of core customer relationships in Sweden. At Business Customers, we saw an increase in bank lending due to higher customer activity. Mortgage lending at nominal value increased 1%. Green loan volumes also increased. At Personal Customers, bank lending increased, driven primarily by the Danske Bolig Fri product – an alternative to a mortgage loan. Total lending at Personal Customers decreased 9% due to negative market value adjustments of mortgage loans caused by the higher interest rate level, the slowdown in the housing market and the discontinuation of the customer portfolio in Luxembourg.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 129 billion. Lending to personal customers accounted for DKK 30 billion of this amount.

In Denmark, our market shares of bank lending, excluding repo loans, to personal and business customers increased to 19.8% at the end of 2022 (end-2021: 18.6%) and to 23.2% (end-2021: 22.0%), respectively. The market share in Denmark, including mortgage lending, decreased, however, to 24.6% at the end of 2022 (end-2021: 24.8%). In Sweden, our market share of lending increased from 5.1% to 5.4%, and in Finland, our market share of lending increased from 9.5% to 10.0%. In Norway, we maintained our market share of lending at the end-2021 level.

Market shares of lending

(%)	31 December 2022	31 December 2021
Denmark incl. RD (excl. repo)	24.6	24.8
Finland*	10.0	9.5
Sweden (excl. repo)	5.4	5.1
Norway*	6.3	6.3

Source: Market shares are based on data from central banks at the time of reporting.
** The market shares for Finland and Norway are based on data as at 30 November 2022.*

Lending equalled 83.8% of the total amount of deposits, mortgage bonds and other covered bonds (2021: 82.2%).

Deposits

Deposits amounted to DKK 1,170 billion (end-2021: DKK 1,168 billion). The increase in deposit volumes was due to cautious investment strategies among our customers and the outlook for positive deposit rates.

In Denmark, our market share of deposits decreased to 28.4% at the end of 2022 (end-2021: 29.1%). In Finland, Sweden and Norway, our market share of deposits was also lower than at the end of 2021.

Market shares of deposits

(%)	31 December 2022	31 December 2021
Denmark (excl. repo)	28.4	29.1
Finland*	9.7	10.0
Sweden (excl. repo)	4.6	5.1
Norway*	7.3	8.1

Source: Market shares are based on data from central banks at the time of reporting.
** The market shares for Finland and Norway are based on data as at 30 November 2022.*

Credit exposure

Credit exposure from lending activities in core business segments decreased to DKK 2,513 billion (end-2021: DKK 2,716 billion).

The effect of higher activity among corporate and institutional customers was more than offset by lower exposure to personal and business customers in Denmark, primarily as a result of the net negative effect of fair value adjustments. In addition, the effect of the increase in activity was offset by lower deposits with central banks and weaker exchange rates (SEK, NOK and GBP), thus reducing credit exposure. However, in local currency, credit exposure to business customers in Sweden, Finland and Norway increased. Credit exposure directly related to customers in or from Russia, Ukraine and the Baltic countries is limited and amounted to less than DKK 0.1 billion at 31 December 2022.

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

Credit quality

Credit quality remained strong in 2022 at all business units. However, we remain vigilant for any possible deterioration related to the risks and uncertainty mentioned in the loan impairment charges section above.

Stage 3 loans in core segments

(DKK millions)	31 December 2022	31 December 2021
Gross exposure	32,132	46,012
Allowance account	8,251	12,397
Net exposure	**23,881**	**33,615**
Collateral (after haircut)	**20,775**	**30,143**
Stage 3 coverage ratio (%)	73	78

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

Total gross credit exposure in stage 3 was DKK 32.1 billion (end-2021: DKK 46.0 billion), corresponding to 1.3% of total gross exposure. Stage 3 exposure was concentrated on personal customers, shipping, oil and gas, commercial property and agriculture, which combined accounted for 69% of total gross exposure in stage 3. The development in stage 3 exposure since the end of 2021 was impacted primarily by the technical implementation of the new definition of default that is now aligned with EBA requirements and write-offs.

Total gross exposure in stage 2 has increased DKK 45 billion since the end of 2021, primarily in the commerical property and personal customers segments due to changes in macroeconomic scenarios.

The allowance account amounted to 1.02% (end-2021: 1.15%) of lending and guarantees.

Allowance account by business units

[DKK millions]	31 December 2022 Accum. impairm. charges	31 December 2022 % of credit expo-sure[1]	31 December 2021 Accum. impairm. charges	31 December 2021 % of credit expo-sure[1]
Personal Customers	5,427	0.66	5,654	0.64
Business Customers	10,235	1.58	10,186	1.54
Large Corporates & Institutions	3,050	0.76	5,227	1.84
Northern Ireland	863	1.56	850	1.44
Group Functions	31	0.78	17	0.36
Total	**19,605**	**1.02**	**21,935**	**1.15**

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

Bond portfolio

[%]	31 December 2022	31 December 2021
Government bonds and bonds guaranteed by central or local governments	44	45
Bonds issued by quasi-government institutions	4	3
Danish mortgage bonds	37	35
Swedish covered bonds	7	10
Other covered bonds	6	5
Corporate bonds	2	2
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	30	27

Trading and investment activities
Credit exposure from trading and investment activities amounted to DKK 1,189 billion at the end of 2022 (end-2021: DKK 1,068 billion). The increase was due primarily to an increase in derivatives with positive fair value.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 89.1 billion (end-2021: DKK 76.8 billion).

The value of the bond portfolio was DKK 502 billion (end-2021: DKK 540 billion). Of the total bond portfolio, 70% was recognised at fair value and 30% at amortised cost.

The financial highlights on page 8 provide information about the balance sheet.

Trading portfolio assets and trading portfolio liabilities decreased to net assets of DKK 84.5 billion (end-2021: net assets of DKK 134.6 billion). The decrease in net assets was due mainly to decreased bond holdings and changes in the fair value of the derivatives portfolio.

Other balance sheet items
Due from credit institutions and central banks decreased to DKK 191.9 billion (end-2021: DKK 320.0 billion). The decrease was due to general liquidity management. More information on this is provided under the Funding and liquidity heading in the Capital and liquidity management section.

Capital and liquidity management

The main purposes of our capital management practices are to support our business strategy and to ensure a sufficient level of capital to withstand even severe downturns without breaching regulatory requirements.

Capital ratios
At the end of 2022, the Group's total capital ratio was 22.1%, and its CET1 capital ratio was 17.8%, against 22.4% and 17.7%, respectively, at the end of 2021. The movement in the capital ratios in 2022 was driven by a decline in the total REA, the cancellation of the remaining dividends for 2021 and a decrease in the capital deduction for Danica Pension. These effects were partly countered by the realised net loss due to the effect of the coordinated resolution with the US and Danish authorities in relation to the Estonia matter. The total capital ratio was moreover affected by the redemption of additional tier 1 capital instruments of EUR 750 million in April 2022.

During 2022, the total REA decreased approximately DKK 22 billion due to a decline in the REA for credit risk, which was partly countered by an increased REA for market risk.

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

At the end of 2022, the Group's solvency need ratio was 10.6%, a decrease of 0.8 percentage points from the level at the end of 2021. The decrease was primarily due to the removal of DKK 7.5 billion of the DKK 10 billion Pillar II add-on as required under the orders issued by the Danish Financial Supervisory Authority (the Danish FSA) in 2018. The reduction in the Pillar II add-on was driven by the additional provision related to the Estonia matter made on 27 October 2022. The amount was covered by common equity tier 1 (CET1) capital as ordered by the Danish FSA.

A combined buffer requirement (CBR) applies to financial institutions in addition to the solvency need ratio. At the end of 2022, the Group's CBR was 7.0%.

Announced increases in the national countercyclical buffer rates in Denmark, Norway and Sweden will increase the Group's CBR by 0.5 percentage points in 2023. Consequently, the fully phased-in countercyclical buffer requirement will be 2.0%, thereby bringing the fully phased-in CET1 requirement to 13.6%.

Capital ratios and requirements

(% of total REA)	2022	Fully phased-in*
Capital ratios		
CET1 capital ratio	17.8	17.4
Total capital ratio	22.1	21.8
Capital requirements (incl. buffers)		
CET1 requirement	13.1	13.6
- portion from countercyclical buffer	1.5	2.0
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer (O-SII)	3.0	3.0
Solvency need ratio	10.6	10.6
Total capital requirement**	**17.6**	**18.2**
Buffer to requirement		
CET1 capital	4.7	3.8
Total capital	4.5	3.6

** Based on fully phased-in rules and requirements, including the fully phased-in impact of IFRS 9.*
*** The total capital requirement consists of the solvency need ratio and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of 2022.*

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

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

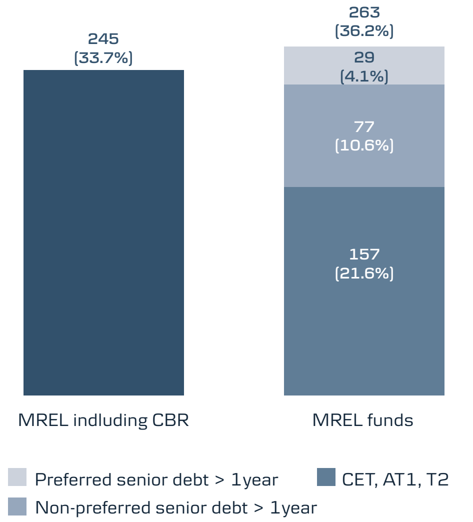
At the end of 2022, the point-in-time requirement including the CBR was equivalent to DKK 245 billion, or 33.7% of the total REA adjusted for Realkredit Danmark. Taking the deduction of capital and debt buffer requirements for Realkredit Danmark into account, MREL-eligible liabilities amounted to DKK 263 billion. In addition, an MREL of 6% of the leverage ratio exposure (LRE) is in place. The LRE-based requirement equalled 21.3% of the total REA adjusted for Realkredit Danmark, making the REA-based requirement the binding constraint.

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

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

At the end of 2022, the subordination requirement was equivalent to DKK 205 billion. The backward-looking subordination requirement, as set by the Danish FSA, was 28.2% of the total REA adjusted for Realkredit Danmark. MREL-eligible subordinated liabilities stood at DKK 234 billion.

MREL requirement and eligible funds; end-2022
(DKK billions) (% of total REA)



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

Leverage ratio
At the end of 2022, the Group's leverage ratio was 5.0% under the transitional rules and 4.9% under the fully phased-in rules.

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

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

Capital distribution policy
In 2022, Danske Bank made an additional provision of DKK 13,800 million in relation to the Estonia matter. Consequently, the Board of Directors will propose to the annual general meeting in 2023 not to pay out dividend for 2022.

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

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

Credit ratings
Credit ratings remained unchanged in 2022.

On 16 December 2022, S&P revised the outlook on Danske Bank to Stable from Negative as a consequence of the resolution of the Estonia matter.

Subsequent to the announcement of the resolution, Fitch and Moody's also affirmed their ratings and outlooks on the Group.

Danske Bank's ratings, 31 December 2022

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

Covered bonds issued by Realkredit Danmark are rated 'AAA' (Stable outlook) by Fitch, S&P and Scope Ratings. Covered bonds issued by Danske Bank A/S are rated 'AAA' (Stable outlook) by both Fitch and S&P. Covered bonds issued by Danske Hypotek AB are rated 'AAA' (Stable outlook) by S&P and 'AAA' by Nordic Credit Rating. Covered bonds issued by Danske Mortgage Bank Plc are rated 'Aaa' by Moody's.

Environmental, Social and Governance (ESG) ratings
Danske Bank currently focuses on the following ESG rating agencies (a reflection of investor priorities).

Danske Bank's ESG ratings

	Score at 31 December 2022	Score at 31 December 2021
CDP Worldwide, UK	B	B
ISS ESG, USA	C+ Prime	C Prime
MSCI ESG Ratings, USA	BBB	BBB
Sustainalytics, USA	Medium Risk	Medium Risk
Moody's ESG Solutions, USA	61	61

On 13 January 2022, ISS ESG raised its rating to 'C+ Prime', thereby reflecting a reassesment of its Corporate Governance and Business Ethics factor.

On 12 February 2022, ISS ESG downgraded Danske Bank to 'C Prime' from 'C+ Prime' after introducing a new rating factor: Financial Audit and Accounting Risk.

On 16 June 2022, ISS ESG raised its rating to 'C+ Prime' from 'C Prime' after reassessing its Staff and Suppliers, Environmental Management, Products and Services and Eco-efficiency rating factors.

ESG ratings and outlooks remained unchanged in the fourth quarter of 2022.

Funding and liquidity

The financial year 2022 was affected by equity and interest rate volatility following high inflation prints, numerous central bank interest rate hikes and a very tense geopolitical situation. The credit markets remained active with decent supply and stable investor appetite for Danske Bank issues.

In early January 2023, we issued EUR 1 billion in senior debt (4nc3), EUR 1 billion in senior debt in green format (8nc7) and USD 1.25 billion in non-preferred senior debt (3nc2) for a total of DKK 23.5 billion.

At the end of December 2022, the Group had issued covered bonds of DKK 39.6 billion, senior debt of DKK 1.4 billion and non-preferred senior debt of DKK 20.1 billion, thus bringing total long-term wholesale funding to DKK 61.1 billion.

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

From time to time, we will make issues in GBP, JPY, CHF and other currencies when market conditions allow. Issuance plans for subordinated debt in either the additional tier 1 or tier 2 formats will depend on balance sheet growth and redemptions on the one hand and our capital targets on the other. Any issuance of subordinated debt may cover part of our funding need. Note G22 provides more information about bond issues in 2022.

Danske Bank's liquidity position remained robust. At the end of December 2022, our liquidity coverage ratio stood at 151% (31 December 2021: 164%), with an LCR reserve of DKK 570 billion (31 December 2021: DKK 687 billion), and our net stable funding ratio stood at 123%.

At 31 December 2022, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 357 billion (31 December 2021: DKK 381 billion).

The Supervisory Diamond

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

At the end of 2022, Danske Bank was in compliance with all threshold values. A separate report is available at www.danskebank.com/ir.

Realkredit Danmark also complies with all threshold values.

New regulation

As part of the EU Banking Package 2021 and in order to implement Basel IV, the European Commission adopted proposals in October 2021 to amend, inter alia, Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU (CRD). The proposals include adjustments to the Basel IV standard, and the output floor is subject to a transitional arrangement, which means that the output floor must be fully implemented by 1 January 2030.

In order to estimate any effects that the finally adopted regulation and directive may have on the Group, the Group continuously monitors the legislative negotiations and conducts impact assessments. On the basis of the Group's current and updated analysis of the EU Banking Package 2021, the Group's current capital planning takes into account the expected REA impact of the initial implementation expected in 2025. The fully phased-in impact of the EU Banking Package 2021 on the Group depends on the final outcome of the EU legislative process, including the calibration of the output floor. Taking into account the proposed transitional arrangements with regard to the output floor, the Group currently expects the output floor to restrict the Group at the earliest in 2033, when the transitional arrangements are set to lapse.

The outcome of the EU legislative negotiations on the proposals is uncertain and may result in further adjustments as the EU negotiations progress towards the final rules.

Investor Relations

In 2022, the financial markets took a more positive view of Danske Bank as an investment case owing to our progress with the remediation of legacy issues, growth in core banking income lines and steady execution on our strategic initiatives to become a simpler and better bank. During the year, we saw a positive development in our share price, and equity analysts upgraded their recommendations 10 times from sell or hold to buy. In addition, the average target price was lifted DKK 13 to DKK 144.

This positive development in how the market perceives Danske Bank also provided a positive backdrop to our engagement with analysts and investors, enabling an even more proactive and frequent dialogue, and underpinned our continuous efforts to keep investors and analysts updated on Danske Bank's strategic development, financial performance and outlook. These efforts include participation in many types of proactive investor communication, such as roadshows, conferences and consultations.

Investor engagement

The year marked the return of real physical events with shareholders after the pandemic. During the year, Investor Relations hosted and participated in both hybrid events and physical events with attendance from investors and analysts.

More specifically, Investor Relations facilitated a significant number of investor events with participation from debt and equity investors, primarily from the Nordic countries, other European countries and the US.

Retail investors

In the light of increasing interest from retail investors, we strengthened our dedicated efforts to actively engage with this investor segment. As a result, the year saw active engagement with our retail investor base as we hosted successful events in collaboration with the Danish Shareholders Association and HC Andersen Capital. Alongside these dedicated efforts, we saw the total share of retail investors in our shareholder base increase approximately 5% in 2022 according to Nasdaq data.

ESG

Equity and debt investors show growing interest in the environmental, social and governance (ESG) performance of the companies in which they invest. In collaboration with Group Sustainability, Investor Relations shaped Danske Bank's ESG messaging to meet investors' expectations, and we actively engaged with ESG investors during the year. Further to that, ESG investors increasingly invested in our share, and ESG-focused institutional investors now represent approximately 35.1%, which exceeds the average for companies in Nasdaq's Financials sector.

Danske Bank shares

Danske Bank shares are listed on Nasdaq Copenhagen and are included in a number of Danish and international equity indices, such as the OMX Copenhagen 25 CAP Index (OMXC25CAP). At the end of 2022, Danske Bank shares had an index weighting of 4.8%.

Danske Bank's share price increased from DKK 113 at 31 December 2021 to DKK 137 at 31 December 2022, an increase of 22%. In comparison, the OMXC25CAP Index decreased 13%, while the Europe 600 Banks Index decreased 15%.

Danske Bank shares
(DKK millions)

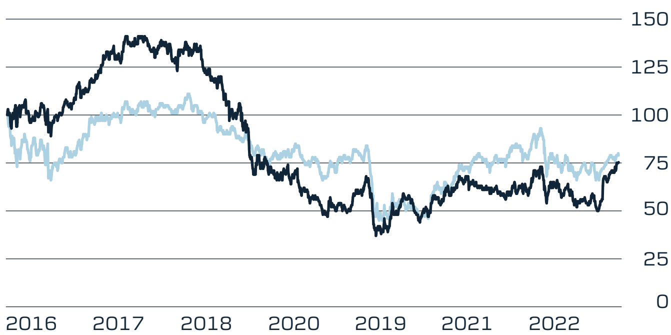
	2022	2021
Share capital (millions)	8,622	8,622
Share price (end of year)	137.3	113.0
Total market capitalisation (end of year) (billions)	116.8	96.4
Earnings per share	-6.1	14.6
Dividend per share	-	2.0
Book value per share	188.4	200.6
Share price/book value per share	0.7	0.6

Danske Bank is covered by 29 sell-side analysts, who regularly publish research reports and sector reports. A list of the analysts and other relevant information, including financial reports, investor presentations, share and bond information, are available at danskebank.com/investorrelations/reports. Investor Relations collects and distributes consensus estimates from sell-side analysts for external and internal stakeholders.

The average daily trading volume of Danske Bank shares was around 2 million. The Danske Bank share was the 7th most actively traded share on Nasdaq Copenhagen during 2022.

Danske Bank shares
Index 2016 = 100

Danske Bank   Europe 600 Banks

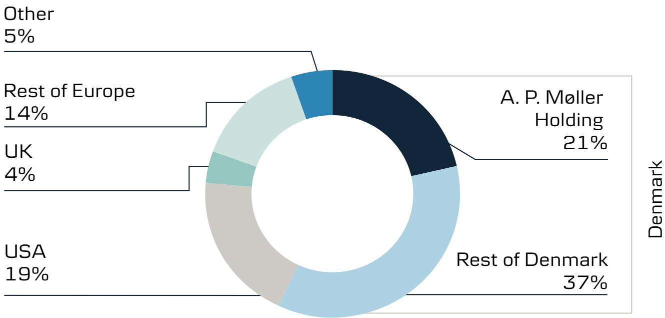


Shareholders

At the end of 2022, Danske Bank had about 281,000 shareholders. The 10 largest shareholders together owned about 40% of the share capital. During 2022, the number of shareholders in Denmark increased slightly, whereas the number of foreign-based shareholders decreased somewhat.

We estimate that shareholders outside Denmark, mainly in the US, the EU and the UK, hold around 42% of the share capital.

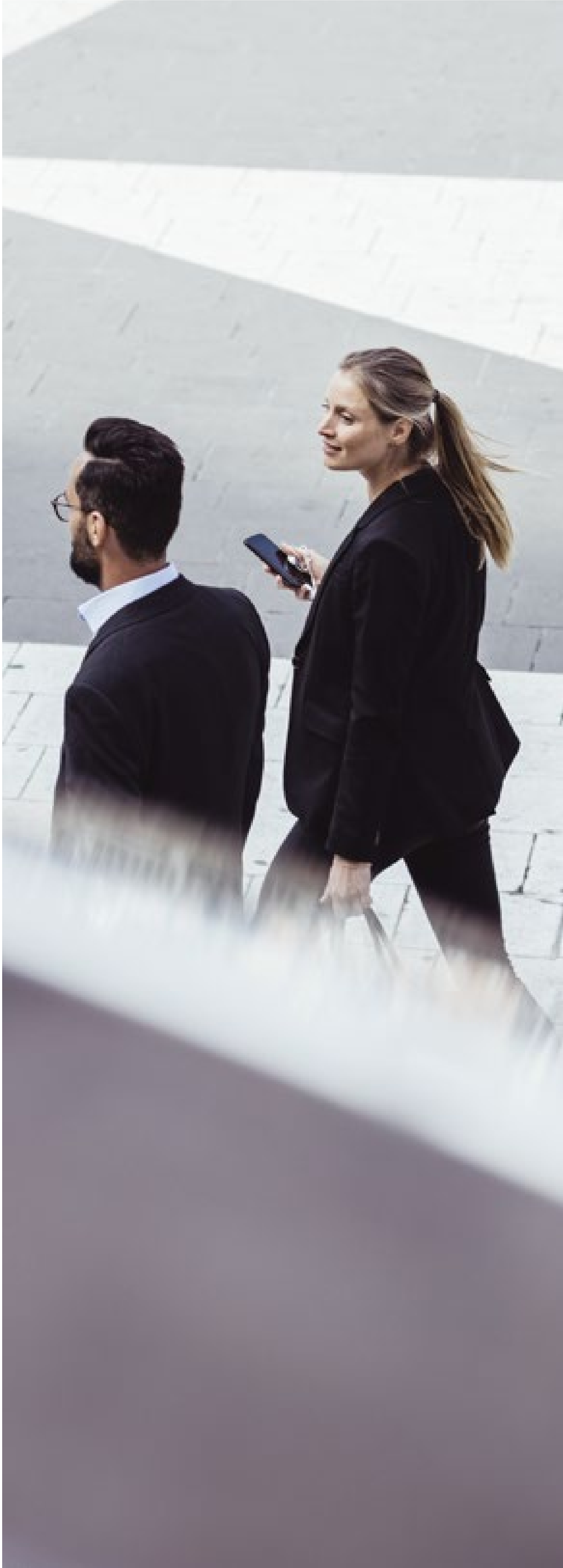
Danske Bank shareholders 2022



According to the Danish Companies Act, shareholders must notify the company if the voting rights of their shares represent 5% or more of the voting rights of the company's share capital or if the nominal value of their shares represents 5% or more of the share capital. Shareholders must also disclose changes in shareholdings if they exceed or fall below specified percentage thresholds.

One shareholder has notified Danske Bank of holding 5% or more of the share capital:

- The A.P. Møller Holding Group holds about 21% of the share capital.



Organisation and management

General meeting
The general meeting is Danske Bank's highest decision-making authority.

In 2022, the annual general meeting was held on 17 March.

Danske Bank's Articles of Association are available at www.danskebank.com/about-us/corporate-governance and contain information about the notice convening the general meeting, the shareholders' admission and voting rights as well as the shareholders' right to submit proposals and have specified business transacted at the meeting.

All shareholders have voting rights according to the number of shares held at the date of registration and each share of DKK 10 carries one vote at the general meeting. No share has any special rights attached to it.

Only the general meeting can amend Danske Bank's Articles of Association. Any amendment requires not less than a two-thirds majority of the votes cast and not less than two-thirds of the share capital represented at the general meeting and entitled to vote.

A resolution to wind up Danske Bank by merger or voluntary liquidation can be passed only if adopted by not less than three-quarters of the votes cast and not less than three-quarters of the share capital represented at the general meeting and entitled to vote.

Board of Directors
The Board consists of thirteen members, nine elected by the general meeting and four elected by and among the employees.

Board members elected by the general meeting stand for election each year. As prescribed by Danish law, members elected by and among the employees serve on the Board of Directors for a four-year term, with the next election to be held prior to the annual general meeting in 2026.

The Nomination Committee operates as a preparatory committee for the Board of Directors with respect to the nomination and appointment of candidates to the Board of Directors and to the Executive Leadership Team of Danske Bank. Board candidates are nominated by the Board of Directors or the shareholders and are elected by the general meeting.

The members of the Board of Directors were re-elected at the annual general meeting on 17 March, except for Karsten Dybvad, who did not seek re-election. Jacob Dahl, Allan Polack and Helle Valentin were elected as new members of the Board of Directors.

Pages 236-243 of Annual Report 2022 provide information about the individual members of the Board of Directors, including their directorships. Note G37 on page 164 provides information on the number of Danske Bank shares held by the members of the Board of Directors, and note G36 on page 160 provides information on the remuneration of the Board of Directors.

Work of the Board of Directors in 2022
In 2022, the Board of Directors held 33 meetings, of which 13 were extraordinary meetings. As to committee meetings (ordinary and extraordinary), the Audit Committee held 7 meetings, the Risk Committee held 8 meetings, the Conduct & Compliance Committee held 7 meetings, the Nomination Committee held 6 meetings and the Remuneration Committee held 5 meetings.

The members' participation in Board and Committee meetings in 2022 is illustrated below.

	Board	Committees				
		Audit	CCC	Nomination	Remuneration	Risk
Martin Blessing	31/32		6/6	4/4	3/3	2/2
Jan Thorsgaard Nielsen	32/32	7/7	1/1	4/4		
Bente Bang	30/32				3/3	
Lars-Erik Brenøe	32/32		6/6	2/2	5/5	
Kirsten Ebbe Brich	31/32		7/7			
Aleksandras Cicasovas*	23/23					
Jacob Dahl*	22/23					6/6
Thorbjørn Lundholm Dahl**	10/10					
Karsten Dybvad**	10/10		1/1	2/2	2/2	1/1
Louise Aggerstrøm Hansen*	22/23					
Raija-Leena Hankonen-Nybom	32/32	7/7			2/2	
Charlotte Hoffmann**	10/10				2/2	
Bente Avnung Landsnes	32/32	7/7		2/2		
Allan Polack*	23/23				3/3	6/6
Carol Sergeant	30/32		7/7			8/8
Helle Valentin*	22/23			4/4		

**Aleksandras Cicasovas, Jacob Dahl, Louise Aggerstrøm Hansen, Allan Polack and Helle Valentin joined the Board of Directors in March 2022*
***Thorbjørn Lundholm Dahl, Karsten Dybvad and Charlotte Hoffmann stepped down from the Board of Directors in March 2022*

In the fourth quarter, the Board of Directors carried out its annual evaluation of i.a. its composition, the work of the Board committees, the Board committee structure and the leadership of the Board chairman. To ensure anonymity, an external consulting firm facilitated the evaluation. All members of the Board of Directors and the Executive Leadership Team answered comprehensive questionnaires. The findings and conclusions were subsequently presented to and discussed by the Board of Directors.

The aim of the evaluation was to ensure, among other things, that the composition of the Board of Directors as well as the special competencies of each Board member enable the Board of Directors to perform its tasks. As the Board of Directors operates as a collegial body, its overall competencies and experience are the sum of the individual board members' competencies and experience. The composition of the Board of Directors aims to ensure the stable and satisfactory development of Danske Bank for the benefit of its customers, employees, shareholders and other stakeholders. The competencies of the Board of Directors collectively are described in the Competency profile, which is available at danskebank.com. Pages 236-241 of Annual Report 2022 provide information on the competencies of the individual Board members.

The results of the 2022 evaluation were overall good and showed good alignment both within the Board of Directors and between the Board of Directors and the Executive Leadership Team. The Board of Directors will work on the agreed focus areas in 2023.

Executive Leadership Team

Team members	Title
Carsten Rasch Egeriis	Chief Executive Officer
Magnus Agustsson	Chief Risk Officer
Berit Behring	Head of Large Corporates & Institutions
Christian Bornfeld	Head of Personal Customers and Financial Crime Risk & Prevention
Karsten Breum	Chief People Officer
Stephan Engels	Chief Financial Officer
Johanna Norberg	Head of Business Customers & Country Manager, Danske Bank Sweden
Frans Woelders	Chief Operating Officer

On 7 January 2022, Danske Bank announced changes to the Executive Leadership Team, and the commercial activities are now organised in three business units headed by Berit Behring, Christian Bornfeld and Johanna Norberg, respectively. New Head of Personal Customers and Financial Crime Risk & Prevention Christian Bornfeld and new Head of Business Customers & Country Manager, Danske Bank Sweden Johanna Norberg joined the Executive Leadership Team on 1 May 2022, replacing Glenn Söderholm, who left the Executive Leadership Team and assumed a role as senior adviser. Glenn Söderholm left his position as senior adviser to the Executive Leadership Team on 31 December 2022.

On 16 January 2023, Danske Bank announced that Berit Behring had decided to start the transition to retirement and would stay in her role until 1 August 2023. At the same time, it was announced that Joachim Alpen, currently co-head of Large Corporates & Financial Institutions at SEB, will join Danske Bank on 1 August 2023 and become a member of the Executive Leadership Team.

Commercial Leadership Team

Team members	Title
Lars Alstrup	Head of Advisory Bank, Business Customers
Erlend Angelfoss	Country Manager Norway
Jakob Bøss	Head of Group Sustainability, Stakeholder Relations, Communications & Marketing
Michel van Drie	Head of Technology & Services, Large Corporates & Institutions
Stojko Gjurovski	Country Manager Finland & Head of Banking Finland
Paul Martin Gregory	Head of Corporate and Institutional Banking
Claus Harder	Head of Markets & Transaction Banking
Christoffer Møllenbach	Head of Group Finance
Atilla Olesen	Head of Investment Banking & Securities
Linda Olsen	COO for Personal & Business Customers
Mark Wraa-Hansen	Head of Personal Customers, Denmark

Since 1 January 2021, a Commercial Leadership Team has been in place. In addition to the members of the Executive Leadership Team, the Commercial Leadership Team consists of 11 experienced leaders who undertake important commercial roles in the Danske Bank Group. The Commercial Leadership Team is responsible for ensuring strong cooperation across the Group and focuses on developing Danske Bank's customer offerings. The team is the key driver behind the Group's 2023 plan to become a better and more competitive bank.

Corporate governance recommendations

Corporate governance recommendations issued by the Danish Committee on Corporate Governance are available at corporategovernance.dk. The recommendations are best practice guidelines for the management of companies with shares admitted for trading on a regulated market in Denmark, including Nasdaq Copenhagen A/S. If a company fails to comply with a recommendation, it must explain why it has chosen a different approach. Danske Bank complies with all recommendations.

The statutory corporate governance report issued in accordance with section 134 of the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., section 107b of the Danish Financial Statements Act and the Nasdaq Nordic Main Market Rulebook for Issuers of Shares ("Nordic Main Market Rulebook") is available at danskebank.com/about-us/corporate-governance. The report includes an explanation of Danske Bank's status on all recommendations.

The Danish Bankers Association, which is now part of Finance Denmark, has issued a Corporate Governance Code, which

Danske Bank must comply with or explain why it does not comply. Danske Bank complies with all recommendations set out in the Code. Danske Bank's explanation of the status on all recommendations is included in section C of its Corporate Governance Report 2022.

Data ethics
Danske Bank's data ethics principles define how Danske Bank strives to act with regard to data use across the Group and in its business relations.

Danske Bank strives to be transparent about the purposes for which data is used and to communicate this clearly. We aim to ensure that processes are clearly understood in terms of risk as well as the social, ethical and societal consequences of our use of data. We assess and evaluate the impact of the use of advanced technologies, analytics and computational methods on the parties involved.

During 2022, Danske Bank focused on integrating the data ethics principles into its core data-related steering and governance documents, such as the Data Risk Policy and the Personal Data Protection Policy. In addition, Danske Bank revisited its Advanced Analytics Framework to make sure that its data ethics principles are fully considered.

In 2023, Danske Bank will continue to integrate the principles into its processes and steering and control mechanisms.

The principles are available at www.danskebank.com/corporate-governance.

Business units

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

Personal Customers

Our Personal Customers unit provides advisory services to personal customers and Private Banking customers in Denmark, Sweden, Norway and Finland. Our advisers and experts are there to help customers when and how it best suits the individual customer – at online meetings, via our websites or if so required over the phone or at a branch.

When our customers need to make important financial decisions about, for example, their home, investments or pension, we offer customised advice that is based on their current situation and needs. And with our intuitive digital solutions, we aim to make it as easy as possible for our customers to do most of their banking business whenever and wherever they want.

Business Customers

We offer our customers advice that adds value to their business, no matter whether the customer is a sole proprietor or an entity in a multinational group. Our strategic advisory services are always based on the needs of the business, for example in connection with growth, an acquisition, a change of ownership, strategic development or international expansion.

Our business customers have access to the market's most innovative digital solutions that make day-to-day banking easy and pave the way for new insights and opportunities.

Large Corporates & Institutions

Large Corporates & Institutions caters to the most complex financing and transaction needs of large corporate and institutional customers, and we help them to prosper and grow.

We offer expertise in financing, risk management, investments and financial advisory services, and our customers have access to our award-winning transaction banking solutions.

Thanks to our extensive network and our many years of experience, we serve as intermediary between issuers and investors with a view to creating financing and investment opportunities. Our goal is to be an inspirational partner that understands the customers' strategic agendas and offers tailored solutions to meet their needs.

Danica Pension

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

Northern Ireland

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

Personal Customers

Personal Customers saw high customer activity in 2022, with rising interest rates driving high remortgaging activity. Repricing initiatives taken in response to rising market rates had a positive effect on income on deposits. The financial markets continued to be under pressure due to the higher inflation rate, elevated energy prices and uncertainty related to the war in Ukraine. This adversely affected the value of assets under management and investment income.

Profit before tax in 2022 amounted to DKK 3,909 million, an increase of 24% from the level in 2021. Net interest income increased 11% due to higher market rates and repricing initiatives. The reopening of societies in 2022 resulted in increased customer activity and had a positive effect on net trading income and service fees in particular. Other income increased due to the sale of the customer portfolio in Luxembourg and the sale of shares in MobilePay. Operating expenses decreased as a result of the continued efficiency gains and the implementation of the Better Bank plan. Credit quality remained solid, but as a result of the macroeconomic outlook, loan impairment charges increased DKK 867 million.

Personal Customers
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Net interest income	8,778	7,876	111	2,739	2,168	126
Net fee income	4,682	4,903	95	1,020	1,108	92
Net trading income	444	322	138	101	123	82
Other income	987	211	-	440	39	-
Total income	14,891	13,311	112	4,300	3,438	125
Operating expenses	10,056	10,109	99	2,722	2,237	122
of which resolution fund, bank tax etc.	161	117	138	40	40	100
Profit before loan impairment charges	4,836	3,202	151	1,578	1,201	131
Loan impairment charges	927	60	-	592	9	-
Profit before tax	**3,909**	**3,142**	**124**	**986**	**1,191**	**83**
Loans, excluding reverse transactions before impairments	805,120	883,166	91	805,120	803,452	100
Allowance account, loans	4,727	5,087	93	4,727	4,140	114
Deposits, excluding repo deposits	410,806	407,904	101	410,806	415,364	99
Covered bonds issued	612,997	663,096	92	612,997	603,569	102
Allocated capital (average)	30,898	32,980	94	30,325	30,934	98
Net interest income as % p.a. of loans and deposits	0.71	0.62	-	0.90	0.70	-
Profit before loan impairment charges as % p.a. of allocated capital	15.7	9.7	-	20.8	15.5	-
Profit before tax as % p.a. of allocated capital (avg.)	12.7	9.5	-	13.0	15.4	-
Cost/income ratio (%)	67.5	75.9	-	63.3	65.1	-
Full-time-equivalent staff	4,262	4,866	88	4,262	4,749	90

Fact Book Q4 2022 provides financial highlights at customer type level for Personal Customers, Fact Book Q4 2022 is available at danskebank.com/ir.

Business initiatives
The cost of living increased significantly in 2022 due to record-high energy prices adding to the inflationary pressure and the increase in market rates. These factors impacted individuals and households and we supported our customers by providing expert advice on a daily basis, especially in relation to home finance and investments. We contacted vulnerable customers in all our markets to help them with their personal finances and launched a dedicated website. Since the launch, on average, there has been more than 400 visitors per day, and they spend more than 10 minutes on the site on average. As an added bonus, the site generates calculations on mortgages and meeting bookings.

Customers increasingly demanded digital banking services, and we also saw a need to adapt our business to the turbulent market characterised by financial turmoil, stagnating house prices and rising inflation. As a result of these developments and as part of the implementation of the Better Bank plan, we adjusted our organisation in the fourth quarter of the year. As a result, the number of FTEs at Personal Customers was reduced.

In the second half of 2022, as a result of the rise in market rates, we removed negative interest rates for customers in Denmark and Finland, and we now offer positive interest rates on savings accounts in all our Nordic markets. Furthermore,

we adjusted the pricing of loan and credit products across our markets to adapt to the new interest rate environment.

The rise in mortgage rates in Denmark fuelled remortgaging activity in 2022, and this had a positive effect on fee income. Our share of new mortgage lending increased from the level in 2021 despite lower customer activity in the housing market as well as declining house prices. Throughout 2022, but especially in the third and fourth quarters, we saw remortgaging of loans to a higher coupon. This remortgaging activity brought about a reduction in the total nominal outstanding debt of about DKK 10 billion in 2022. Combined with the slowdown in the housing market, this reduction of the outstanding debt led to a decrease in mortgage volumes in 2022. The nominal value of mortgage volumes decreased 3% from the level in 2021, and measured at fair value, there was a decrease of 9% due to the rise in market rates.

The turmoil on the financial markets adversely affected our customers' investment appetite, and we saw a reduction of the net flow from the level in 2021. Combined with market developments, we saw a drop in the value of assets under management and in turn also a decline in investment fee income. Because of the turmoil in the financial markets, we emphasise to our customers the importance of having a long-term perspective on their investments, and we help guide them through these times of uncertainty and volatility.

During the autumn of 2022, we launched five new balanced funds in the Nordic market to offer our customers an investment solution that focuses on sustainability and good diversification across equities and bonds. Through these funds, investment customers now have an even better opportunity to combine return and sustainability.

In the first quarter of 2022, the sale of the customer portfolio in Luxembourg had a positive income effect of around DKK 400 million. In the fourth quarter of 2022, the sale of MobilePay and the merger with Vipps was approved by the EU Commission, and the new company began operations on 1 November 2022. This had a positive effect on income of DKK 415 million, due to a gain from the sale of shares in MobilePay.

Customer satisfaction

Customer satisfaction among our personal customers across the Nordic countries was challenged during 2022, albeit with a positive trend noted in all markets in the second half of 2022. We initiated marketing campaigns to highlight our wider value proposition, increased proactivity in relation to customers through a multi-channel approach and increased our engagement with less satisfied customers, which led to a better retention rate. In addition, we continued to focus on combining expert advice with easy-to-use digital solutions.

2022 vs 2021

Profit before tax amounted to DKK 3,909 million (2021: DKK 3,142 million), driven by higher income and lower operating expenses, partly offset by loan impairment charges. Total income rose due to an increase in net interest income from deposits driven by the rise in market rates, higher remortgaging fees as a result of high remortgaging activity and one-off gains on the sale of the customer portfolio in Luxembourg and the sale of shares in MobilePay. The financial results were adversely affected by the depreciation of currencies.

Net interest income increased to DKK 8,778 million (2021: DKK 7,876 million) due primarily to income on deposits driven by the rising market rates and higher volumes. Deposit volumes increased 1% as a result of our customers' cautious investment strategy and the outlook for positive deposit rates. Our market share of bank lending increased, driven primarily by Danske Bolig Fri. Total bank lending increased 1%.

Net fee income decreased to DKK 4,682 million (2021: DKK 4,903 million). Service and trading fees increased on the back of the reopening of societies as well as high remortgaging activity. Investment fees decreased as a consequence of the challenging financial markets and the sale of our customer portfolio in Luxembourg.

Net trading income increased to DKK 444 million (2021: DKK 322 million) due to foreign exchange activity driven by the reopening of societies.

Other income amounted to DKK 987 million (2021: DKK 211 million). The increase was driven by a one-off gain on the sale of our customer portfolio in Luxembourg and the sale of shares in MobilePay.

Operating expenses decreased to DKK 10,056 million (2021: DKK 10,109 million). We continued to see efficiency gains and a decrease in transformation costs related to the implementation of the Better Bank plan. However, the new bank tax in Sweden, increased resolution fund payments as well as increased compliance costs partly offset the decrease.

The number of full-time-equivalent staff decreased 12% during the year as a result of the Better Bank plan transformation and divestments.

Credit quality remained solid in the fourth quarter of 2022. We continue to be vigilant for any possible deterioration as uncertainty in the macroeconomic landscape remains high.

In 2022, loan impairment charges amounted to DKK 927 million (2021: DKK 60 million). The increase in charges was driven by changes in the macroeconomic outlook with rising interest rates and inflation, as well as changes in post-model adjustments.

Credit exposure

Credit exposure decreased to DKK 883 billion at the end of 2022 (end-2021: DKK 991 billion), driven mainly by lower exposure in Personal Customers Denmark due to the net negative effect of fair value adjustments of mortgage loans and a decrease in exposure in Personal Customers Norway and Sweden also due to weaker NOK and SEK foreign exchange rates.

Q4 2022 vs Q3 2022

Profit before tax in the fourth quarter decreased to DKK 986 million (Q3 2022: DKK 1,191 million). Total income increased, driven by higher net interest income and a one-off gain on the sale of shares in MobilePay, but the overall result saw a negative effect from loan impairment charges.

- **Net interest income** increased 26%, driven by an increase in the value of deposits as a consequence of the rise in market rates.
- **Net fee income** decreased 8% due to lower investment fees driven by the uncertainty in the financial markets.
- **Other income** increased to DKK 440 million, driven by a one-off gain on the sale of shares in MobilePay.
- **Operating expenses** increased 22% and stood at DKK 2,722 million (Q3 2022: DKK 2,237 million). We continued to see an underlying effect of the Better Bank implementation, but this was offset by severance pay resulting from the FTE reduction in the fourth quarter. Furthermore, IT and development costs increased due to seasonality.
- The fourth quarter of 2022 saw **loan impairment charges** of DKK 592 million (Q3 2022: DKK 9 million), The increase in charges was attributable mainly to changes in the macroeconomic scenario.
- **Total lending** volumes increased 2% in Denmark, driven by increased bank lending volumes generated by the Danske Bolig Fri product and a reduction in the negative value adjustments of mortgage loans. Total lending across markets was on par with the preceding quarter.
- **Deposit** volumes decreased 1% due to the depreciation of currencies as well as the higher cost of living.

DKK 986 million
Profit before tax
for the fourth quarter of 2022

Business Customers

During 2022, Business Customers experienced good customer activity with strong financial momentum despite considerable geopolitical uncertainty and a challenging macroeconomic environment caused by the war in Ukraine, higher energy prices, inflation and rapidly rising interest rates.

Due to multiple interest rate hikes by the central banks across the markets in which we operate, we continued our active pricing strategy to adapt and at the same time maintain an attractive value proposition for our customers. In addition, the war in Ukraine and the effects of the COVID-19 lockdowns continued to affect the global supply of new assets, which benefited income from the sale of existing assets in our leasing operations.

In 2022, profit before tax amounted to DKK 6,430 million, an improvement of 35% from the level in 2021. This was driven primarily by repricing initiatives, combined with increased customer activity across most business areas. Despite underlying efficiency measures, operating expenses increased due to the new bank tax in Sweden and investments in digitalisation and in the risk management and compliance areas. The financial performance was adversely affected by the depreciation of currencies.

Business Customers
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Net interest income	9,175	7,788	118	2,699	2,392	113
Net fee income	1,825	1,613	113	472	448	105
Net trading income	517	351	147	145	129	112
Other income	847	580	146	215	201	107
Total income	12,364	10,333	120	3,531	3,170	111
Operating expenses	5,356	5,144	104	1,437	1,254	115
of which resolution fund, bank tax etc.	224	173	129	56	56	100
Profit before loan impairment charges	7,008	5,189	135	2,094	1,917	109
Loan impairment charges	578	426	136	669	-289	-
Profit before tax	**6,430**	**4,763**	**135**	**1,425**	**2,205**	**65**
Loans, excluding reverse transactions before impairments	639,557	652,955	98	639,557	625,945	102
Allowance account, loans	8,938	9,059	99	8,938	8,274	108
Deposits, excluding repo deposits	285,177	292,530	97	285,177	287,523	99
Covered bonds issued	344,445	377,388	91	344,445	336,593	102
Allocated capital (average)	39,623	40,881	97	39,325	39,439	100
Net interest income as % p.a. of loans and deposits	0.99	0.83	-	1.17	1.03	-
Profit before loan impairment charges as % p.a. of allocated capital	17.7	12.7	-	21.3	19.4	-
Profit before tax as % p.a. of allocated capital (avg.)	16.2	11.7	-	14.5	22.4	-
Cost/income ratio (%)	43.3	49.8	-	40.7	39.6	-
Full-time-equivalent staff	1,635	1,699	96	1,635	1,689	97

Fact Book Q4 2022 provides financial highlights at customer type level for Business Customers. Fact Book Q4 2022 is available at danskebank.com/ir.

Business initiatives
Many of our business customers find it difficult to navigate this challenging environment with the rise in inflation and elevated uncertainty. While we saw a rise in the number of business defaults in the market, the overall risk profile of our loan portfolio remained satisfactory. As one of the largest banks in the Nordic region, Danske Bank plays an important role in supporting our customers with advice and services to help handle the challenges posed by the energy crisis. Our new service model, which allows us to customise our support and advice to match customers' needs, plays a vital part in this respect. We help our customers navigate through the crisis, both when it comes to providing financial advisory services across customer segments and when it comes to assisting our customers in managing their working capital needs.

Despite the large pressure on our customers, we continued to see good customer activity relative to 2021. Cash management

and foreign exchange activity were the primary drivers behind the increase in ancillary income. In addition, the sale of used assets in our leasing operations continued to be high due to both the global lack of supplies and the effects of the COVID-19 lockdowns. Furthermore, we succeeded in switching a large part of customers with basic business banking needs to a subscription fee model.

The repricing of deposits and increased fee and trading income were the primary factors behind the positive income development in 2022. The rise in market rates in the latter part of 2022 increased the focus on repricing initiatives. As a result of the rise in market rates, we raised customer rates on deposits and specific loan and credit products, most recently with an increase across various products on the Danish market. We saw a good inflow of deposit volumes in Denmark due to our customers building up liquidity and solidifying their business while at the same time lowering their investment appetite due to the uncertainty on the financial markets. Bank lending volumes increased 5% due to higher customer activity, and our green lending volume increased 51%. Mortgage lending at nominal value increased 1%, however, measured at fair value, there was a decrease of 8% due to the higher market rates. Despite the increase in bank lending and the nominal value of mortgage lending, the negative market value adjustment of mortgage loans caused a decrease in total lending of 2%.

Sustainability remains a high priority across the Group, and through our advisers' strategic financial sparring, we continue to guide our customers in a more sustainable direction. We held events across the Nordic countries to increase the focus on and knowledge of green loans. Several new products were released in 2022 to support the sustainability agenda. GreenFleet70, a car leasing solution in Denmark, Norway and Sweden, was successful. Green leasing, especially of vehicles and transportation – including electric busses for public transport throughout the Nordic countries – saw strong demand.

Customer satisfaction

In 2022, customer satisfaction for business customers was largely in line with our ambitions – both for small and medium-sized business customers. Among business customers across all the markets in which we operate, we were ranked at least in the top three among our peers, and in most markets in the top two.

Throughout 2022, we worked with a wide range of initiatives to strengthen and maintain high customer satisfaction. We increased our proactive communication and supported customers with advisory services, financing and knowledge in the challenging financial environment by focusing on topics such as the war in Ukraine, inflation, supply chains and rising energy prices. We leveraged our digital channels and digital credit algorithms and offered attractive refinancing of government-backed COVID-19 support loans.

Other concrete initiatives included reduced waiting time to become a new customer and implementation of our new customer service model. The service model is tailored to customers' unique needs in terms of value proposition and coverage. During the design phase, we engaged our business customers in the development of new digital solu-tions to achieve an improved customer experience.

2022 vs 2021

Profit before tax amounted to DKK 6,430 million (2021: DKK 4,763 million). The increase was driven primarily by repricing initiatives as well as higher customer activity driving ancillary income. An increase in operating expenses partly offset some of the increase.

Net interest income increased 18%, driven by higher income on deposits following market developments in pricing and rates. Excess liquidity among our customers resulted in an increase in deposit volumes in Denmark, which also had a positive effect on deposit income.

Net fee income stood at DKK 1,825 million, an increase of 13% (2021: DKK 1,613 million). This increase was driven by higher service fees due to repricing as well as high refinancing and remortgaging activity, the latter as a result of the higher interest rate levels.

Net trading income increased to DKK 517 million (2021: DKK 351 million), driven by increased foreign exchange activity due to good economic momentum in the broader economy following COVID-19 policy stimulus as well as FX volatility resulting in increased demand for hedging.

Other income amounted to DKK 847 million (2021: DKK 580 million). The increase was the result of higher sales prices for assets in our leasing company.

Operating expenses increased 4% to DKK 5,356 million (2021: DKK 5,144 million). We continued to see a decrease in costs related to the implementation of the Better Bank plan, however, the new bank tax in Sweden as well as increased compliance and IT costs more than offset the decrease.

Credit quality remained solid in the fourth quarter of 2022. However, the macroeconomic landscape remained uncertain and develops at a fast pace. In 2022, loan impairment charges amounted to DKK 578 million (2021: DKK 426 million). The increase in impairment charges in 2022 due to updated macroeconomic scenarios and changes in post-model adjustments was partly offset by strong credit quality as customers benefited from the post-pandemic economic recovery.

Credit exposure

Credit exposure decreased to DKK 745 billion at the end of 2022 (end-2021: DKK 777 billion), mainly driven by lower exposure to the Private Housing Co-ops. & Non-Profit As-sociations and Commercial Property segments due to net negative effect of fair value adjustments. Despite flat exposure development in Norway and Sweden in DKK, local currency credit exposure increased among business customers in both Sweden and Norway.

Q4 2022 vs Q3 2022

Profit before tax in the fourth quarter decreased to DKK 1,425 million (Q3 2022: DKK 2,205 million). Higher net interest income driven by higher deposit income was offset by higher operating expenses and higher loan impairment charges.

- **Net interest income** increased 13% and stood at DKK 2,699 million (Q3 2022: DKK 2,392 million), driven by deposit income.
- **Net fee income** increased 5%, driven by higher remortgaging activity.
- **Operating expenses** increased 15%. We continue to see a decrease in costs related to the Better Bank plan implementation. However, the decrease was offset by an increase in IT costs.
- The fourth quarter of 2022 saw **loan impairment charges** of DKK 669 million (Q3 2022: reversals of DKK 289 million). The charges were driven by changes in post-model adjustments and updated macroeconomic scenarios.

DKK 1,425 million
Profit before tax
for the fourth quarter of 2022

Large Corporates & Institutions

During 2022, the operating environment became increasingly challenging as the highest inflation rate in decades caused central banks to tighten monetary policy more and sooner than expected. Combined with an uncertain economic outlook, this led to an increase in the demand for advisory services, risk hedging and credit, and we supported our customers with more than DKK 40 billion in additional lending. This demonstrates the value of our diversified business model, as higher net interest income partly mitigated the effect of lower net fee income from capital markets and investment activities. Net trading income recovered in the second half of the year following a loss in the second quarter, amid continued market volatility. Notwithstanding the negative macroeconomic environment, we continued to see underlying momentum, as illustrated by high growth in everyday banking fees, our leading position in sustainable finance and the inflow of new customers in Sweden.

Profit before tax in 2022 was DKK 6,635 million, a fall from 2021 as higher net interest income, lower operating expenses and loan impairment reversals did not fully offset the decline in net trading income and net fee income.

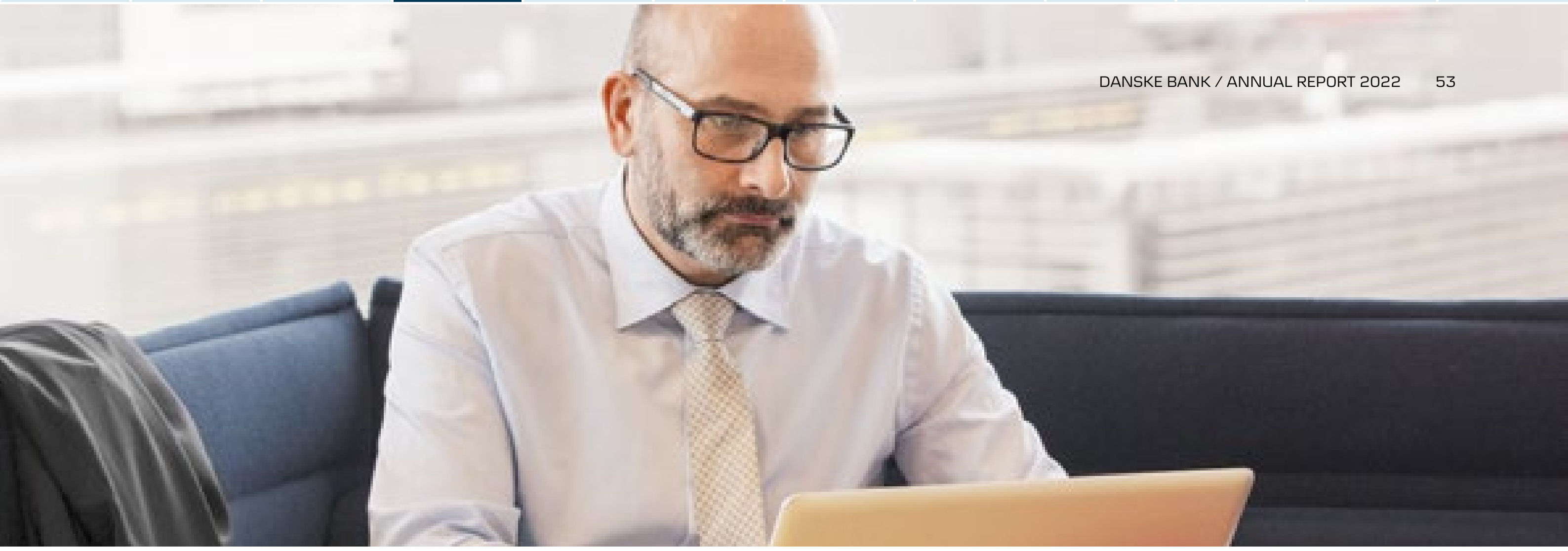
Large Corporates & Institutions
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Net interest income	5,605	4,732	118	1,590	1,404	113
Net fee income	5,732	6,777	85	1,436	1,364	105
Net trading income	1,489	3,137	47	866	596	145
Other income	2	5	40	-	-	-
Total income	12,828	14,650	88	3,892	3,364	116
Operating expenses	6,966	7,025	99	1,876	1,599	117
of which resolution fund, bank tax etc.	504	360	140	125	125	100
Profit before loan impairment charges	5,861	7,625	77	2,016	1,765	114
Loan impairment charges	-774	-13	-	-618	-11	-
Profit before tax	**6,635**	**7,638**	**87**	**2,634**	**1,775**	**148**
Loans, excluding reverse trans. before impairments	322,539	264,824	122	322,539	354,247	91
of which loans in General Banking	281,266	232,890	121	281,266	293,947	96
Allowance account, loans (incl. credit institutions)	2,048	4,363	47	2,048	2,134	96
Deposits, excluding repo deposits	389,486	383,547	102	389,486	399,252	98
of which deposits in General Banking	336,580	340,477	99	336,580	333,514	101
Covered bonds issued	27,495	26,055	106	27,495	24,035	114
Allocated capital (average)	42,138	43,591	97	41,816	41,958	100
Net interest income as % p.a. of loans and deposits	0.81	0.73	-	0.87	0.79	-
Profit before loan impairment charges as % p.a. of allocated capital	13.9	17.5	-	19.3	16.8	-
Profit before tax as % p.a. of allocated capital (avg.)	15.7	17.5	-	25.2	16.9	-
Cost/income ratio (%)	54.3	48.0	-	48.2	47.5	-
Full-time-equivalent staff	2,054	2,684	77	2,054	2,109	97

Total income
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
General Banking	6,936	6,203	112	1,947	1,719	113
Markets	2,387	3,909	61	1,082	728	149
of which xVA*	-48	104	-	124	-73	-
Asset Management	2,313	2,653	87	550	611	90
of which performance fees	174	385	45	32	57	56
Investment Banking & Securities (IBS)	1,193	1,886	63	313	306	102
Total income	**12,828**	**14,650**	**88**	**3,892**	**3,364**	**116**

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



Assets under management
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Institutional clients	404,211	487,560	83	404,211	399,196	101
Retail clients	262,642	325,025	81	262,642	261,181	101
Total assets under management[1]	**666,853**	**812,585**	**82**	**666,853**	**660,378**	**101**

[1] *Includes assets under management from Group entities.*

Business initiatives
In 2022, our ambition to be our customers' preferred strategic financial partner was more relevant than ever. The Russian invasion of Ukraine and the rapid rise in inflation fuelled economic uncertainty and operational complexity for our customers, who faced not only higher input prices, continued supply chain disruptions and declining asset prices in the financial markets but also large uncertainty as to whether the economic slowdown would turn into a recession. Throughout the year, we continued to work closely alongside our customers, helping them adapt to the new operating environment and supporting them with advisory services, risk hedging and credit.

Demand for credit was particularly strong during 2022, as capital markets became more expensive and less accessible. Furthermore, 2022 was characterised by an increase in the need for event-driven financing and working capital, as factors such as higher energy prices led to stronger demand for short-term liquidity. Danske Bank's strong liquidity and capital positions enabled us to support our customers through this volatile period.

While financing needs increased, customer activity within capital markets advisory services decreased, especially in the equity capital markets, with Nordic deal volumes falling 70% from the record level in 2021 amid a significant reduction in the number of IPOs. With the M&A business being less sensitive to current market conditions, we allocated more of our advisory resources to this, which led to leading M&A positions in Denmark, Norway and Finland. We also maintained our leading position among Nordic banks in terms of volumes supported in the European debt capital markets.

The decline in customer activity was less significant within sustainable finance in the Nordic countries, and we expanded our sustainability-focused offerings further in order to support the growing demand for sustainable finance and transition advisory services. During 2022, we added resources to strengthen our position in the area of renewable energy finance and advisory services, with the aim of supporting the transition towards low-carbon technologies.

In 2022, we maintained our number one ranking among arrangers of sustainability-linked loans in terms of volumes supported according to the Nordic Bloomberg League table, as we continued to develop and provide incentives for our customers to reach their own climate targets. For example, we structured the sustainability link for a EUR 500 million credit facility provided to global bioscience company Chr. Hansen by an international group of banks. Chr. Hansen's financing costs are now to be linked to the company's ability to reach its Paris-aligned climate targets. Moreover, on the basis of the methodologies of the Science Based Targets initiative, we further developed our own climate targets for our asset management business and our lending to key sectors such as shipping, oil and gas, steel and cement.

We also continued our work to make day-to-day banking simple and effortless. As part of this, we launched a number of new strategic partnerships, such as Altapay, Axeptia and Zenegy in selected markets. During 2022, we welcomed the first customers live on the AltaPay payment processing platform, which offers full payment data and cost transparency regardless of whether payments are executed as e-commerce or in-store payments or via mobile channels.

Customer satisfaction
We continue to see overall strong ratings in terms of customer satisfaction as measured in the independent Nordic Prospera research by Kantar that ranks us Nordic number one in the 'Prospera Grand Total' report for the seventh consecutive year. In particular, we maintained high customer satisfaction with our product offering, with Nordic number one Prospera rankings within areas such as FX, Cash Management, Interest

Rate Swaps and DCM Investment Grade Issuance.

We also maintained Nordic top three positions within Institutional and Large Corporate Banking, which should enable us to support customers and benefit from the rebalancing of risk positions and balance sheet that has been triggered by the changed market conditions. We are also proud that our commitment to making day-to-day banking easier resulted in the highest customer satisfaction ratings for digital solutions in both the Nordic Large Corporate and Institutional Banking Prospera report.

2022 vs 2021

Profit before tax declined to DKK 6,635 million (2021: DKK 7,638 million) as a result of lower net trading income and net fee income.

Net interest income increased to DKK 5,605 million (2021: DKK 4,732 million) as a result of higher lending volumes and deposit margins.

Lending volumes in General Banking increased 21% from the level at the end of 2021, driven both by new credit facilities and customers drawing more on existing facilities. The high growth in lending volumes reflects the challenging operating environment, but also our strategic ambition to grow our business in Sweden especially.

Net fee income declined to DKK 5,732 million (2021: DKK 6,777 million), reflecting both that 2021 was a record year, but also that customer activity within capital markets was significantly lower and that income in Asset Management fell following a decline in assets under management and lower performance fees. Higher net fee income from M&A advisory services and a continually strong momentum in everyday banking services, such as cash management, partly mitigated the decline.

Net trading income declined to DKK 1,489 million (2021: DKK 3,137 million) as a result of losses in our Rates & Credit business in the second quarter of the year. During 2022, we continued to support our customers through the volatile repricing on financial markets. However, the extraordinarily high volatility and lower liquidity in the Nordic fixed income markets made market-making services and the management of the risk held to support our fixed income franchise challenging. Net trading income recovered in the second half of the year, as market conditions became more supportive.

Operating expenses decreased to DKK 6,966 million (2021: DKK 7,025 million), mainly as a result of lower provisions for performance-based compensation. The Resolution Fund, bank tax etc. item increased to DKK 504 million as a result of the Swedish bank tax that came into force on 1 January 2022.

The number of full-time equivalent staff fell to 2,054 (2021: 2,684), as the 1st line Financial Crime Risk and Business Controls functions were moved to Group Functions and Personal Customers, respectively.

The overall credit quality of our portfolio remained strong in the fourth quarter of 2022, with the general rating trend being stable. Loan impairments in 2022 amounted to a net reversal of DKK 774 million, which is an increase in reversals from the year earlier (2021: DKK 13 million). The reversals reflect strong credit quality and were driven by the post-pandemic economic recovery, with the effect being partly offset by an increase in post-model adjustments.

Credit exposure

Net credit exposure from lending activities increased to DKK 648 billion at the end of 2022 (end-2021: DKK 591 billion), mainly as a result of increased exposure in the utilities and infrastructure, capital goods, pulp and paper and chemicals sectors.

Q4 2022 vs Q3 2022

Profit before tax increased to DKK 2,634 million (Q3 2022: DKK 1,775 million), driven by a reversal of loan impairment charges and higher net trading income.

- **Net interest income** increased to DKK 1,590 million (Q3 2022: DKK 1,404 million), driven mainly by higher deposit margins. Lending volumes declined in the fourth quarter, following very high growth in the first half of 2022, as credit demand declined in the energy sector in particular.
- **Net fee income** increased to DKK 1,436 million (Q3 2022: DKK 1,364 million), driven mainly by good activity within M&A advisory services.
- **Net trading income** increased to DKK 866 million (Q3 2022: DKK 596 million), driven mainly by positive value adjustments of our derivatives portfolio.
- **Operating expenses** increased to DKK 1,876 million (Q3 2022: DKK 1,599 million), driven by seasonality and higher IT costs.
- **Loan impairment charges** amounted to a net reversal of DKK 618 million (Q3 2022: net reversal of DKK 11 million). The increase in reversals in the fourth quarter was due to the continued post-pandemic economic recovery.

DKK 2,634 million
Profit before tax
for the fourth quarter of 2022

Danica Pension

The rise in interest rates and inflation, which led to global market turbulence, had a negative impact on the returns of many of our customers' pension savings in 2022, and assets under management decreased 16% as a result of the financial headwinds. The underlying business is still strong, and we continue to see improvements in our health and accident business.

One of the main focus areas has been to reassure our customers that despite the financial market turmoil, we have firm confidence in our investment strategy, and they should maintain a long-term perspective on their pension savings.

Net income from insurance business before goodwill impairments amounted to DKK 63 million in 2022, a decline from the level in 2021.

Danica Pension
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Result, life insurance	771	2,724	28	563	-150	-
Result, health and accident insurance	-1,044	-520	201	-162	-118	137
Return on investments, shareholders' equity etc.	152	-20	-	53	-108	-
Net income before tax in Danica Pension[1]	**-121**	**2,184**	**-**	**454**	**-375**	**-**
Included within Group Treasury[2]	184	-96	-	-68	90	-
Net income from insurance business	**63**	**2,088**	**3**	**386**	**-286**	**-**
Goodwill impairment	1,627	-	-	-	1,627	-
Net income from insurance business incl. goodwill	**-1,565**	**2,088**	**-**	**386**	**-1,913**	**-**
Premiums, insurance contracts	35,094	37,617	93	8,528	7,766	110
Premiums, investment contracts	2,146	5,563	39	249	185	135
Provisions, insurance contracts	393,359	449,344	88	393,359	385,782	102
Provisions, investment contracts	20,469	20,847	98	20,469	18,362	111
Allocated capital (average)	**20,055**	**12,918**	**155**	**18,800**	**20,805**	**90**
Net income as % p.a. of allocated capital	0.3	16.2	-	8.2	-5.5	-
Solvency coverage ratio	187	210	-	187	196	-
Full-time-equivalent staff	881	960	-	881	872	-

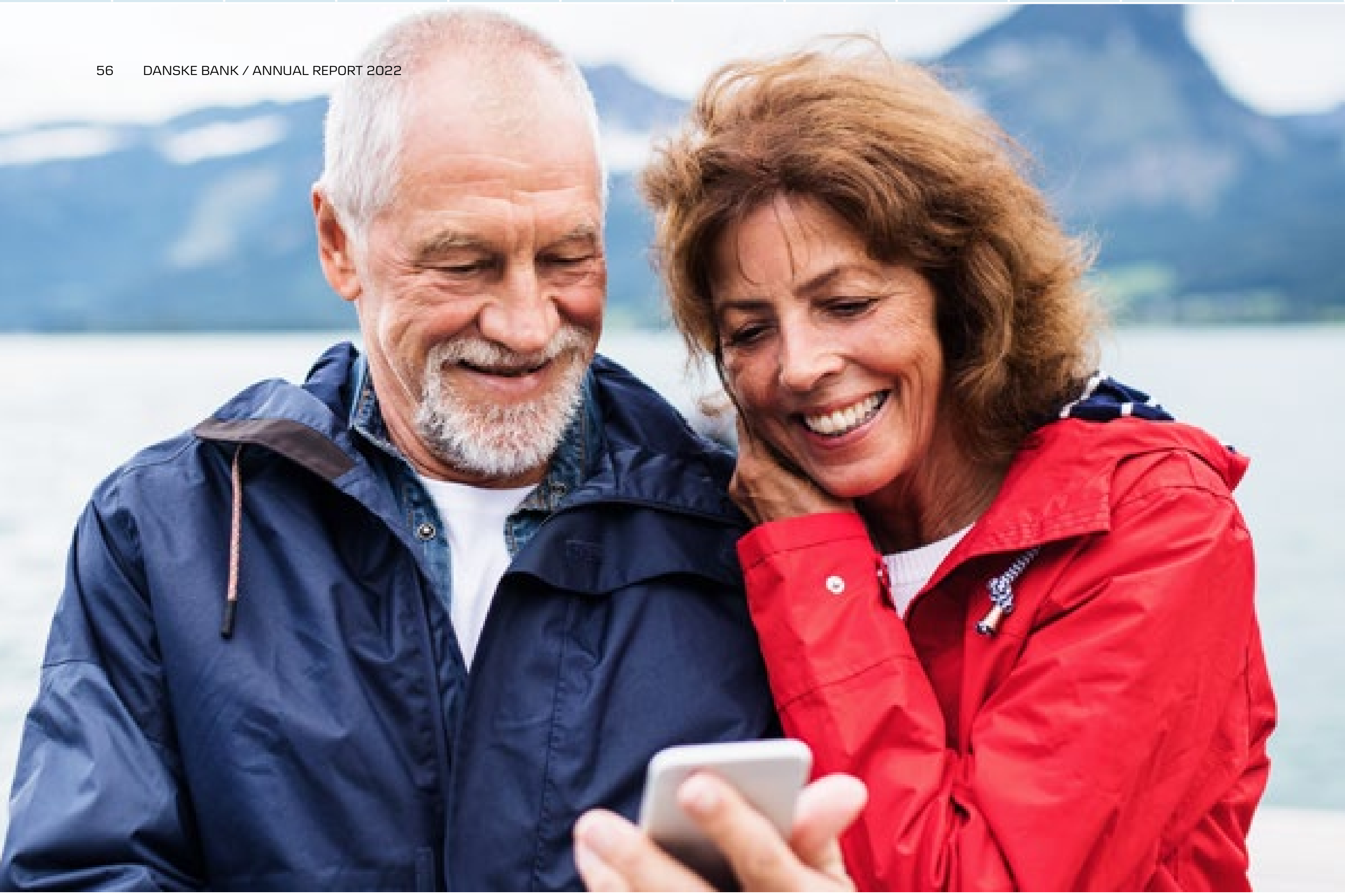
Assets under management
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Life insurance	388,712	462,930	84	388,712	377,883	103
Health and accident insurance	15,078	17,449	86	15,078	14,749	102
Total[1]	**403,789**	**480,379**	**84**	**403,789**	**392,631**	**103**

[1] *Figures are for the Danica Group.*
[2] *Includes the difference between the actual return on the investment of shareholders' equity (net of interest on subordinated debt) and the sum of interest on allocated capital and allocated capital and shareholder costs. Special allotments are also included (note G38 in Annual Report 2022 provides further information).*

Business initiatives
The decline in the global financial markets had a significant impact on listed shares and bonds and resulted in negative returns on our customers' pension savings. This made it a priority for Danica Pension throughout the year to continuously reassure our customers that our investment strategy is based on a long-term outlook and that we continue to have confidence in our ability to achieve positive returns on our investments when the situation stabilises. In our communications, we highlighted the fact that the markets have generally yielded strong returns over the past three years.

To make customers more aware of the importance of making pension savings and to increase awareness of Danica Pension among personal customers, we created a new communications platform under a concept called "Get to know your future". The platform was introduced through a campaign spanning television, printed material, outdoor advertising, digital media and social media. In the campaign, our customers meet their future, represented by a person who tries to get the customers' attention and to make them take an interest in their pension savings. By making the campaign this way, it is our goal to make the topic of pension more tangible and something you would



like to talk about, thus breaking down some of the barriers for understanding a complex and intangible topic.

One of our key strategic areas is the continued development of our healthcare solutions, and in 2022, Danica Pension announced a DKK 100 million investment plan for further strengthening our preventive healthcare efforts. The investment is earmarked for staff specialised in ensuring that our customers receive correct and sufficient treatment as well as for the development of the digital solutions that support our customers in the healthcare area.

In 2022, we continued to develop and refine the new health package, which gives customers quick and easy access to online consultations with doctors, psychologists and dieticians. We were pleased to see that the health package was used for 24,000 consultations in 2022, of which 9,000 were with psychologists. A total of 27% of the customers who had consultations with our psychologists would not have sought this help had the digital solution not been available.

As a natural extension of the success of the new health package, a new solution was introduced in 2022 for personal customers. The solution enables personal customers who do not otherwise have access to the health package through their employer to buy access. By offering the health package to a new group of customers, we are able to provide healthcare to a wider group of our customers, particularly those who have retired and therefore no longer have access to healthcare via their workplace.

We were pleased to note that the large investments made in our healthcare solutions and in the health and accident business meant that we successfully contributed to preventing long-term illness and to ensuring a faster return to work for more of our customers.

One of our key strategic aims is to further enhance the options our 800,000 customers have for investing their pension savings with a strong focus on sustainability.

For the Danica Balance Responsible Choice investment solution, we select investments that actively contribute to making a difference within areas such as climate, environment, health, food production and other social aspects, thereby supporting the UN Sustainable Development Goals. Our customers are free to choose the proportion of their savings that they want to invest with this heightened sustainability focus.

It is Danica Pension's ambition that, by 2050, all of its investments will be carbon neutral. Danica Pension has set 2025 intermediate carbon intensity-based reduction targets in key sectors, including the energy, utilities, transport, steel and cement sectors. Danica Pension aims to help reduce carbon emissions in these sectors by between 15% and 35% relative to 2019 levels.

We will continue to focus on creating financial security for our customers through relevant and proactive advisory services with the aim of creating attractive returns after costs.

Customer satisfaction
We maintain a focus on improving customer satisfaction by providing pension savings products that meet customer needs and demands. According to the December 2022 Aalund Research survey, Danica Pension improved from fourth to second place in Aalund's business-to-business rating.

2022 vs 2021
Danica Pension was affected by the negative developments in the financial markets in 2022 and the goodwill impairment charge of DKK 1,627 million from the purchase of SEB Pension in 2018. The impairment charge was made due to rising discount rates and the turbulence in the financial markets. The underlying business is still strong, and the underlying loss on the health and accident business was reduced, with customers being offered more and better treatment today than three years ago.

After a period of high growth, Danica Pension saw a decrease in premiums in 2022 of 14% from the level in 2021. This development was due to the sale of Danica Norway in June 2022 and a deliberate focus on maintaining a profitable business model, which led to a decrease in the number of new customers and thereby single premiums. Regular premiums increased due to an inflow of new business customers in earlier periods.

Net income from insurance business (before goodwill impairments) decreased to DKK 63 million (2021: DKK 2,088 million), due primarily to the negative developments in the financial markets. The profit of DKK 415 million from the sale of Danica Norway is included in the result for 2022. With the sale, Danica Pension is focusing its business further and is in an even stronger position to develop the best pension solutions for its customers in Denmark. As a result of the sale of Danica Norway, the number of FTEs was reduced.

The result of the life insurance business decreased to DKK 771 million (2021: DKK 2,724 million). The decrease was driven mainly by negative valuation adjustments of life insurance products where Danica Pension has the investment risk, with the effect being partly offset by changes in life insurance provisions. Costs of DKK 150 million to cover compensation to customers, as announced on 9 September 2022, also had a negative effect on the result. Moreover, the result was affected by a change in accounting policies, which means that the change in the profit margin relating to life insurance that is used to cover expected future losses on health and accident insurance is now presented under the result of life insurance. This had a negative effect on the result of the life insurance business of DKK 629 million and a positive effect on the result of the health and accident business of the same amount.

The result of the health and accident business declined to a loss of DKK 1,044 million (2021: loss of DKK 520 million). The result benefited from the above-mentioned change in the presentation. The risk result improved due to a reduction of technical provisions, and claims continued to be at a stable level in 2022. However, negative valuation adjustments caused a decrease in the investment result of DKK 1,348 million to a loss of DKK 987 million in 2022 (2021: a profit of DKK 361 million). 2021 included a provision for tax on pension returns of DKK 267 million.

The return on investments allocated to shareholders' equity etc. increased DKK 172 million from the level in 2021.

Assets under management decreased DKK 77 billion because of the developments in the financial markets.

A review of capital allocation framework has increased capital allocated to Danica Pension.

Q4 2022 vs Q3 2022

Net income from insurance business (before goodwill impairments) increased to DKK 386 million (Q3 2022: loss of DKK 286 million). The result of the life insurance business increased from the third-quarter result, while the result of the health and accident business decreased. The return on investments allocated to shareholders' equity increased in the fourth quarter.

- **The result of the life insurance business** increased 713 million, as Danica was able to collect the full risk allowance for 2022 and as the above-mentioned change in presentation had a negative effect on the third-quarter result. The third quarter of 2022 was also adversely affected by a provision of DKK 150 million to cover compensation to customers, as announced on 9 September 2022.
- **The result of the health and accident business** decreased in the fourth quarter due to the third quarter seeing a positive effect from the above-mentioned change in accounting policies, which means that the change in the profit margin relating to life insurance that is used to cover expected future losses on health and accident insurance is now presented under the result of life insurance.
- **The return on investments allocated to shareholders' equity etc.** increased DKK 161 million, due mainly to higher returns on assets allocated to shareholders' equity.
- **Total premiums** increased 10% due to an increase in both single and regular premiums.
- **Assets under management increased** DKK 11 billion, due mainly to the positive developments in the financial markets.

DKK 386 million
Net income from insurance business
for the fourth quarter of 2022

Northern Ireland

Our focus in Northern Ireland is on remaining a stable, strong and risk-astute bank, consolidating our market-leading position alongside pursuing prudent low-cost growth opportunities in the rest of the UK. This is supported by a strong performance in 2022, with income and profitability both improved and costs maintained below the 2021 level.

Profit before tax increased 18% to DKK 456 million, despite the impact of market volatility on trading income and where 2021 benefited from net loan impairment reversals.

Northern Ireland
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Net interest income	1,900	1,341	142	568	508	112
Net fee income	335	288	116	87	84	104
Net trading income	-342	-66	-	269	-402	-
Other income	21	12	175	4	3	133
Total income	1,914	1,576	121	928	194	-
Operating expenses	1,290	1,317	98	347	320	108
Profit before loan impairment charges	623	259	241	580	-126	-
Loan impairment charges	168	-127	-	132	-2	-
Profit before tax	**456**	**386**	**118**	**449**	**-124**	**-**
Loans, excluding reverse transactions before impairments	53,761	55,848	96	53,761	54,478	99
Allowance account, loans	824	802	103	824	694	119
Deposits, excluding repo deposits	94,562	98,980	96	94,562	96,232	98
Allocated capital (average)*	6,080	6,713	91	6,113	6,081	101
Net interest income as % p.a. of loans and deposits	1.19	0.87		1.45	1.28	
Profit before tax as % p.a. of allocated capital (avg.)	7.5	5.8		29.4	-8.2	
Cost/income ratio (%)	67.4	83.6		37.4	164.9	
Full-time-equivalent staff	1,288	1,268	102	1,288	1,271	101

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

Business initiatives
Our ambition is to deliver sustainable and responsible growth as a more efficient, geographically diverse and digitally-orientated business.

Our residential mortgage book grew in 2022, supported by a strong product and service proposition that includes the UK's first ever carbon-neutral mortgage. More than half of the new mortgage lending we approved across the UK in 2022 was in the form of our carbon-neutral mortgage product. Furthermore, affordability assessments for new mortgages incorporate the impact of inflationary pressures and higher interest rates.

As part of our commitment to supporting customers who are worried about the increased cost of living, we created a Money Worries online hub for personal customers and a Rising Cost of Doing Business online hub for small business customers. These hubs offer advice and assistance and include a customer call back service for those who want to talk to one of our specialist advisers.

Through 2022, we continued to enhance our digital proposition for both personal and business customers. As a result of accelerating digital adoption by our customers, with more than 6.5 million digital channel logons each month, we have reduced our branch network with the closure of four branches and sold our offsite ATM network to an established local provider. Through these and other actions, the bank's costs in 2022 were maintained below the level of costs in 2021 despite the inflationary pressure.

Customer satisfaction
We were very pleased to finish the year in first place across both Personal Banking and Corporate & Business Banking.

2022 vs 2021
Profit before tax increased to DKK 456 million (2021: DKK 386 million), with actions taken in response to higher UK interest rates and increased transactional activity supporting a strong income performance, partially offset by negative net trading income.

Net interest income increased 42% to DKK 1,900 million (2021: DKK 1,341 million), driven by actions taken in response to higher UK interest rates. Increasing momentum within mortgage lending was partially offset by low loan demand

from large business customers. Many business customers have delayed investment decisions and continue to hold additional liquidity. Deposits were broadly unchanged year-on-year (in local currency), with high post-pandemic balances maintained.

Net fee income grew 16% to DKK 335 million (2021: DKK 288 million), reflecting improved activity levels and pricing actions.

Net trading income was negative due to adverse mark-to-market movements on the hedging portfolio given increased market expectations for rising UK interest rates during 2022. This will reverse over the remaining life of the hedging portfolio.

Operating expenses were reduced year-on-year and stood at DKK 1,290 million (2021: DKK 1,317 million), reflecting a continually strong cost focus.

Loan impairment charges remained low against a net reversal in 2021. Impairment levels were higher in the fourth quarter, reflecting an uncertain macroeconomic outlook; however the loan portfolio remained strong, driven by a conservative risk appetite and astute handling of existing and new lending opportunities.

Q4 2022 vs Q3 2022

The fourth quarter saw a profit before tax of DKK 449 million (Q3 2022: loss of DKK 124 million), with the improvement driven by a combination of continued growth and higher trading income.

- **Net interest income** increased to DKK 568 million (Q3 2022: DKK 508 million), reflecting pricing actions taken in response to higher UK interest rates.
- **Net fee income** increased to DKK 87 million (Q3 2022: DKK 84 million) in the quarter, as underlying activity levels remained strong.
- **Net trading income** was positive in the fourth quarter, reflecting market expectations for a decrease in UK interest rates and a corresponding, favourable mark-to-market movement on the hedging portfolio from the third quarter. The negative trading income reported in the third quarter and earlier periods will continue to reverse over the remaining life of the hedging portfolio.
- **Operating expenses** increased to DKK 347 million (Q3 2022: DKK 320 million) due to seasonality.
- **Loan impairment charges** increased in the fourth quarter, reflecting an uncertain macroeconomic outlook, but remained low overall.

DKK 449 million
Profit before tax
for the fourth quarter of 2022

Non-core

Non-core mainly comprises legacy credit exposures as well as non-strategic private equity investments. The winding up of the Non-core activities is proceeding according to plan. Profit before tax in 2022 decreased from the level in 2021 to a loss of DKK 13 million. Lending decreased DKK 0.9 billion from the level at the end of 2021, driven by the divestment of legacy exposures at Non-core.

Non-core
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Total income	23	25	92	2	1	200
Operating expenses	101	234	43	6	30	20
Profit before loan impairment charges	-78	-210	37	-5	-29	17
Loan impairment charges	-66	-207	32	-2	-2	100
Profit before tax	**-13**	**-2**	**-**	**-2**	**-28**	**7**
Loans, excluding reverse transactions before impairments*	1,207	2,123	57	1,207	1,235	98
Allowance account, loans	39	811	5	39	40	98
Deposits, excluding repo deposits	2,112	2,191	96	2,112	2,105	100
Allocated capital (average)	668	872	77	593	662	90
Net interest income as % p.a. of loans and deposits	-0.11	0.38		0.11	-	
Profit before tax as % p.a. of allocated capital (avg.)	-1.9	-0.2		-1.3	-16.9	
Cost/income ratio (%)	-	-		-	-	
Full-time-equivalent staff	25	25	100	25	36	69

Loan impairment charges
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Non-core banking*	-1	-254	-	-1	-	-
Non-core conduits etc.	-64	47	-	-1	-2	50
Total	**-66**	**-207**	**32**	**-2**	**-2**	**100**

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

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

The winding up of the remaining Non-core activities is proceeding according to plan. Amortisation of the small portfolio remaining at the Lithuania branch was completed at the end of 2022, and we have thus terminated our banking activities in Lithuania.

The closing of the subsidiary bank in Luxembourg is well underway, and the return of the banking licence was formally approved by regulators in the fourth quarter of 2022.

2022 vs 2021
Profit before tax decreased to a loss of DKK 13 million (2021: DKK 2 million) due to a decrease in loan impairment reversals that was driven by settlement of part of the exposure. In 2021, loan impairment reversals were largely driven by the divestment of legacy exposures in Ireland and Lithuania. The effect of the decrease in loan impairment reversals in 2022 was partly offset by a decrease in operating expenses as a result of the general progress made with the winding-up activities across Non-core.

At the end of 2022, total lending was down to DKK 1.2 billion. The decrease from the level at the end of 2021 was owing to the sale of a legacy exposure at Non-core.

Q4 2022 vs Q3 2022

The Non-core unit posted a loss before tax of DKK 2 million in the fourth quarter of 2022 (Q3 2022: loss of DKK 28 million) due to a decrease in operating expenses.

- **Total income** amounted to DKK 2 million (Q3 2022: DKK 1 million).
- **Operating expenses** decreased to DKK 6 million (Q3 2022: DKK 30 million). The decrease mainly reflects the progress made with the winding-up activities in Luxembourg and Lithuania.
- **Loan impairment charges** amounted to a net reversal of DKK 2 million (Q3 2022: DKK 2 million).
- **Total lending** amounted to DKK 1.2 billion (Q3 2022: DKK 1.2 billion).

DKK -2 million
Profit before tax
for the fourth quarter of 2022

Group Functions

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

In 2022, the loss before tax increased to DKK 18,136 million from a loss of DKK 1,444 million in 2021. The increase in the loss was caused by the additional provision of DKK 13,800 million for the Estonia matter and the provision of DKK 1,560 million related to the compensation of debt collection customers for potential overcollection of debt. In addition, net interest income and net trading income were down, due, among other things, to market developments.

Group Functions
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Net interest income	-270	312	-	-155	-166	93
Net fee income	16	-56	-	40	-4	-
Net trading income	-681	381	-	-634	57	-
Other income	78	-10	-	74	-	-
Total income	-857	627	-	-674	-113	-
Operating expenses	2,810	2,068	136	526	1,368	38
of which resolution fund, bank tax etc.	74	37	200	15	15	100
of which impairment charges, other intangible assets	24	36	67	-	-	-
Provision for Estonia matter	13,800	-	-	-200	14,000	-
Profit before loan impairment charges	-17,467	-1,442	-	-1,000	-15,481	6
Loan impairment charges	669	2	-	-	659	-
Profit before tax	**-18,136**	**-1,444**	**-**	**-1,000**	**-16,140**	**6**
Full-time-equivalent staff	10,878	10,252	106	10,878	10,802	101

Profit before tax
(DKK millions)

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Index Q4/Q3
Group Treasury	-1,118	599	-	-525	-304	173
Own shares and issues	-114	-67	170	-552	252	-
Additional tier 1 capital	89	451	20	1	2	50
Group support functions	-16,993	-2,427	-	76	-16,089	-
Total Group Functions	**-18,136**	**-1,444**	**-**	**-1,000**	**-16,140**	**6**

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

2022 vs 2021
Excluding the additional provision of DKK 13,800 million for the Estonia matter, Group Functions posted a loss before tax of DKK 4,336 million (2021: loss of DKK 1,444 million). Including the additional provision, the loss before tax was DKK 18,136 million. The loss was due to the additional provision of DKK 13,800 million for the Estonia matter and increases in operating expenses of DKK 910 million and loan impairment charges of DKK 650 million as a result of the decision to compensate debt collection customers for potential overcollection of debt. In addition, net interest income and net trading income were down, due, among other things, to market developments.

Net interest income decreased to a loss of DKK 270 million (2021: income of DKK 312 million) due primarily to lower bond portfolio income as a result of higher interest rates in the market, which in turn increased the funding costs for fixed-rate bonds. These bond investments form an integral part of Danske Bank's interest rate risk hedging. Furthermore, the redemption of the Group's final equity-accounted additional tier 1 capital instrument reduced the income of Group Functions from the allocation of costs to the business units.

Net trading income decreased to a loss of DKK 681 million (2021: income of DKK 381 million), due primarily to lower income from interest rate risk management at Group Treasury. In addition, Group Treasury's fair value bond portfolios were negatively affected by market value adjustments of Danish mortgage bond investments in 2022. Furthermore, net trading income was adversely affected by a negative effect of eliminations of returns on own shares. A gain of DKK 170 million on the sale of Sanistål shares was included in 2022, whereas 2021 benefited from a gain of DKK 227 million on the sale of VISA shares in the Group's private equity portfolio.

Operating expenses, after allocation to the business units, increased from the level in 2021 and amounted to DKK 2,810 million (2021: DKK 2,068 million). This was due primarily to the decision to pay compensation to debt collection customers for potential overcollection of debt, leading to a provision of DKK 910 million. Furthermore, an additional provision of DKK 13,800 million for the Estonia matter was made in 2022.

Loan impairment charges increased to DKK 669 million (2021: DKK 2 million) as compensation to debt collection customers for potential overcollection of debt led to a charge of DKK 650 million.

The number of full-time-equivalent staff increased to 10,878 as the 1st line Financial Crime Risk and Business Controls functions were moved from Large Corporates & Institutions to Group Functions.

Q4 2022 vs Q3 2022

Group Functions posted a loss before tax of DKK 1,000 million (Q3 2022: loss of DKK 16,140 million). The improved result before tax related mainly to additional provisions for the Estonia matter made in the third quarter of DKK 14,000 million.

- **Net interest income** amounted to a loss of DKK 155 million (Q3 2022: loss of DKK 166 million) relating, among other things, to lower bond portfolio income as higher interest rates increased funding costs.
- **Net trading income** decreased to a loss of DKK 634 million (Q3 2022: income of DKK 57 million) due primarily to negative income from interest rate risk management at Group Treasury and a negative effect of eliminations of returns on own shares that more than offset the gain of DKK 170 million on the sale of Sanistål shares.
- **Operating expenses** decreased to DKK 526 million (Q3 2022: DKK 1,368 million). Further sample checks related to the customer compensation model were needed, and this work has resulted in our taking a more conservative approach, which is to the benefit of our debt collection customers. This approach impacted our provisions by a further DKK 310 million, as the accelerated solution affected operating expenses for the fourth quarter of 2022. In the third quarter of 2022, operating expenses were impacted by a one-off amount of DKK 600 million to cover compensation to debt collection customers for potential overcollection of debt.
- **Provisions for the Estonia matter** amounted to DKK 14,000 million in the third quarter of 2022, of which DKK 200 million was reversed in the fourth quarter.
- **Loan impairment charges** amounted to DKK 0 million (Q3 2022: DKK 659 million). The third quarter was affected by a charge of DKK 650 million related to the decision to compensate debt collection customers for potential overcollection of debt.

DKK -1,000 million
Profit before tax
for the fourth quarter of 2022

Definition of alternative performance measures

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

Throughout the Management's report, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to management. The differences between the financial highlights and the IFRS financial statements relate to certain changes in the presentation. Net profit is the same in the financial highlights and in the IFRS income statement. Notes G1 and G3 to the financial statements describe the differences between the financial highlights and the IFRS financial statements, and each line item in the financial highlights is reconciled with the consolidated financial statements prepared under IFRS.

Definitions of additional ratios presented on page 8 and in other sections of the Management's report:

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend per share proposed in the annual report and paid to shareholders in the subsequent year. Accordingly, for 2022, it is the dividend to be paid in 2023.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 86 million (full-year 2021: DKK 451 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 equity of DKK 2,266 million (2021: 7,733 million) compared to a simple average of total equity (beginning and end of the period).
Adjusted return on average shareholders' equity (% p.a.)	Net profit, excluding the provision for the Estonia matter and the impairment charges on goodwill, divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. The numerator and denominator are adjusted as per Return on average shareholders' equity above.
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights divided by the daily average of the sum of loans and deposits. If the ratio was calculated applying the sum of loans and deposits at the end of the period, the ratio for 2022 would be 0.85% (2021: 0.73%) due to the daily average of the sum of loans and deposits being DKK 39.9 billion higher (2021: DKK 5.4 billion higher) than if calculating the ratio by applying the end-of-period sum of loans and deposits. The purpose of the ratio is to show whether the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (C/I), (%)	Operating expenses and provision for Estonia matter and impairment charges on goodwill divided by total income. All amounts are from the financial highlights.
Adjusted cost/income ratio (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges as % of net credit exposure	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The numerator is the loan impairment charges of DKK 1,568 million (2021: DKK 348 million) from the financial highlights annualised. The denominator is the sum of Loans at amortised cost of DKK 1,026.1 billion (2021: DKK 1,022.7 billion), Loans at fair value of DKK 809.9 billion (2021: DKK 816.3 billion) and guarantees of DKK 81.0 billion (2021: DKK 71.7 billion) at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of net credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The numerator is the allowance account of DKK 19.6 billion (2021: DKK 21.9 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 1,081.7 billion (2021: DKK 1,026.1 billion), Loans at fair value of DKK 724.1 billion (2021: DKK 809.9 billion) and guarantees of DKK 81.4 billion (2021: DKK 81.0 billion) at the end of the period, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Market shares of lending and deposits	Market shares are based on data from central banks at the time of reporting. Comparative information is updated on the basis of the latest available data, for example Annual Report 2021 included November 2021 data for Finland and Norway as December 2021 data was not available at the time of publication of Annual Report 2021. This was subsequently updated to December 2021 data in Interim report – first quarter 2022.

Financial statements

Income statement – Danske Bank Group

Note	(DKK millions)	2022	2021
G5	Interest income calculated using the effective interest method	31,697	22,077
G5	Other interest income	47,570	35,601
G5	Interest expense	51,241	30,904
	Net interest income	28,026	26,774
G6	Fee income	17,305	18,495
G6	Fee expenses	5,993	6,378
G5	Net trading income or loss	-32,983	36,600
G7	Gain or loss on sale of disposal groups*	1,420	180
G7	Other income*	5,476	5,553
G8	Net premiums	35,394	37,518
G8	Net insurance benefits	2,750	71,208
G9	Operating expenses	31,250	30,822
G24, G27	Provision for Estonia matter	13,800	-
G19	Impairment charges on goodwill	1,627	-
	Profit before loan impairment charges	-782	16,712
G11	Loan impairment charges	1,502	141
	Profit before tax	-2,284	16,571
G21	Tax	2,784	3,651
	Net profit	**-5,068**	**12,920**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	-5,154	12,469
	Additional Tier 1 capital holders	86	451
	Net profit	**-5,068**	**12,920**
	Earnings per share (DKK)	-6.1	14.6
	Diluted earnings per share (DKK)	-6.0	14.6
	Proposed dividend per share (DKK)	-	2.0

* Comparative information has been reclassified due to change in presentation as described in note G2(a)

Statement of comprehensive income – Danske Bank Group

Note	(DKK millions)	2022	2021
	Net profit	-5,068	12,920
	Other comprehensive income		
	Remeasurement of defined benefit pension plans	-968	-90
G21	Tax*	-179	-146
	Items that will not be reclassified to profit or loss	**-789**	**56**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	-4,481	1,708
G12	Hedging of units outside Denmark	2,463	-1,270
	Unrealised value adjustments of bonds at fair value (OCI)	-1,546	-326
	Realised value adjustments of bonds at fair value (OCI)	-14	6
G21	Tax*	-674	-152
	Items that are or may be reclassified subsequently to profit or loss	**-2,904**	**270**
	Total other comprehensive income	**-3,693**	**326**
	Total comprehensive income	**-8,761**	**13,246**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	-8,847	12,795
	Additional Tier 1 capital holders	86	451
	Total comprehensive income	**-8,761**	**13,246**

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

Balance sheet – Danske Bank Group

Note	(DKK millions)	2022	2021
	Assets		
G14	Cash in hand and demand deposits with central banks	175,052	293,386
G14	Due from credit institutions and central banks	60,811	71,156
G12	Trading portfolio assets	638,799	509,590
G13	Investment securities	302,958	303,777
G15	Loans at amortised cost	1,082,818	1,027,442
G16	Loans at fair value	932,677	1,024,461
G17	Assets under pooled schemes and unit-linked investment contracts	66,499	76,654
G18	Assets under insurance contracts	455,416	547,806
G23	Assets held for sale	350	28,800
G19	Intangible assets	6,802	8,819
G21	Tax assets	5,199	4,510
G24	Other assets	35,618	39,433
	Total assets	**3,762,999**	**3,935,834**
	Liabilities		
G20	Due to credit institutions and central banks	138,777	172,976
G12	Trading portfolio liabilities	554,321	374,959
G20	Deposits	1,262,293	1,292,030
G22	Issued bonds at fair value	697,388	794,909
G22	Issued bonds at amortised cost	192,682	223,854
G17	Deposits under pooled schemes and unit-linked investment contracts	66,725	76,982
G18	Liabilities under insurance contracts	487,422	588,736
G23	Liabilities in disposal groups held for sale	-	29,577
G21	Tax liabilities	2,464	1,864
G24	Other liabilities	69,024	56,268
G22	Non-preferred senior bonds	93,235	107,654
G22	Subordinated debt	38,350	39,321
	Total liabilities	**3,602,681**	**3,759,130**
	Equity		
	Share capital	8,622	8,622
G25	Foreign currency translation reserve	-2,630	-612
	Reserve for bonds at fair value (OCI)	-1,526	34
	Retained earnings	155,852	161,439
	Proposed dividends	-	1,724
	Shareholders of Danske Bank A/S (the Parent Company)	160,318	171,207
G25	Additional tier 1 capital holders	-	5,497
	Total equity	**160,318**	**176,704**
	Total liabilities and equity	**3,762,999**	**3,935,834**

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)							
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2021	8,622	-1,050	354	150,521	1,724	160,171	8,508	168,679
Net profit	-	-	-	12,469	-	12,469	451	12,920
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-90	-	-90	-	-90
Translation of units outside Denmark	-	1,708	-	-	-	1,708	-	1,708
Hedging of units outside Denmark	-	-1,270	-	-	-	-1,270	-	-1,270
Unrealised value adjustments	-	-	-326	-	-	-326	-	-326
Realised value adjustments	-	-	6	-	-	6	-	6
Tax	-	-	-	298	-	298	-	298
Total other comprehensive income	-	438	-320	208	-	326	-	326
Total comprehensive income	-	438	-320	12,677	-	12,795	451	13,246
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-466	-466
Dividends paid	-	-	-	16	-1,724	-1,708	-	-1,708
Proposed dividends	-	-	-	-1,724	1,724	-	-	-
Redemption of additional tier 1 capital	-	-	-	-	-	-	-3,000	-3,000
Acquisition of own shares and additional tier 1 capital	-	-	-	-19,801	-	-19,801	-	-19,801
Sale of own shares and additional tier 1 capital	-	-	-	19,715	-	19,715	4	19,719
Share based payments	-	-	-	146	-	146	-	146
Tax	-	-	-	-111	-	-111	-	-111
Total equity as at 31 December 2021	8,622	-612	34	161,439	1,724	171,207	5,497	176,704
Net profit	-	-	-	-5,154	-	-5,154	86	-5,068
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-968	-	-968	-	-968
Translation of units outside Denmark	-	-4,481	-	-	-	-4,481	-	-4,481
Hedging of units outside Denmark	-	2,463	-	-	-	2,463	-	2,463
Unrealised value adjustments	-	-	-1,546	-	-	-1,546	-	-1,546
Realised value adjustments	-	-	-14	-	-	-14	-	-14
Tax	-	-	-	853	-	853	-	853
Total other comprehensive income	-	-2,018	-1,560	-115	-	-3,693	-	-3,693
Total comprehensive income	-	-2,018	-1,560	-5,269	-	-8,847	86	-8,761
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-164	-164
Dividends paid	-	-	-	19	-1,724	-1,705	-	-1,705
Redemption of additional tier 1 capital	-	-	-	-	-	-	-5,419	-5,419
Acquisition of own shares and additional tier 1 capital	-	-	-	-18,728	-	-18,728	-	-18,728
Sale of own shares and additional tier 1 capital	-	-	-	18,301	-	18,301	-	18,301
Share based payments	-	-	-	57	-	57	-	57
Tax	-	-	-	33	-	33	-	33
Total equity as at 31 December 2022	8,622	-2,630	-1,526	155,852	-	160,318	-	160,318

Statement of capital – Danske Bank Group

Dividend

To ensure prudent capital management with a high degree of flexibility in light of the Estonia matter, the general meeting adopted the proposal for an initial dividend payment of DKK 2 per share that was paid out in March 2022. The remaining DKK 5.5 per share was intended to be paid out in three tranches following the publication of the interim reports in 2022, subject to a decision by the Board of Directors. On 28 April 2022, the Board of Directors decided that Danske Bank would not pay out dividends in connection with the interim report for the first quarter of 2022 as Danske Bank had entered into initial discussions with U.S. and Danish authorities on the resolution of the Estonia matter. No dividends were paid out in connection with the interim report for the second quarter of 2022 as the discussions with authorities were still ongoing. In light of the additional provision for the Estonia matter made in the third quarter of 2022, the Board of Directors has decided to cancel the remaining dividend for 2021.

In 2022 Danske Bank made an additional provision of DKK 13,800 related to the Estonia matter. Consequently, the Board of Directors will propose to the annual general meeting in 2023 that no dividend be paid out for 2022. Danske Bank's dividend policy remains unchanged, targeting a dividend of 40-60% of net profit.

Earnings per share (DKK millions)	2022	2021
Net profit attributable to the shareholders of the parent company	-5,154	12,469
Number of shares issued at 1 January	862,184,621	862,184,621
Average number of own shares held by the Group (including share buy-back programme)	10,422,647	8,804,138
Average number of shares outstanding	851,606,850	853,352,805
Number of dilutive shares issued for share-based payments	4,590,464	621,939
Adjusted average number of shares outstanding after share capital reduction, including dilutive shares	**856,197,314**	**853,974,744**
Earnings per share (DKK)	-6.1	14.6
Diluted earnings per share (DKK)	-6.0	14.6

The share capital consists of shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

Number of shares outstanding	2022	2021
Issued at 1 January	862,184,621	862,184,621
Holding of own shares	11,237,849	8,832,178
Shares outstanding at 31 December	**850,946,772**	**853,352,443**

(DKK millions) Holding of own shares	Number 2022	Number 2021	Value 2022	Value 2021
Trading portfolio	5,301,082	4,223,165	728	477
Investment on behalf of customers	5,936,767	4,609,013	815	521
Total	**11,237,849**	**8,832,178**	**1543**	**998**

Danske Bank Group accounts for all shares issued by Danske Bank A/S and held by Danske Bank Group as own shares that are eliminated in the statement of changes in shareholders' equity. The disclosures above clarify the purpose of the acquisitions made by Danske Bank Group of its own shares.

(DKK millions)	Trading portfolio	Investment on behalf of customers	Total 2022	Total 2021
Holding as at 1 January	477	521	998	859
Acquisition of own shares	18,119	609	18,728	19,754
Sale of own shares	17,836	464	18,301	19,715
Value adjustment	-32	150	118	100
Holding as at 31 December	**728**	**815**	**1,543**	**998**

The Board of Directors is authorised to let Danske Bank acquire own shares up to a total nominal amount of 10% of the share capital. The shares may be held for ownership or provided as collateral. If shares are acquired for ownership, the acquisition price may not deviate by more than 10% from the price quoted at the time of acquisition. Danske Bank A/S has obtained permission from the Danish Financial Supervisory Authority to acquire own shares for market-making purposes etc. and this amount is deducted from the Group's common equity tier 1 capital.

Statement of capital – Danske Bank Group

Total capital and total capital ratio

(DKK millions)	31 December 2022	31 December 2021
Total equity	160,318	176,704
Revaluation of domicile property at fair value	217	200
Tax effect of revaluation of domicile property at fair value	-28	-23
Total equity calculated in accordance with the rules of the Danish FSA	160,506	176,881
Additional tier 1 capital instruments included in total equity	-	-5,419
Accrued interest on additional tier 1 capital instruments	-	-78
Common equity tier 1 capital instruments	160,506	171,384
Adjustment to eligible capital instruments	-222	-104
IFRS 9 reversal due to transitional rules	3,063	2,593
Prudent valuation	-1,338	-983
Prudential filters	-567	-173
Expected/proposed dividends	-	-6,466
Intangible assets of banking operations	-5,529	-5,325
Minimum Loss Coverage for Non-Performing Exposures	-500	-51
Deferred tax on intangible assets	242	198
Deferred tax assets that rely on future profitability, excluding temporary differences	-352	-35
Defined benefit pension plan assets	-1,424	-2,220
Statutory deduction for insurance subsidiaries	-4,683	-6,882
Common equity tier 1 capital	**149,197**	**151,935**
Additional tier 1 capital instruments	15,300	19,933
Tier 1 capital	**164,497**	**171,868**
Tier 2 capital instruments	20,765	20,888
Total capital	**185,261**	**192,757**
Total risk exposure amount	**838,193**	**860,173**
Common equity tier 1 capital ratio (%)	17.8%	17.7%
Tier 1 capital ratio (%)	19.6%	20.0%
Total capital ratio (%)	22.1%	22.4%

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under the Capital Requirements Regulation (CRR), taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority.

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

Risk Management 2022 provides more details about the Group's total capital, the total risk exposure amount and the Group's solvency need. The report is available at danskebank.com/investorrelations/reports and is not covered by the statutory audit.

Cash flow statement – Danske Bank Group

	(DKK millions)	2022	2021
	Cash flow from operations		
	Profit before tax	-2,284	16,571
	Tax paid	-3,025	-2,459
G26	Adjustment for non-cash operating items	21,459	4,916
	Cash flow from operations before changes in operating capital	**16,150**	**19,028**
	Changes in operating capital		
	Amounts due to/from credit institutions and central banks	-35,987	-38,509
	Trading portfolio	50,153	48,984
	Acquisition/sale of own shares and additional tier 1 capital	-428	-82
	Investment securities	819	-7,007
	Loans at amortised cost and fair value	34,905	-4,114
	Deposits	-29,737	-41,751
	Issued bonds at amortised cost and fair value	-132,574	-7,596
	Assets/liabilities under insurance contracts	-10,315	-5,291
	Other assets/liabilities	-2,343	-1,224
	Cash flow from operations	**-109,357**	**-37,562**
	Cash flow from investing activities		
	Sale of businesses	2,032	-
	Acquisition of intangible assets	-560	-885
	Acquisition of tangible assets	-826	-686
	Sale of tangible assets	4	8
	Cash flow from investing activities	**650**	**-1,563**
	Cash flow from financing activities		
G26	Issue of subordinated debt	-	10,102
G26	Redemption of subordinated debt	-	-3,718
G26	Issue of non-preferred senior bonds	20,052	4,352
G26	Redemption of non-preferred senior bonds	-30,590	-6,309
	Dividends paid	-1,705	-1,708
	Redemption of equity accounted additional tier 1 capital	-5,419	-3,000
	Paid interest on equity accounted additional tier 1 capital	-164	-466
	Principal portion of lessee lease payments	-611	-654
	Cash flow from financing activities	**-18,437**	**-1,401**
	Cash and cash equivalents as at 1 January	362,997	400,889
	Foreign currency translation	-3,322	2,634
	Change in cash and cash equivalents	-127,144	-40,526
	Cash and cash equivalents, end of period	**232,531**	**362,997**
	Cash and cash equivalents, end of period		
G14	Cash in hand	6,630	6,765
G14	Demand deposits with central banks	168,422	286,621
G14	Amounts due from credit institutions and central banks within three months	57,479	69,611
	Total	**232,531**	**362,997**

Note G26 provides further information on the cash flow statement.

Notes – Danske Bank Group

G1. Basis of preparation

(a) General

Danske Bank Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) and applicable interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), as adopted by the EU. Furthermore, the consolidated financial statements comply with the Danish FSA's Executive Order No. 1306 dated 16 December 2008 on the use of IFRSs by undertakings subject to the Danish Financial Business Act.

On 1 January 2022, the Group implemented the amendments to IAS 16, IAS 37, IFRS 3 and Annual Improvements to IFRS Standards 2018 - 2020. The Group has changed the presentation in the income statement of gain or loss on sale of disposal groups. Further information on the changes to accounting policies in 2022 can be found in note G2. Except for these changes, the Group has not changed its significant accounting policies from those applied in the Annual Report 2021. The implementation of the amendments to IFRSs had no impact on the financial statements.

For changes in the financial highlights and segment reporting, see note G3.

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

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement. Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation. Exchange rate adjustments are included in the fair value adjustment of an asset or liability. Other non-monetary items in foreign currency are translated at the exchange rates at the transaction date. The accounting treatment of foreign currency translation of units outside Denmark is described in note G25.

For the purpose of clarity, the primary financial statements and the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the primary financial statements. Similarly, information not considered material is not presented in the notes.

The significant accounting policies are incorporated into the notes to which they relate.

The Group may be exposed to sustainability drivers. Credit risk is deemed to be the risk type most materially affected by sustainability drivers. Climate risk is currently the most urgent of all ESG-related drivers capable of affecting the Group's credit risk. From a financial materiality perspective, climate-related risks have been deemed most relevant for the Group's lending activities. Further information on how sustainability drivers may affect these financial statements has been provided in various sections of these financial statements; see note G1(b) Significant accounting estimates, note G15 Loans at amortised cost, and note G41 Risk management notes.

(b) Significant accounting estimates and judgements

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

Further, the determination of the carrying amounts of some assets and liabilities requires the estimation of the effects of uncertain future events on those assets and liabilities. The estimates are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values. In view of the inherent uncertainties and the high level of subjectivity and judgement involved in the recognition and measurement of the items listed below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based.

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

The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses (stages 2 and 3). In determining the impairment for expected credit losses, management exercises judgement and uses estimates and assumptions as explained below.

Notes – Danske Bank Group

G1. Basis of preparation continued

(b) Significant accounting estimates and judgements

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 70% (2021: 70%), the upside scenario with a probability of 10% (2021: 10%) and the downside scenario with a probability of 20% (2021: 20%). On the basis of these assessments, the allowance account at the end of 2022 amounted to DKK 19.6 billion (2021: DKK 22.7 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 2.1 billion (2021: 1.7 billion). Compared to the base case scenario, the allowance account would increase DKK 10.9 billion (2021: DKK 8.5 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.4 billion (2021: DKK 0.2 billion) compared to the base case scenario.

In determining the expected credit losses, management is required to exercise judgement in defining what is considered a significant increase in credit risk. 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 the end of 2022, the allowance account would increase by DKK 0.3 billion (2021: DKK 0.03 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.

Management applies judgement when determining the need for post-model adjustments. At the end of 2022, the post-model adjustments amounted to DKK 6.6 billion (2021: DKK 6.3 billion). They no longer include the risks arising from the corona crisis but rather the increasing macroeconomic risk due to the uncertainty related to the elevated inflation and severity of and economic downturn as well as the global tension uncertainty stemming from the war in Ukraine. See further in the separate sections below. Further information on the types of risks covered by post-model adjustments and the allocation of post-model adjustments to the underlying exposures can be found in the section Forward-looking information in note G41.

Loan impairment charges for 2022 amounted to DKK 1,502 million (2021: DKK 141 million). The Group saw more normalised impairment levels during 2022. Strong credit quality driven by post-pandemic recoveries contributed with reversals, while the model-driven charges and increasing post-model adjustments was a result of a worsened macroeconomic outlook.

The applied macroeconomic scenarios in 2022 differ from those used at 31 December 2021. In Q4 2022 the downside scenario was changed to capture the severe recession scenario with high interest rates (reflecting a stagflation scenario) applied in the Group's Internal Capital Adequacy Assessment Process 8 (ICAAP) processes and is similar in nature to regulatory stress tests. The severe recession scenario reflects negative growth, increasing interest rates, and falling property prices for a longer period. The change of the downside scenario has been made to better capture the increasing risk from high interest rates and high inflation, and in order for the ECL calculation to include potential downside risks due to the elevated asset prices across the Nordics.

Except as described above, all other policies and principles remain in place. Staging criteria are unchanged, including the 30 days past due criteria and PD-based criteria for transfer to stage 2.

Accounting treatment affected by the war in Ukraine

In 2022, financial markets have been under pressure due to the uncertainty caused by high inflation and energy prices as a consequence of the war in Ukraine, which has exacerbated macroeconomic uncertainties.

The Group has considered the impact of the war on critical areas such as the credit portfolio and macroeconomic scenarios. The Group has very limited direct exposures to customers in or from Russia, Ukraine or Belarus. DKK 1.6 billion of the Group's post-model adjustments relate to the economic uncertainties and macroeconomic impacts arising from the war in Ukraine to ensure prudent coverage of the Group's credit exposures. Similarly, macroeconomic scenarios have been updated to reflect expectations of higher inflation and interest rates which are fuelled by the war in Ukraine.

For more detail on the impacts of the war in Ukraine, see note G41.

Sustainability risk

The Group may be exposed to sustainability risk as a result of current or future environmental, social and governance (ESG) events or conditions, and are considered external factors that can impact existing risks. Sustainability risk is therefore considered a cross-cutting driver of existing risks as outlined in the Group's risk taxonomy, which can further exacerbate the risks the Group is already facing.

Notes – Danske Bank Group

G1. Basis of preparation continued

(b) Significant accounting estimates and judgements

***Sustainability risk** continued*

Credit risk is deemed to be the risk type most materially affected by sustainability risk in the long term, of which climate risk is currently the most urgent of all ESG-related drivers capable of affecting the Group's credit risk. From a financial materiality perspective, climate-related risks have been deemed most relevant for the Group's lending activities. Climate risk pertains to transition risks, which are the risks associated with shifting to a low-carbon economy, and to physical risks arising from projected climate changes , including both long-term shifts (chronic changes) and event-driven changes (acute changes) to weather patterns.

The Group takes a risk-based approach in prioritising risk management efforts for credit portfolios that are likely to be most exposed to transition and physical risks. For that purpose, the Group's climate risk heat map is based on a mix of qualitative and quantitative input to define the credit exposures most exposed to transition and physical risks. The climate heat map gives an indication of the size of the exposure at risk and not the expected stress effects such as impairment charges. Such quantitative measures are to be assessed through scenario analysis and future stress testing. Climate scenario analysis is already being performed - following the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) for key sectors for both transition risk and physical risk, such as for the oil and gas, agriculture and property portfolios. The Group will continue to refine the climate risk heat map as more climate risk data becomes available to support the identification of both transition and physical risks for the purpose of determining financial materiality, however, conclusions have not led to adjustments to staging or expected credit losses, as the impacts either manifest over a longer time period than loan maturities, or as transition risks are concentrated on sectors with downside risks recognised in the bank's expected credit losses, for example in the agriculture and oil and gas portfolios.

For more detail on Sustainability risk, see note G41.

Fair value measurement of financial instruments

At the end of 2022, no unusual challenges in obtaining reliable pricing apart from insignificant parts of the portfolio remained. The majority of valuation techniques continues to employ only observable market data, and there has been no significant increase in financial instruments measured on the basis of valuation techniques that are based on one or more significant unobservable inputs. The latter continues to include only unlisted shares, certain bonds and some long-dated derivatives for which there is no active market. On the derivatives portfolio, the Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA and ColVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. At 31 December 2022, the adjustments totalled DKK 0.2 billion (2021: DKK 1.0 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note G33(a) provides more details on the fair value measurement of financial instruments.

The Group uses derivatives to hedge the fixed interest rate on some financial assets and liabilities, thus converting the fixed interest rates on the financial instruments to variable interest rates by the use of swaps. The ongoing Interest Rate Benchmark Reform is replacing existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. As a result of these developments, accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the interest rate risk due to changes in IBORs continue to qualify for hedge accounting. Following IASB's project 'Interest Rate Benchmark Reform' for the assessment of effectiveness of such hedges, it is assumed that the interest rate benchmark is not altered as a result of the reform. For further information, see note G12(d).

Measurement of goodwill and customer rights

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the present value of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. As at 31 December 2022, goodwill amounted to DKK 4.4 billion (31 December 2021: DKK 6.1 billion).

In connection with the quarterly reporting, management performs an impairment review to assess whether there are indications that goodwill might be impaired. This includes a review of decline in income, increase in loan impairment charges, decline in the market value of assets under management, major restructurings, macroeconomic developments etc. During 2022, goodwill in Danica Pension amounting to DKK 1.6 billion was assessed to be impaired due to increasing discount rates and lower financial outlook. Following the impairment charges on goodwill, goodwill in Danica Pension amounts to DKK 0.0 billion as at 31 December 2022 (31 December 2021: DKK 1.6 billion).

The remaining goodwill mainly consists of DKK 2.1 billion (2021: DKK 2.1 billion) in Markets, DKK 1.8 billion (2021: DKK 1.8 billion) in Asset Management and DKK 0.5 billion (2021: DKK 0.5 billion) in General Banking (all part of the business segment Large Corporates & Institutions) showing significant amounts of excess value in the impairment tests in 2022 and 2021.

Note G19 provides more information about the impairment test in 2022 and 2021 including sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured at the present value of expected benefits for each insurance contract. The measurement is based on actuarial computations that rely on estimates of a number of variables, including mortality and disability rates, and on the discount rate. The future mortality rates are based on the Danish FSA's benchmark, while other variables are estimated based on data from the Group's own portfolio of insurance contracts. Section (c) of this note and note G18 provide further information on the measurement of insurance liabilities. Note G41 contain a sensitivity analysis for life insurance.

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

Financial instruments account for around 98% of total assets and liabilities. A portion of financial assets relate to investments made under insurance contracts. The following sections provide a general description of the classification and measurement of financial instruments and obligations under insurance contracts.

Financial instruments – general

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract. A financial asset, or a portion of a financial asset, is derecognised if the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, leading to substantially all the risks and rewards of the asset or significant risks and rewards being transferred. Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished.

Regular way purchases and sales of financial instruments are recognised and derecognised at the settlement date. Fair value adjustments of unsettled financial instruments are recognised from the trade date to the settlement date if the financial asset is classified at fair value through profit or loss or through other comprehensive income. The classification is shown in the table below.

Financial instruments and obligations under insurance contracts, classification and measurement end of 2022

	Amortised cost	Fair value OCI	Fair value through profit or loss					
(DKK billions)	Held to collect assets/Liabilities	Held to collect and sell financial assets*	Held for trading	Managed at fair value	FVPL due to SPPI test	Designated	Interest rate hedge **	Total
Assets								
Cash in hand and demand deposits with central banks	175	-	-	-	-	-	-	175
Due from credit institutions and central banks	23	-	-	38	-	-	-	61
Derivatives	-	-	427	-	-	-	3	430
Bonds	152	116	200	34	-	-	-	502
Shares	-	-	8	1	-	-	-	9
Loans	1,084	-	-	209	724	-	-1	2,015
Assets under pooled schemes and unit-linked investment contracts	-	-	-	66	-	-	-	66
Assets under insurance contracts	-	-	-	423	-	-	-	423
Total financial assets, 31 December 2022	**1,433**	**116**	**635**	**771**	**724**	**-**	**3**	**3,682**
Total financial assets, 31 December 2021	**1,498**	**119**	**502**	**891**	**810**	**-**	**9**	**3,829**
Liabilities								
Due to credit institutions and central banks	87	-	-	-	-	52	-	139
Trading portfolio liabilities	-	-	533	-	-	-	21	554
Deposits	1,164	-	-	-	-	98	-	1,262
Issued bonds at fair value	-	-	-	-	-	697	-	697
Issued bonds at amortised cost	207	-	-	-	-	-	-14	193
Deposits under pooled schemes and unit-linked investment contracts	-	-	-	-	-	67	-	67
Liabilities under insurance contracts ***	-	-	-	-	-	487	-	487
Non-preferred senior bonds	98	-	-	-	-	-	-5	93
Subordinated debt	40	-	-	-	-	-	-2	38
Loan commitments and guarantees	3	-	-	-	-	-	-	3
Total financial liabilities, 31 December 2022	**1,599**	**-**	**533**	**-**	**-**	**1,402**	**-**	**3,534**
Total financial liabilities, 31 December 2021	**1,617**	**-**	**371**	**-**	**-**	**1,680**	**6**	**3,674**

* Unrealised fair value gains and losses are presented in Other comprehensive income, and realised fair value gains and losses are recycled to the income statement.

**The interest rate risk on some fixed-rate financial assets and liabilities is hedged by derivatives (fair value hedging). The interest rate risk on some fixed-rate bonds 'hold to collect and sell' is also hedged by derivatives. The fair value represents changes in the fair value of the interest rate risk on the hedged items, i.e. not a full fair value of the hedged items.

*** Liabilities under insurance contracts are recognised at the present value of expected insurance benefits.

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

Classification and measurement of financial assets and financial liabilities – general

Financial assets are classified on the basis of the business model adopted for managing the assets and on their contractual cash flow characteristics (including embedded derivatives, if any) are grouped into one of the following measurement categories:

- Amortised cost (AMC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Financial assets are measured at AMC if they are held within a business model for the purpose of collecting contractual cash flows (hold to collect) and if cash flows are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at FVOCI if they are held within a business model for the purpose of both collecting contractual cash flows and selling (hold to collect and sell) and if cash flows are solely payments of principal and interest on the principal amount outstanding. FVOCI results in the assets being recognised at fair value in the balance sheet and at AMC in the income statement. Gains and losses, except for expected credit losses and foreign exchanges gains and losses, are therefore recognised in other comprehensive income until the financial asset is derecognised. When the financial asset is derecognised the cumulative gains and losses previously recognised in other comprehensive income are reclassified to the income statement.

All other financial assets are mandatorily measured at FVPL including financial assets held within other business models, such as financial assets managed at fair value or held for trading and financial assets with contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.

Generally, financial liabilities are measured at amortised cost and when relevant with bifurcation of embedded derivatives not closely related to the host contract. Financial liabilities measured at fair value comprise the trading portfolio (derivatives and obligations to repurchase securities) and liabilities designated at fair value through profit or loss under the fair value option. Value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are recognised in other comprehensive income unless this leads to an accounting mismatch.

The business model assessment

The business model assessment in Danske Bank Group has been applied separately for each business unit represented by the Group's reportable segments, and it is based on observable factors for the different portfolios, such as (1) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Executive Board and the Board of Directors, (2) the risks that affect the performance of the business model and the way such risks are managed and (3) past and expected frequency, value and timing of sales from the portfolio. In general, the business model assessment of the Group can be summarised as follows:

- The Group's banking units, comprising, Personal Business & Customers, General Banking at Large Corporates &Institutes (LC&I) and Northern Ireland, have a "hold to collect" business model. The financial assets consist primarily of loans. The management and reporting of performance are based on collecting the contractual cash flows, and loans are only very infrequently sold.
- The trading units at LC&I (Markets and Investment Banking & Securities) and the financial assets related to the Group's insurance activities at Danica Pension have a business model that is neither "hold to collect" nor "hold to collect and sell" and the financial assets are mandatorily recognised at FVPL. The assets consist of bonds, shares, repo transactions and short-term loans. Some of the financial assets are included in portfolios with a trading pattern that falls under the definition of "held for trading" while other portfolios are managed and their performance reported on a fair value basis.
- Group Treasury has portfolios of bonds within the "hold to collect" business model, the "hold to collect and sell" business models and the "other" business model.
- The remaining portfolio of Non-core is "hold to collect". The financial assets consist primarily of loans.

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

The SPPI test (solely payment of principal and interest on the principal amount outstanding)

The second step in the classification of the financial assets in portfolios being "hold to collect" and "hold to collect and sell" relates to the assessment of whether the contractual cash flows are consistent with the SPPI test. The principal amount reflects the fair value at initial recognition less any subsequent changes, e.g. due to repayment. The interest must represent only consideration for the time value of money, credit risk, other basic lending risks and a margin consistent with basic lending features. If the cash flows introduce more than de minimis exposure to risk or volatility that is not consistent with basic lending features, the financial asset is mandatorily recognised at FVPL.

In general, the Group's portfolios of financial assets that are "hold to collect" or "hold to collect and sell" (loans and bonds) have contractual cash flows that are consistent with the SPPI test, i.e. they have basic lending features.

However, loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Such loans are granted by the Realkredit Danmark subsidiary only. Borrowers may repay such loans by delivering the underlying bonds. This represents an option to prepay at fair value that can be both above and below the principal amount plus accrued interest. Changes in the fair value of the underlying bonds include other elements than the effect of changes in the relevant benchmark interest rate and the prepayment option is therefore not consistent with the SPPI test in IFRS 9 and are mandatorily measured at FVPL.

All equity instruments have contractual cash flows that do not pass the SPPI test. All such holdings are recognised at FVPL since the Group has decided not to use the option to designate equity instruments at FVOCI.

Financial liabilities

Financial liabilities are generally measured at amortised cost and when relevant with bifurcation of embedded derivatives not closely related to the host contract. Financial liabilities measured at fair value comprise derivatives, the trading portfolio and liabilities designated at FVPL under the fair value option. Value adjustments relating to the inherent own credit risk of financial liabilities designated at fair value are, however, recognised in Other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 allows the designation of financial liabilities at FVPL when doing so results in more relevant information, because either (1) it eliminates or significantly reduces an accounting mismatch that would otherwise arise, or (2) is part of a portfolio of financial instruments that are managed and their performance reported on a fair value basis to management.

The Group designates the following financial liabilities at FVPL:

- Mortgage bonds issued by Realkredit Danmark. The bonds fund the loans granted by Realkredit Danmark, i.e. loans that due to the SPPI test are mandatorily recognised at FVPL. The fair value of the loans is based on the fair value of the issued bonds (the loans and the issued bonds that are funding the loans have matching contractual terms) adjusted for changes in the fair value of the credit risk of borrowers. To eliminate the accounting mismatch that exists if the loans are measured at FVPL and the issued bonds at AMC, the issued bonds are designated at FVPL, and fair value changes of the issued bonds (including fair value changes related to own credit risk) are offset by the fair value changes of the loans. Hence, changes in the fair value attributable to the Group's own credit risk on the issued bonds are also recognised in the income statement since an accounting mismatch would otherwise arise.
- Financial liabilities in Markets and Investment Banking & Securities at LC&I. These financial liabilities are part of a portfolio of financial assets and liabilities that is managed and performance reported to the Management on a fair value basis. The financial liabilities consist of repo transactions, deposits and commercial papers. Changes, if any, in the fair value attributable to the Group's own credit risk is, however, recognised in other comprehensive income.

Hedge accounting

The Group uses derivatives to hedge the interest rate risk on some fixed-rate assets and fixed-rate liabilities measured at amortised cost and on some bonds measured at fair value through other comprehensive income. Hedged risks that meet the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged assets and liabilities is measured at fair value through profit or loss. At end-2022, hedging derivatives measured at fair value accounted for about 0.1% of total assets and about 0.6% of total liabilities (31 December 2021: 0.2% and 0.2%, respectively). For further information on hedge accounting, see note G12(d).

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

Insurance activities – general

The Group issues life insurance policies, which are divided into insurance and investment contracts. Insurance contracts are contracts that entail significant insurance risk or entitle policyholders to bonuses. Investment contracts are contracts that entail no significant insurance risk and comprise unit-linked contracts under which the investment risk lies with the policyholder.

Insurance contracts

Insurance contracts comprise both an investment element and an insurance element, which are recognised as aggregate figures.

IFRS 4, Insurance Contracts, includes an option to continue the accounting treatment of insurance contracts under local GAAP. The Group's life insurance provisions are therefore recognised at their present value in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies etc. The life insurance provisions are presented under Liabilities under insurance contracts.

Assets earmarked for insurance contracts are recognised under Assets under insurance contracts if most of the return on the assets accrues to the policyholders. Most of these assets are measured at fair value.

Investment contracts

Investment contracts are recognised as financial liabilities, and, consequently, contributions and benefits under such contracts are recognised directly in the balance sheet. Deposits are measured at the value of the savings under Deposits under pooled schemes and unit-linked investment contracts.

Savings under unit-linked investment contracts are measured at fair value under Assets under pooled schemes and unit-linked investment contracts. The return on the assets and the crediting of the amounts to policyholders' accounts are recognised under Net trading income or loss.

Assets funded by shareholders' equity

The separate pool of assets equal to shareholders' equity is recognised at fair value and consolidated with other similar assets.

Income from insurance business

Insurance activities are consolidated in the various income statement items. Insurance premiums are recognised under Net premiums. Net insurance benefits in the income statement consists of benefits disbursed under insurance contracts and the annual change in insurance obligations not deriving from additional provisions for benefit guarantees and changes to the collective bonus potential. The return on earmarked assets is allocated to the relevant items in the income statement. The return to policyholders is recognised under Net trading income or loss as are changes to additional provisions for benefit guarantees. Note G8 provides more information.

The sources of the Group's net income from insurance business comprise the return on assets funded by Danica Pension's shareholders' equity, income from unit-linked business and health and accident business, and income from conventional life insurance business, the so-called risk allowance.

The risk allowance is determined in accordance with the Danish FSA's executive order on the contribution principle. The contribution principle regulates how earnings are allocated between policyholders and the life insurance company's shareholders' equity and defines the maximum payment to shareholders' equity (the risk allowance).

Insurance contracts guarantee a certain long-term return on policyholders' funds. If the technical basis exceeds the interest accrual to policyholders and the risk allowance, the difference is allocated to the bonus potential. The bonus potential serves as a risk buffer. If the technical basis is insufficient to cover the risk allowance, the shortfall can be covered by the bonus potential. If the bonus potential is insufficient to cover the shortfall, the difference can be covered by the individual bonus potentials or the profit margin; otherwise, the risk allowance that cannot be recognised will be lost. If the technical basis is insufficient to cover the interest accrual to policyholders, the shortfall is covered by the bonus potentials or the profit margin. Any remaining shortfall is paid by the Group in the form of an outlay. If the Group has made such an outlay, the outlay may be recovered the following year.

Notes – Danske Bank Group

G1. Basis of preparation continued

(d) Financial highlights

The financial highlights and reporting for each segment shown in note G3 are used in the Management's report and represent the financial information regularly provided to management. The Reclassification column in note G3 shows the reconciliation between the presentation in the financial highlights and the presentation in the consolidated financial statements prepared under IFRS and includes the following:

Operating leases

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 (the Group acts as a lessor). 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.

Markets and Investment Banking & Securities (both part of Large Corporates & Institutions) and Group Treasury (part of Group Functions)

In the IFRS income statement, income from Markets and Investment Banking & Securities and Group Treasury is presented as Net interest income, the net of Fee income and Fee expenses. Net trading income or loss 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 Markets, excluding Market's share of margins on customer derivatives, is presented as Net trading income
- Trading-related income at Investment Banking & Securities is presented as Net trading income. However, income contributed by Equity Finance (also part of Large Corporates & Institutions, Investment Banking & Securities) 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 is consolidated on a line-by-line basis. In the financial highlights, earnings in the business segment Danica Pension is presented as a single line Net income from insurance business due to Danica Pension being a separate business unit. This increases transparency and simplicity in the income statement part of the financial highlights, as Danica Pension's business model is very different from the business model of the other commercial activities within the Group. Net income insurance business is presented before elimination of intra-group transactions.

Non-core

In the IFRS income statement and balance sheet, income and expense items and asset and liability items from the Non-core segment are included in the various income statement and balance sheet line items, as the segment does not fulfil the requirements in IFRS 5, Non-current Assets Held for Sale and 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. Similarly, assets are presented together as Total assets in Non-core and liabilities together as Total liabilities in Non-core in the balance sheet in the financial highlights.

(e) Reporting on the ESEF Regulation

The Commission's Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires a special digital reporting format for annual report for publicly listed entities. The ESEF Regulation includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements key elements including Income statement, Statement of comprehensive income, Balance sheet, Statement of capital, Cash flow statement and notes.

Danske Bank Group's iXBRL tagging is prepared in accordance the ESEF taxonomy which is included in the appendices of the ESEF Regulation and is developed based on the IFRS taxonomy that is published by IFRS Foundation. For the annual report for 2022, the ESEF Taxonomy for 2021 has been applied.

The account balances in the consolidated financial statement is XBRL tagged to the elements in the ESEF Regulation that is assessed to correspond to the content of the account balances. For account balances that are assessed not to be covered by the account balances defined in the ESEF taxonomy, the Group has incorporated entity specific extensions to the taxonomy. These extensions are – except subtotals – embedded in the elements in the ESEF Taxonomy.

The annual report comprises – in accordance with the requirements of the ESEF Regulation – of a zip-file danskebank-2022-12-31-en.zip, that includes an XHTML-file, that can be opened with standard web browsers and a number of technical XBRL files that make automated extracts of the incorporated XBRL data possible.

Notes – Danske Bank Group

G2. Changes and forthcoming changes to accounting policies and presentation

(a) Changes to significant accounting policies and presentation during the year

On 1 January 2022, the Group implemented the amendments to IAS 16, IAS 37, IFRS 3 and Annual Improvements to IFRS Standards 2018 - 2020. The implementation of the amendments to IFRSs had no impact on the financial statements. The sections below explain in further details the changes to accounting policies and presentation implemented.

In 2022, the Group has changed the presentation of Gain or loss on sale of disposal groups to be presented separately on the face of the Income statement rather than within Other Income. Comparative information in the income statement has been restated to reflect the change in presentation. Further information is provided in note G7.

In 2022, the Group has included Impairment charges on goodwill and Provision for Estonia matter as separate rows in the Income statement.

The sections below explain in more detail the changes to accounting policies.

Amendment to IAS 16, Property, plant and equipment

The amendment clarifies that if items are produced while bringing an item of property, plant and equipment into use, the proceeds from sale of that item cannot be deducted from the cost of the asset. The proceeds must instead be recognised in profit or loss. The amendment has no impact on the financial statements.

Amendment to IAS 37, Provisions, contingent liabilities and contingent assets

The amendment clarifies that when assessing whether a contract is onerous, costs to be included are those that are directly related to the contract, and include the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. The amendment has no impact on the financial statements.

Amendment to IFRS 3, Business combinations

IFRS 3 has been amended to refer to the updated contractual framework. The amendment has no impact on the financial statements.

Annual Improvements to IFRS Standards 2018 – 2020 Cycle

The annual improvements contain amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. In IFRS 1, the amendment provides a subsidiary that becomes a first-time adopter of IFRS later than its parent with an exemption relating to the measurement of its assets and liabilities. In IFRS 9, the amendment clarifies that, when applying the "10% per cent test" for derecognition of financial liabilities and determining the fees paid net of fees received, a borrower should include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment to IFRS 16 is to one of its illustrative examples. Finally, the amendment to IAS 41 removes the requirement to exclude cash flows for taxation when measuring fair value.

None of these amendments has any impact on the financial statements.

(b) Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued one new accounting standard (IFRS 17) and amendments to existing international accounting standards (IFRS 16, IAS 1, IAS 8, and IAS 12), that have not yet come into force. The Group has not early adopted any of the changes. The sections below explain the IFRS changes that are likely to affect the Group's future financial reporting. For the changes not described below, no significant impact is expected.

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was an interim standard that did not prescribe the measurement of insurance contracts but relied on existing accounting practices. IFRS 17 is a comprehensive standard with principles for, for example, the measurement of insurance contracts at a current (fulfilment) value in the balance sheet, the recognition of insurance contract revenue in the income statement and the presentation of information on the performance in relation to insurance contracts. IFRS 17 was endorsed by the EU in November 2021, albeit with an optional exemption regarding the annual cohort requirement, which relates to the timing of the recognition of the contractual service margin in profit or loss. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023.

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

IFRS 17 requires a portfolio of insurance contracts (i.e. contracts that are subject to similar risks and are managed together) to be divided into a minimum of (i) a group of contracts that are onerous at initial recognition, if any (ii) a group of contracts that at initial recognition, have no significant possibility of becoming onerous subsequently, if any and (iii) a group of remaining contracts in the portfolio, if any. Groups of insurance contracts issued are initial recognised from the earliest of the (i) the beginning of the coverage period of the group, (ii) the date when the first payment from a policyholder becomes due, or (iii) for a group of onerous contracts, when the group becomes onerous. Furthermore, each group is divided into annual cohorts so that each group only includes contracts issued no more than one year apart. Groups of insurance contracts are measured using either the General Measurement Model (GMM, or Building Block approach), Variable Fee Approach (VFA) or Premium Allocation Approach (PAA).

Notes – Danske Bank Group

G2. Changes and forthcoming changes to accounting policies and presentation continued

Groups of insurance contracts under GMM or VFA are initially measured as the total of fulfilment cash flows (which comprise estimated future cash flows, an adjustment for time value of money and financial risks related to future cash flows, and a risk adjustment for non-financial risk) and contractual service margin (CSM; unearned profit that will be recognised as the Group provides insurance contract services). At each reporting date, the group of insurance contracts is subsequently measured as the sum of the liability for remaining coverage (comprising fulfilment cash flows relating to future service and CSM) and liability for incurred claims (comprising fulfilment cash flows relating to past service).

For insurance contracts under PAA, the liability for remaining coverage is measured on initial recognition at premiums received less any acquisition cash flows paid and any amounts arising from the derecognition of insurance acquisition cash flows asset.

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition are in total a net outflow. The loss from onerous insurance contracts is recognised immediately in profit or loss, and no CSM is recognised on the balance sheet on initial recognition.

The Group continues to make progress with required changes to models and data, and assessing the impact on the Group's financial statements. The Group has divided its insurance products in terms of classification and measurement and aggregation into portfolios, and estimates using the three measurement models, including a preliminary calculation of the CSM, have been made. Under IFRS 17 the Group will have four portfolios of insurance contracts: three portfolios will contain life insurance products and one will contain the health and accident insurance contracts. The three life insurance portfolios will be: an average-rate portfolio, a unit-linked portfolio and a portfolio of legacy life insurance product in run-off. The classification of insurance contracts into four portfolios is based on an assessment of similar risks and whether they are managed together.

The Group will apply all three measurement approaches, with VFA applied to the majority of insurance contracts, since they meet the definition of insurance contracts with direct participation features under IFRS 17. The PAA method will be applied to health and accident insurance contracts. IFRS 17 does not change the overall profitability of the insurance contracts. IFRS 17 will change the recognition pattern of profits and losses in the income statement, in particular due to the disaggregation of life insurance products and health and accident insurance products. Other than this, IFRS 17 is not expected to have a material effect on the expected profit patterns for future periods. The Group will apply the annual cohort exemption from the EU to the average-rate portfolio.

IFRS 17 allows three methods for transition at the transition date. The Group will apply the fair value approach for measuring insurance contracts at the transition date, as the full retrospective approach is impracticable to apply. On transition, the Group expects equity to decrease by approximately DKK 1.4 billion as at 1 January 2022, which is a consequence of life insurance products and health and accident insurance products no longer will be managed (bundled) together after the transition to IFRS 17. The estimated effect on the net profit for 2022 is in the range of DKK 0.2 – 0.5 billion, and therefore the estimated effect on equity as at 1 January 2023 is decrease of DKK 0.9 – 1.2 billion.

From 2023, the result of insurance contracts will be presented separately from other activities of the Group in the Income statement.

Notes – Danske Bank Group

G3. 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.

On 7 January 2022, the Group announced changes to the organisation to become more customer-centric and to cater for the different priorities of each segment. The changes came into effect in May 2022, with the previous business unit Personal & Business Customers divided into two business units: Personal Customers and Business Customers. The organisation now consists of five business units, a Non-core unit and a Group Functions unit.

Personal Customers serves personal customers and Private Banking customers in Denmark, Sweden, Norway and Finland.

Business Customers serves small and medium-sized business customers across all markets, and includes the Group's Asset Finance operations.

Large Corporates & Institutions serves large corporates and institutional customers across all Nordic markets.

Danica Pension specialises in pension schemes, life insurance policies and health insurance policies in Denmark.

Northern Ireland serves personal, business and corporate 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 managing legacy assets and portfolios by way of divestment, refinancing with other credit institutions or amortisation.

Group Functions encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and issues, as well as 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.

Accounting policy

Segment reporting complies with the significant accounting policies. The 'Reclassification' column shows adjustments made to the IFRS statements in the calculation of the financial highlights.

Internal income and expenses are allocated to the individual segments on an arm's-length basis. Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions, are charged to the business units according to consumption and activity. Funding costs for lending and deposit activities (FTP) are allocated on the basis of a maturity analysis of loans and deposits, interbank rates and funding spreads, and depend on market trends.

Segment assets and liabilities are assets and liabilities that are used for maintaining the operating activities of a segment or have come into existence as a result of such activities and which are either directly attributable or may be reasonably allocated to a segment. A calculated share of shareholders' equity is allocated to each segment. Other assets and liabilities are recognised under Group Functions.

Capital (shareholders' equity) is allocated to the business units based on the Group's capital allocation framework, with goodwill allocated directly to the relevant business units. The framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target. Therefore, the capital consumption of the individual business units is closely aligned with the Group's total capital consumption. However, for the Northern Ireland business unit, the capital allocated equals the legal entity's capital.

A calculated interest income equal to the risk-free return on its allocated capital is apportioned to each business unit and offset by a corresponding interest expense at Group Functions. This income is calculated on the basis of the short-term money market rate. The interest expense on equity accounted additional tier 1 capital is charged to the business units on the basis of the capital allocated to each unit and offset at Group Functions.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

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, which reconciles the financial highlights and segment reporting presentation to the IFRS financial statements, is provided further on in this note.

Changes in financial highlights and segment reporting
The presentation of the financial highlights and segment reporting has been restated to reflect the changes to the Group's commercial activities, which came into effect in May 2022. The business unit Personal & Business Customers has been divided into two business units: Personal Customers and Business Customers. Comparative information in note G3 has been restated to reflect the change in business segments. The IFRS income statement and balance sheet are not impacted by the change. The table below shows the restated amounts in the financial highlights and segment reporting for 2021:

Changes in financial highlights and segment reporting - full year 2021

(DKK millions)	Personal Customers	Business Customers	Personal & Business Customers
Net interest income	7,876	7,788	15,664
Net fee income	4,903	1,613	6,516
Net trading income	322	351	673
Other income	211	580	791
Total income	13,311	10,333	23,644
Operating expenses	10,109	5,144	15,253
of which resolution fund, bank tax etc.	117	173	290
Profit before loan impairment charges	3,202	5,189	8,391
Loan impairment charges	60	426	486
Profit before tax	**3,142**	**4,763**	**7,906**
Loans, excluding reverse transactions	878,079	643,895	1,521,975
Other assets	315,858	216,820	532,678
Total assets	**1,193,937**	**860,715**	**2,054,652**
Deposits, excluding repo deposits	407,904	292,530	700,434
Other liabilities	754,643	526,593	1,281,236
Allocated capital	31,390	41,593	72,983
Total liabilities and equity	**1,193,937**	**860,715**	**2,054,652**
Profit before tax as % p.a. of allocated capital (avg.)	9.5	11.7	10.7
Cost/income ratio (%)	75.9	49.8	64.5
Full-time-equivalent staff, end of period	4,866	1,699	6,565

In addition, during 2022 the Group changed the presentation of Resolution fund, bank tax etc. to be presented as a separate element within Operating expenses in the financial highlights and segment reporting. The separate presentation of Resolution fund, bank tax etc. is also reflected in the comparative information, although there is no change to total Operating expenses. This change does not affect the presentation in the IFRS income statement.

Impairment charges, other intangible assets is now presented as an element within Operating expenses in the financial highlights and segment reporting. Comparatives have been restated to include these charges in the total of Operating expenses. This does not affect the presentation in the IFRS income statement.

Finally, new rows have been added to the 2022 financial highlights and segment reporting for Impairment charges on goodwill and Provision for Estonia matter respectively.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Business segments 2022

(DKK millions)	Personal Customers	Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	8,778	9,175	5,605	-	1,900	-	-166	-104	25,188	2,838	28,026
Net fee income	4,682	1,825	5,732	-	335	-	-150	165	12,590	-1,278	11,312
Net trading income	444	517	1,489	-	-342	-	-487	-195	1,426	-34,409	-32,983
Net income from insurance business	-	-	-	63	-	-	-	-	63	-63	-
Other income	987	847	2	-	21	-	2,581	-2,503	1,936	4,961	6,897
Net premiums	-	-	-	-	-	-	-	-	-	35,394	35,394
Net insurance benefits	-	-	-	-	-	-	-	-	-	2,750	2,750
Total income	14,891	12,364	12,828	63	1,914	-	1,779	-2,636	41,203	4,692	45,895
Operating expenses	10,056	5,356	6,966	-	1,290	-	5,361	-2,552	26,478	4,771	31,250
of which resolution fund, bank tax etc.	161	224	504	-	-	-	74	-	962	-962	-
of which impairment charges, other intangible assets	-	-	-	-	-	-	24	-	24	-24	-
Provision for Estonia matter	-	-	-	-	-	-	13,800	-	13,800	-	13,800
Goodwill impairment charges	-	-	-	1,627	-	-	-	-	1,627	-	1,627
Profit before loan impairment charges	4,836	7,008	5,861	-1,565	623	-	-17,383	-84	-703	-78	-782
Loan impairment charges	927	578	-774	-	168	-	669	-	1,568	-66	1,502
Profit before tax, core	3,909	6,430	6,635	-1,565	456	-	-18,052	-84	-2,271	-13	-2,284
Profit before tax, Non-core	-	-	-	-	-	-13	-	-	-13	13	-
Profit before tax	**3,909**	**6,430**	**6,635**	**-1,565**	**456**	**-13**	**-18,052**	**-84**	**-2,284**	**-**	**-2,284**
Loans, excluding reverse transactions	800,394	630,619	320,491	-	52,937	-	27,274	-27,759	1,803,955	1,168	1,805,123
Other assets (including Non-core)	315,679	197,541	3,584,663	548,874	59,680	2,180	4,493,984	-7,243,557	1,959,044	-1,168	1,957,876
Total assets	**1,116,073**	**828,160**	**3,905,154**	**548,874**	**112,616**	**2,180**	**4,521,258**	**-7,271,316**	**3,762,999**	**-**	**3,762,999**
Deposits, excluding repo deposits	410,806	285,177	389,486	-	94,562	-	1,431	-11,584	1,169,879	2,112	1,171,990
Other liabilities (including Non-core)	674,966	503,173	3,474,451	529,891	12,930	2,467	4,494,656	-7,259,732	2,432,802	-2,112	2,430,690
Allocated capital	30,300	39,810	41,217	18,983	5,124	-	24,884	-	160,318	-	160,318
Total liabilities and equity	**1,116,073**	**828,160**	**3,905,154**	**548,874**	**112,616**	**2,467**	**4,520,971**	**-7,271,316**	**3,762,999**	**-**	**3,762,999**
Profit before tax as % p.a. of allocated capital (avg.)	12.7	16.2	15.7	-7.8	7.5	-	-55.6	-	-1.4	-	-1.4
Cost/income ratio (%)	67.5	43.3	54.3	-	67.4	-	-	-	101.7	-	101.7
Full-time-equivalent staff, end of period	4,262	1,635	2,054	881	1,288	25	10,878	-	21,022	-	21,022

The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements.

The reclassifications are explained in note G1(d).

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.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Business segments 2021

(DKK millions)	Personal Customers	Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	7,876	7,788	4,732	-	1,341	-	317	-5	22,049	4,725	26,774
Net fee income	4,903	1,613	6,777	-	288	-	83	-140	13,525	-1,408	12,117
Net trading income	322	351	3,137	-	-66	-	508	-127	4,126	32,474	36,600
Net income from insurance business	-	-	-	2,088	-	-	-	-	2,088	-2,088	-
Other income	211	580	5	-	12	-	2,266	-2,277	797	4,936	5,733
Net premiums	-	-	-	-	-	-	-	-	-	37,518	37,518
Net insurance benefits	-	-	-	-	-	-	-	-	-	71,208	71,208
Total income	13,311	10,333	14,650	2,088	1,576	-	3,175	-2,548	42,584	4,950	47,534
Operating expenses*	10,109	5,144	7,025	-	1,317	-	2,283	-215	25,663	5,159	30,822
of which resolution fund, bank tax etc.	117	173	360	-	-	-	37	-	687	-687	-
Profit before loan impairment charges	3,202	5,189	7,625	2,088	259	-	892	-2,333	16,921	-210	16,712
Loan impairment charges	60	426	-13	-	-127	-	2	-	348	-207	141
Profit before tax, core	3,142	4,763	7,638	2,088	386	-	890	-2,333	16,573	-2	16,571
Profit before tax, Non-core	-	-	-	-	-	-2	-	-	-2	2	-
Profit before tax	**3,142**	**4,763**	**7,638**	**2,088**	**386**	**-2**	**890**	**-2,333**	**16,571**	**-**	**16,571**
Loans, excluding reverse transactions	878,079	643,895	260,482	-	55,046	-	26,910	-30,041	1,834,372	1,312	1,835,684
Other assets (including Non-core)	315,858	216,820	2,834,898	669,766	61,245	-	3,904,493	-5,903,645	2,099,436	715	2,100,150
Total assets	**1,193,937**	**860,715**	**3,095,380**	**669,766**	**116,291**	**2,027**	**3,931,404**	**-5,933,686**	**3,935,834**	**-**	**3,935,834**
Deposits, excluding repo deposits	407,904	292,530	383,547	-	98,980	-	-3,362	-11,959	1,167,638	2,191	1,169,829
Other liabilities (including Non-core)	754,643	526,593	2,671,294	657,586	11,531	-	3,894,541	-5,921,727	2,594,461	337	2,594,798
Allocated capital	31,390	41,593	40,540	12,180	5,781	-	39,723	-	171,207	-	171,207
Total liabilities and equity	**1,193,937**	**860,715**	**3,095,380**	**669,766**	**116,291**	**2,529**	**3,930,902**	**-5,933,686**	**3,935,834**	**-**	**3,935,834**
Profit before tax as % p.a. of allocated capital (avg.)	9.5	11.7	17.5	16.2	5.8	-	2.6	-	10.0	-	10.0
Cost/income ratio (%)	75.9	49.8	48.0	-	83.6	-	71.9	-	60.3	-	64.8
Full-time-equivalent staff, end of period	4,866	1,699	2,684	960	1,268	25	10,252	-	21,754	-	21,754

*Comparative figures have been restated, as described above.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

(b) Reconciliation of the financial highlights and the 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 the segment reporting and the presentation in the IFRS financial statements. The reclassifications are explained in note G1(d).

Reclassifications 2022

(DKK millions)	IFRS financial statements	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	28,026	-	-247	-2,595	4	-2,838	25,188
Net fee income	11,312	-	114	1,169	-5	1,278	12,590
Net trading income	-32,983	-	311	34,115	-17	34,409	1,426
Net income from insurance business	-	-	-	63	-	63	63
Other income	6,897	-3,671	-179	-1,106	-5	-4,961	1,936
Net premiums	35,394	-	-	-35,394	-	-35,394	-
Net insurance benefits	2,750	-	-	-2,750	-	-2,750	-
Total income	45,895	-3,671	-	-998	-23	-4,692	41,203
Operating expenses	31,250	-3,671	-	-998	-101	-4,771	26,478
Provision for Estonia matter	13,800	-	-	-	-	-	13,800
Goodwill impairment charges	1,627	-	-	-	-	-	1,627
Profit before loan impairment charges	-782	-	-	-	78	78	-703
Loan impairment charges	1,502	-	-	-	66	66	1,568
Profit before tax, core	-2,284	-	-	-	13	13	-2,271
Profit before tax, Non-core	-	-	-	-	-13	-13	-13
Profit before tax	**-2,284**	**-**	**-**	**-**	**-**	**-**	**-2,284**

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

Reclassifications 2021

(DKK millions)	IFRS financial statements	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	26,774	-	-1,617	-3,093	-15	-4,725	22,049
Net fee income	12,117	-	145	1,264	-1	1,408	13,525
Net trading income	36,600	-	1,694	-34,154	-15	-32,474	4,126
Net income from insurance business	-	-	-	2,088	-	2,088	2,088
Other income	5,733	-3,890	-223	-829	6	-4,936	797
Net premiums	37,518	-	-	-37,518	-	-37,518	-
Net insurance benefits	71,208	-	-	-71,208	-	-71,208	-
Total income	47,534	-3,890	-	-1,035	-25	-4,950	42,584
Operating expenses	30,822	-3,890	-	-1,035	-234	-5,159	25,663
Profit before loan impairment charges	16,712	-	-	-	210	210	16,921
Loan impairment charges	141	-	-	-	207	207	348
Profit before tax, core	16,571	-	-	-	2	2	16,573
Profit before tax, Non-core	-	-	-	-	-2	-2	-2
Profit before tax	**16,571**	**-**	**-**	**-**	**-**	**-**	**16,571**

*Comparative figures have been restated, as described above.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

(c) Total income broken down by type of product (DKK millions)	2022	2021
Corporate and commercial banking	15,304	13,788
Home finance and savings	9,203	10,578
Trading	4,220	6,398
Day-to-day banking	6,002	3,278
Asset management	4,488	4,973
Leasing	5,617	5,261
Insurance	1,060	3,123
Other	-	135
Total	**45,895**	**47,534**

Corporate and commercial banking comprises interest and fee income from corporate and commercial banking products and services. Home finance and savings comprises interest and fee income from financing and savings products. Trading comprises income from fixed-income and foreign exchange products, including brokerage. Day-to-day banking comprises interest and fee income from retail banking products in the form of personal loans, cards and deposits. Asset management comprises income from the management of assets. Leasing encompasses income from both finance and operating leases sold by the Group's leasing operations in Denmark, Sweden, Norway and Finland. Insurance comprises income at Danica Pension from the contracts issued by Danica Pension.

Danske Bank Group does not have any single customer that generates 10% or more of the Group's total income.

(d) Geographical segmentation

The geographical segmentation of income from external customers is shown in compliance with IFRSs and does not reflect the Group's management structure. The geographical segmentation below reflects the customer's country of residence, except trading income, which is broken down by the country in which the activities are carried out. Management believes that the business segmentation provides a more informative description of the Group's activities.

Total income from external customers (DKK millions)	2022	2021
Denmark	25,134	26,302
Sweden	7,026	7,826
Norway	5,094	5,654
Finland	4,797	4,506
UK	2,186	1,941
Other	1,658	1,306
Total	**45,895**	**47,534**

Notes – Danske Bank Group

G4. Activities by country

Under CRD IV, a financial institution must disclose, by country in which it operates through a subsidiary or a branch, information about income, number of employees, profit before tax, tax and public subsidies received. This information is not comparable to the geographical segmentation presented in note G3(d), in which segmentation is based on the customer's country of residence. The Group has not received any public subsidies that relate to the Group's activities as a financial institution.

2022	Income* (DKK millions)	Full-time-equivalent staff	Profit before tax (DKK millions)	Tax on profit (DKK millions)
Denmark**	66,942	9,741	-10,082	1,456
Finland	5,497	1,517	1,706	348
Sweden	8,987	1,438	2,118	376
Norway	10,350	1,057	2,586	690
United Kingdom	3,079	1,385	577	-89
Ireland	390	44	113	-130
Lithuania	1,856	4,093	46	20
Luxembourg	1,604	28	449	110
Germany	11	-	10	7
Poland	180	336	100	18
USA	75	16	12	6
India	571	1,367	80	-28
China	-	-	-1	-
Total	**99,543**	**21,022**	**-2,284**	**2,784**

*Income is defined as interest income (including negative interest income), fee and commission income and other operating income.

**The provision for Estonia matter of DKK 13.8 billion is included in the profit before tax in Denmark.

2021	Income* (DKK millions)	Full-time-equivalent staff	Profit before tax (DKK millions)	Tax on profit (DKK millions)
Denmark	52,298	10,540	7,336	1,811
Finland	4,198	1,618	1,685	300
Sweden	7,124	1,437	3,254	590
Norway	6,891	1,079	3,012	736
United Kingdom	2,043	1,362	473	137
Ireland	127	48	166	-26
Lithuania	1,692	4,029	150	22
Luxembourg	1,377	76	124	31
Germany	83	20	229	26
Poland	72	135	58	8
USA	99	16	35	6
India	407	1,392	56	10
China	-	2	-8	0
Total	**76,411**	**21,754**	**16,571**	**3,651**

*Income is defined as interest income (including negative interest income), fee and commission income and other operating income.

Notes – Danske Bank Group

G4. Activities by country continued

Danske Bank carries out its activities in the countries listed below under a variety of names, of which the main ones are: Danske Bank (banking, trading and asset management activities), Realkredit Danmark (mortgage finance), Danske Mortgage Bank (mortgage finance), Danske Hypotek (mortgage finance), Northern Bank (banking), Danica Pension (life insurance) and Danske Leasing A/S (leasing). Note G38 discloses the company names of the Group's significant subsidiaries.

Activities in the individual countries

Activities in Denmark include: Banking, trading, asset management, leasing, life and nonlife insurance and other activities.
Activities in Finland include: Banking, trading, asset management, leasing and other activities.
Activities in Sweden include: Banking, trading, asset management, leasing and other activities.
Activities in Norway include: Banking, trading, asset management, leasing, life insurance and other activities.
Activities in the United Kingdom include: Banking, trading and leasing.
Activities in Ireland include: Banking.
Activities in Lithuania include: Banking, leasing and other activities. Banking and leasing activities in Lithuania were finalised by the end of 2022.
Activities in Luxembourg include: Banking and asset management. As of the first quarter of 2022, the Group has no activities in Luxembourg.
Activities in Germany include: Banking. As of the second quarter of 2022, the Group has no activities in Germany.
Activities in Poland include: Banking.
Activities in the USA include: Trading.
Activities in India include: Other activities.
Activities in China include: Representation office. As of Q4 2021, the Group has no activities in China.

Other activities include: Group support functions, real-estate brokerage and activities taken over by the Group under non-performing-loan agreements.

Notes – Danske Bank Group

G5. Net interest and net trading income or loss

This note shows interest income, interest expense and net trading income or loss broken down by balance sheet item and by portfolios of financial instruments measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Accounting policy

Interest income and expenses

Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost or at fair value through Other comprehensive income are recognised according to the effective interest method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees, and amortised differences between the cost and the redemption price, if any. Interest on financial instruments included in stage 3 (for the calculation of expected credit losses) is recognised on the basis of the carrying amount (i.e. net of impairment charges). The interest rate risk on some financial portfolios recognised at amortised cost is hedged by derivatives using fair value hedge accounting. Note G12 provides more information on hedge accounting. Interest income calculated using the effective interest method and presented as a separate line item in the income statement excludes the impact from hedge accounting.

Further, interest income and expenses includes interest on financial instruments measured at fair value through profit or loss. Among others, this includes interest income on loans measured at fair value for which interest on loans included in stage 3 is recognised on the basis of the gross carrying amount. However, interest on assets and deposits under pooled schemes and unit-linked investment contracts is recognised under Net trading income or loss. In the income statement, interest income on financial assets measured at fair value through profit or loss is presented under the line item Other interest income, while the line item Interest expenses includes all interest expenses.

Net trading income or loss

Net trading income or loss includes realised and unrealised capital gains and losses on *financial assets and financial liabilities recognised at fair value through profit or loss* as well as exchange rate adjustments and dividends. However, the fair value adjustments of the credit risk on loans granted by Realkredit Danmark are presented under Loan impairment charges. Further, the fair value adjustment of own credit risk on financial liabilities in the Group's trading units Markets and Investment Banking & Securities part of LC&I designated at fair value through profit or loss is presented in Other comprehensive income. Net trading income or loss includes the fair value adjustments of own credit risk on bonds issued by Realkredit Danmark, as an accounting mismatch between the fair value adjustment of the loans and the bonds in Realkredit Danmark would otherwise exist (see further information in note G16).

Realised gains and losses on *financial assets at amortised cost*, e.g. loans, are recognised under Net trading income or loss when the financial asset is derecognised, unless the derecognition relates to a credit risk event/forbearance measure, in which case the gain or loss is presented under Loan impairment charges (see note G15). Otherwise, the derecognition gain or loss on the financial asset is calculated as the difference between the carrying amount (gross of expected credit losses) and the repayment amount. For *financial assets (bonds) at fair value through other comprehensive income*, gains or losses further include amounts previously recognised in other comprehensive income. For *financial liabilities at amortised cost*, the gain or loss is the difference between the carrying amount and the redemption price including cost related to the redemption, if any.

For financial assets and liabilities subject to *fair value hedge accounting*, the fair value adjustments of the hedged financial instrument and the hedging instruments are recognised in Net trading income or loss. Therefore, any hedge ineffectiveness is presented in Net trading income or loss.

Net trading income or loss also includes the change in insurance obligations during the year due to additional provisions for benefit guarantees and the tax on pension returns.

Returns (interest income and fair value changes) on assets under pooled schemes and unit-linked investment contracts and the crediting of these returns to customer accounts are recognised under Net trading income or loss.

Notes – Danske Bank Group

G5. Net interest and net trading income or loss continued

2022 (DKK millions)	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	3,654	1,880	1,774	10	1,784
Loans and deposits	25,376	4,202	21,174	-2,260	18,914
Bonds held to collect (investment securities)	906	-	906	-	906
Issued bonds, including non-preferred senior	-	5,556	-5,556	21,649	16,093
Subordinated debt	-	1,473	-1,473	1,871	398
Other financial instruments	8	217	-209	-	-209
Total	**29,945**	**13,328**	**16,617**	**21,270**	**37,887**
Financial portfolios at fair value through OCI					
Bonds held to collect and sell (investment securities)	901	-	901	-24	877
Total	**901**	**-**	**901**	**-24**	**877**
Financial portfolios at fair value through profit or loss					
Due from/to credit institutions and central banks	-570	-592	23	-	23
Loans and deposits	15,113	285	14,828	-	14,828
Trading portfolio assets and liabilities	1,343	-	1,343	-16,867	-15,524
Bonds (investment securities)	1,069	-	1,069	-10,142	-9,073
Issued bonds	-	8,932	-8,932	-	-8,932
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-83	-83
Assets and liabilities under insurance contracts	27,541	25,363	2,178	-27,138	-24,960
Total	**44,496**	**33,987**	**10,509**	**-54,229**	**-43,720**
Total net interest and net trading income	**75,341**	**47,315**	**28,026**	**-32,983**	**-4,957**
Negative interest income	1,171	1,171	-	-	-
Negative interest expense	2,755	2,755	-	-	-
Income statement - Danske Bank Group	**79,267**	**51,241**	**28,026**	**-32,983**	**-4,957**

2021 (DKK millions)	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	222	-1,306	1,528	-1	1,527
Loans and deposits	18,394	-466	18,860	-912	17,948
Bonds held to collect (investment securities)	705	-	705	-	705
Issued bonds, including non-preferred senior	-	5,189	-5,189	6,565	1,376
Subordinated debt	-	1,297	-1,297	408	-889
Other financial instruments	69	152	-83	-	-83
Total	**19,391**	**4,866**	**14,524**	**6,060**	**20,584**
Financial portfolios at fair value through OCI					
Bonds held to collect and sell (investment securities)	-	-	-	-16	-16
Total	**-**	**-**	**-**	**-16**	**-16**
Financial portfolios at fair value through profit or loss					
Due from/to credit institutions and central banks	-406	-389	-17	-	-17
Loans and deposits	12,603	-926	13,529	-	13,529
Trading portfolio assets and liabilities	3,994	-	3,994	-7,190	-3,196
Bonds (investment securities)	-916	-	-916	1,078	162
Issued bonds	-	7,314	-7,314	-	-7,314
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-56	-56
Assets and liabilities under insurance contracts	17,517	14,544	2,973	36,724	39,697
Total	**32,792**	**20,543**	**12,250**	**30,556**	**42,806**
Total net interest and net trading income	**52,183**	**25,409**	**26,774**	**36,600**	**63,374**
Negative interest income	1,618	1,618	-	-	-
Negative interest expense	3,877	3,877	-	-	-
Income statement - Danske Bank Group	**57,678**	**30,904**	**26,774**	**36,600**	**63,374**

Notes – Danske Bank Group

G5. Net interest and net trading income or loss continued

Negative interest income relates primarily to repo transactions, while negative interest expenses relate primarily to deposits and repo transactions. For 2022, negative interest income recognised using the effective interest method amounts to DKK 30 million (2021: DKK 53 million) and negative interest expense recognised using the effective interest method amounts to DKK 2,049 million (2021: DKK 2,633 million). In the table above showing interest income and expenses by portfolios, these amounts are offset against interest income and interest expenses, respectively. In the income statement, negative interest income is recognised as interest expenses and negative interest expenses as interest income as shown in the line items 'Negative interest income' and 'Negative interest expense' in the table above.

Changes to the fair value of the hedged interest rate risk are recognised under net trading income or loss and shown under the hedged balance sheet items in the table above, whereas value adjustments of hedging derivatives are recognised under net trading income or loss under the trading portfolio. Net trading income or loss includes dividends from shares of DKK 3,999 million (2021: DKK 3,512 million) and foreign exchange adjustments of DKK 2,065 million (2021: DKK 1,803 million).

Net trading income or loss from insurance contracts includes the return on assets of DKK -64,175 million (2021: DKK 34,265 million), adjustment of additional provisions of DKK 20,170 million (2021: DKK -9,713 million), change in the collective bonus potential of DKK 6,917 million (2021: DKK -4,855 million) and tax on pension returns of DKK 9,950 million (2021: DKK -5,242 million).

Notes – Danske Bank Group

G6. Fee income and expenses

Fee income and expenses are presented on a net fee income basis as presented in the Management's report, representing the presentation provided to key management for decision making purposes. Net fee income is broken down by fee type on the basis of the underlying activity, and by business segment.

Accounting policy

Fee income

Fee income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Group identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Group's influence. The consideration is subsequently allocated to the identified performance obligation.

When income is highly susceptible to external factors, such as the development in the financial markets, the income is recognised once the consideration to be received is known and it is probable that a significant reversal of the consideration will not occur.

For income derived from the provision of agency services the consideration is presented on a net basis.

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

Fee expense

Fee expense for services provided over a period of time, such as guarantee commissions and investment management fees, are accrued over the period. Transaction fees, such as brokerage and custody fees, are recognised on settlement of the individual transaction. Fees that form an integral part of the effective rates of interest on financial liabilities measured at amortised cost, such as origination fees, are carried under interest expense. Similar fees related to financial liabilities at fair value through profit or loss are recognised when the financial liability is established and are carried under fee expense.

(a) Presentation by activity

Fee income is managed internally net of fee expenses, and on the basis of the underlying activity, i.e.

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

See note G3 for net fee income per business segment. A description of each activity by business segment is provided below:

Banking units

Fee income in the banking units relates to Personal Customers and Business Customers, General Banking in LC&I, and Northern Ireland, and it primarily relates to the provision of general banking services to customers, i.e.:

Fee income from investment activities, for example for executing customer security purchase orders, is recognised at the time of the transaction. When the service is provided over time, for example fee income for managed accounts, fee income is recognised over time.

Fee income from money transfers, account fees, cash management and other activities, is generally recognised when the service is provided. For transactions such as money transfers and card transactions, fee income is recognised at the time of the transaction. Fee income charged for services provided over time, for example subscription fees, account packages and cash deposit services, is recognised over time as the service is provided to the customer.

Fee income from lending and guarantee activities, such as services provided in relation to mortgage loans recognised at fair value, and the provision of trade finance guarantees, is recognised when the service has been provided to the customer at a point in time. For fee income for establishing loans recognised at amortised cost, although the performance obligation is satisfied when the loan is granted, the fee income is recognised over time (the expected maturity of the loan), in accordance with IFRS 9 and classified as interest income. The same applies to the Group's participation in syndicated loan transactions.

LC&I

Net fee income in LC&I relates to income derived from General Banking (see above description of Banking units) and from Markets and Investment Banking & Securities.

Fee income derived from Markets is reclassified to net trading income or loss in the segment reporting, however, Markets share of margins on customer derivatives is presented as part of fee income (note G3 provides further information). Except for margins on customer derivatives, fee income consists mainly of fees received for services provided at a point in time.

Notes – Danske Bank Group

G6. Fee income and expenses continued

Fee income in Investment Banking & Securities primarily consists of:

Fee income from investment activities, for example executing share trades on behalf of customers and securities lending, is recognised when the service is provided at a point in time.

Fee income from lending and guarantee activities is primarily derived from coordinating and arranging syndicated loan transactions, as well as issuing bonds on behalf of customers. Such income is recognised at a point in time, once the agreed performance obligation has been fulfilled.

Fee income from capital markets activities is primarily derived from arranging transactions on behalf of customers. Such income is recognised when the individual performance obligation has been fulfilled.

Asset Management (part of LC&I) and Danica Pension

Fee income for asset management services is recognised over time when the service is provided to the customer provided that it is probable that a significant reversal of the consideration will not occur. Such income relates to investment, pension and insurance activities.

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

Fee income 2022

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	4,807	-619	4,188	4,562	8,749
Money transfers, account fee, cash management and other fees	3,813	-235	3,578	1,299	4,877
Lending and Guarantees	2,741	484	3,225	132	3,357
Capital markets	1,229	-908	321	-	321
Total	**12,590**	**-1,278**	**11,312**	**5,993**	**17,305**

Fee income 2021

(DKK millions)	Financial highlights - net fee income	Reclas-sifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	5,782	-438	5,344	4,872	10,217
Money transfers, account fee, cash management and other fees	3,248	-138	3,110	1,392	4,502
Lending and Guarantees	2,541	670	3,211	113	3,324
Capital markets	1,954	-1,502	451	-	451
Total	**13,525**	**-1,408**	**12,117**	**6,378**	**18,495**

The reclassifications between Financial highlights and IFRS are explained in notes G1(d) and G3(b).

Fees for financial instruments not recognised at fair value relates primarily to fees on loans, guarantees and issued bonds. In the table above, such fees are included as fee income or expense from lending and guarantee activities. Fee income on loans and guarantees amounted to DKK 1,891 million (2021: DKK 2,037 million) of which DKK 616 million relates to financial instruments not recognised at fair value (2021: 840 million), whereas expenses amounted to DKK 90 million (2021: DKK 88 million).

Notes – Danske Bank Group

G7. Gain or loss on sale of disposal groups and Other income

The Group uses quantitative and qualitative materiality considerations when aggregating line items in the income statement that are not considered individually material. Such line items are presented under Other income. Similarly, the materiality assessments includes presenting additional line items in the income statement. It is considered relevant for the understanding of the financial performance to present gain or loss on sale of disposal groups as a separate line in the income statement in 2022. Other income includes rental income and lease payments under operating leases (when the Group is a lessor), fair value adjustments of investment property, income from holdings in associates, and amounts received on the sale of lease assets and income from real-estate brokerage.

Accounting policy

Income from lease assets and investment property

Income from lease assets and investment property includes income from assets let under operating leases. Lease payments are recognised on a straight line basis over the period of the lease term. The accounting policy for lease assets and investment property is further described in note G24.

Income from real-estate brokerage

Income from real-estate brokerage consists of real estate agent fees that are recognised as income when the real estate is sold, and franchise fees received from real-estate brokers that are recognised on a straight line basis over the term of the franchise agreement.

Income from holdings in associates

Associates are accounted for using the equity method. Further information is provided in note G39.

(a) Gain or loss on sale of disposal groups

In 2022, gain or loss on sale of disposal groups includes gains of DKK 421 million from the sale of the Group's activities in Luxembourg, gains of DKK 415 million from the sale of Danica Pensjonforsikring AS (Danica Pension business segment in Norway), gains of DKK 415 million from the sale of MobilePay and gains of DKK 170 million from the sale of Sanistål A/S. In 2021, gain or loss on sale of disposal groups includes gains of DKK 180 million on the sale of Aiia.

(b) Other income (DKK millions)	2022	2021
Income from lease assets and investment property	4,344	4,303
Income from real-estate brokerage	83	136
Income from holdings in associates	9	-6
Other income	1,041	1,119
Total	**5,476**	**5,553**

* Comparative figures have been restated as described in the section 'Changes in accounting policies and presentation during the year of note G2.

(c) Further explanation

Income from lease assets and investment property primarily includes the proceeds from the sale of operating lease assets. The proceeds from the sale is disclosed in the reclassification table in G3 in the column 'Operating leases and impairment charges'.

Notes – Danske Bank Group

G8. Insurance contracts

Insurance contracts are contracts entered into by Danica Pension that entail significant insurance risks or entitle policyholders to a bonus (discretionary participation feature). The deposit component of insurance contracts is not unbundled but recognised together with the insurance component. Consequently, premiums and insurance benefits related to the deposit component are recognised in the income statement rather than directly in the balance sheet.

Contracts that do not entail significant insurance risk are recognised as investment contracts with premiums recognised directly in the balance sheet. Note G17 provides more information on the accounting for investment contracts.

Accounting policy

Net premiums

Net premiums include regular and single premiums on insurance contracts, which are recognised in the income statement at their due dates. Reinsurance premiums paid are deducted from premiums received.

Net insurance benefits

Net insurance benefits include benefits disbursed to policyholders. The item also includes adjustments to outstanding claims provisions, life insurance provisions and the profit margin, including the allocation of regular and single premiums to the individual insurance contracts. Additional provisions for benefit guarantees are recognised under Net trading income or loss, however. The benefits are recognised net of reinsurance.

(a) Net premiums (DKK millions)	2022	2021
Regular premiums, life insurance	3,515	3,813
Single premiums, life insurance	8	130
Regular premiums, unit-linked products	14,787	14,067
Single premiums, unit-linked products	15,138	17,960
Premiums, health and accident insurance	1,646	1,647
Reinsurance premiums paid	-103	-120
Change in unearned premiums provisions	403	21
Total	**35,394**	**37,518**

(b) Net insurance benefits (DKK millions)	2022	2021
Benefits paid	27,154	27,449
Reinsurers' share received	-111	-116
Claims and bonuses paid	2,247	2,128
Change in outstanding claims provisions	-247	189
Change in life insurance provisions	-23,392	40,282
Change in profit margin	-2,901	1,276
Total	**2,750**	**71,208**

(c) Further explanation

Insurance premiums received are carried under Net premiums, whereas benefits paid and changes to insurance obligations, including an increase in provisions due to premiums received during the year, are carried under Net insurance benefits. Net premiums and insurance benefits do not include the entire income stream related to insurance contracts. Changes to provisions caused by fair value adjustment of expected payments are carried under Net trading income or loss. The return on assets earmarked for insurance contracts is carried under Net interest income and Net trading income or loss. The net interest income and trading income disclosed in note G5 contain DKK -24,960 million relating to insurance contracts (2021: DKK 39,697 million) and DKK 5,452 million (2021: DKK 2,517 million) relating to net interest income on deposits and own issued bonds and fair value adjustments that are eliminated in the consolidated financial statements.

Notes – Danske Bank Group

G9. Operating expenses

Operating expenses include staff costs, administrative expenses (including Resolution fund)and depreciation, amortisation and impairment charges. Note G19 provides more information on intangible assets.

Accounting policy

Staff costs

This item includes salaries, performance-based pay, expenses for share-based payments, holiday allowances, anniversary bonuses, pension costs and other remuneration. Salaries and other remuneration that the Group expects to pay are expensed when the employees render the services. Performance-based remuneration is expensed as it is earned.

Share-based payment

Part of the performance-based remuneration for the year is paid in the form of conditional shares. Rights to conditional shares vest up to four years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights is conditional on certain targets being met. The fair value of share-based payments at the grant date is expensed over the vesting period with the intrinsic value expensed in the year in which the share-based payments are earned, and the time value (if any) accrued over the remaining service period. Expenses are set off against shareholders' equity. Fair value adjustments after the grant date are not recognised in the income statement.

Pension obligations

The Group's contributions to defined contribution pension plans are recognised in the income statement as they are earned by the employees. For defined benefit pension plans, the Group expenses the standard cost. Actuarial gains or losses as a result of the difference between expected trends in pension assets and benefits and actual trends are recognised under Other comprehensive income.

Amortisation, depreciation and impairment charges

In addition to amortisation, depreciation and impairment charges for intangible, tangible and right-of-use assets, the Group expenses the carrying amount of lease assets sold at the expiry of a lease agreement.

(a) Staff costs, administrative expenses, depreciations and impairment charges (DKK millions)	2022	2021
Staff costs	16,019	16,113
Administrative expenses	9,630	8,704
Amortisation/depreciation and impairment charges of intangible, tangible and right-of-use assets excluding goodwill impairment charges	5,600	6,005
Total	**31,250**	**30,822**

Impairment changes on goodwill of DKK 1,627 million has been presented as a separate item in the Income statement. An impairment loss of DKK 65 million was recognised in 2022 on software development costs (2021: DKK 36 million) and is included in the table above. See note G19 for further information.

Staff costs	2022	2021
Salaries	12,170	12,503
Share-based payments	57	146
Pension, defined contribution plans	1,361	1,345
Pension, defined benefit plans	190	184
Severance payments	334	-37
Financial services employer tax and social security costs	1,908	1,972
Total	**16,019**	**16,113**

Total salary costs amounted to DKK 14.1 billion (2021: DKK 14.1 billion), with variable remuneration accounting for 5.0% of this amount (2021: 7.7%). Note G36 provides more information on share-based payments.

Notes – Danske Bank Group

G9. Operating expenses continued

(b) Pension plans

Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies, including Danica Pension. Such payments are expensed regularly. The Group has, to a minor extent, entered into defined benefit pension plans. Under defined benefit pension plans, the Group is under an obligation to pay defined future benefits from the time of retirement. Defined benefit pension plans are typically funded by ordinary contributions made by employers and employees to separate pension funds investing the contributions on behalf of the members to fund future pension obligations. Defined benefit pension plans in Northern Ireland and Ireland account for most of the Group's obligations under such plans, but the Group also has a small number of defined benefit pension plans in Denmark and Sweden. The plans in these countries do not accept new members and, for most of the plans, contributions payable by existing members have been discontinued.

At 31 December 2022, the net present value of pension obligations was DKK 11,260 million (2021: DKK 17,442 million), and the fair value of plan assets was DKK 12,380 million (2021: DKK 19,452 million). The present value of obligations under defined benefit pension plans less the fair value of pension assets is recognised for each plan under Other assets and Other liabilities. Pension plan net assets amounted to DKK 1,486 million (2021: DKK 2,451 million) and pension plan net liabilities amounted to DKK 366 million (2021: DKK 441 million).

The Group recognises the service cost and interest on the net defined benefit pension asset/liability in the income statement, whereas actuarial gains or losses are recognised under Other comprehensive income.

The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. The measurement of the net obligation is particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations. If the discount rate was lowered half a percentage point, the gross pension obligation would increase DKK 0.8 billion (2021: DKK 1.6 billion). The amount would be recognised under Other comprehensive income.

G10. Audit fees

(DKK millions)	2022	2021
Audit firms appointed by the general meeting		
Fees for statutory audit of the consolidated and parent company financial statements	32	24
Fees for other assurance engagements	9	8
Fees for tax advisory services	-	1
Fees for other services	2	2
Total	**43**	**35**

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab (Denmark) to the Group amounted to DKK 4 million (2021: DKK 6 million) and covered various assurance reports, assurance on CSR reporting, review procedures with respect to recognition of profit in core capital, and advisory engagements such as target operating models.

Notes – Danske Bank Group

G11. Loan impairment charges

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

The item also includes expected losses and realised gains and losses on assets (such as tangible assets and group undertakings) taken over by the Group under non-performing loan agreements. Further, the item includes external costs directly attributable to the collection of amounts due under non-performing loans, such as legal costs.

Accounting policy

The accounting policy for when a loan impairment charge is recognised and how the charge is determined is described under the relevant balance sheet line items. Notes G15, G16 and G24 provide more information.

Loan impairment charges

(DKK millions)	2022	2021
ECL impairment on Due from credit institutions and central banks	25	29
ECL impairment on Loans at amortised cost	979	353
ECL impairment on Loan commitments and guarantees etc.	483	-493
ECL impairment, total	**1,487**	**-111**
Fair value credit risk adjustment on Loans at fair value	15	252
Total	**1,502**	**141**

(DKK millions)	2022	2021
ECL on new assets	3,117	3,768
ECL on assets derecognised	-6,448	-6,701
Impact of net remeasurement of ECL (incl. changes in models)	3,271	1,287
Write-offs charged directly to income statement*	2,050	2,407
Received on claims previously written off	-233	-373
Interest income, effective interest method	-255	-248
Total	**1,502**	**141**

* Write-offs charged directly to income statement in 2022 includes DKK 0.7 billion of loans derecognised in relation to the Group's debt collection customers.

Further information on changes in the allowance account can be found in note G15.

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities

Trading portfolio assets comprise the equities and bonds held by the Group's trading units at Large Corporates & Institutions and all derivatives with positive fair value. Trading portfolio liabilities consist of derivatives with negative fair value and obligations to deliver securities (obligations to repurchase securities).

Accounting policy

The trading portfolio is recognised at fair value through profit or loss. Realised and unrealised capital gains and losses and dividends are recognised in the income statement under Net trading income or loss. Fair value is the amount for which a financial asset can be sold or a financial liability be transferred to a knowledgeable, willing third party. Note G33 provides information about fair value measurement and fair value adjustments.

The Group uses the option in IFRS 9 to continue using the fair value hedge accounting model in IAS 39. The derivatives used as hedging instruments are presented in the balance sheet together with other derivatives.

(a) Trading portfolio assets (DKK millions)	2022	2021
Derivatives with positive fair value	430,123	260,224
Listed bonds	200,395	237,283
Listed shares	8,198	11,978
Unlisted shares	83	106
Total	**638,799**	**509,590**
(b) Trading portfolio liabilities (DKK millions)		
Derivatives with negative fair value	435,141	242,004
Obligations to repurchase securities	119,180	132,349
Total	**554,321**	**374,353**

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

(c) Explanation of derivatives

The Group's activities in the financial markets include trading in derivatives. Derivatives are financial instruments whose value depends on the value of an underlying instrument or index etc. Derivatives can be used to manage market risk exposure, for example. The Group trades a considerable volume of the most commonly used interest rate, currency and equity derivatives, including

- swaps
- forwards and futures
- options

The Group trades a limited number of swaps whose value depends on developments in specific credit or commodity risks, or inflation indices.

The Group trades derivatives as part of servicing customers' needs as individual transactions or as integral parts of other services, such as the issuance of bonds with yields that depend on developments in equity or currency indices. The Group also uses derivatives to manage the Group's own exposure to foreign exchange, interest rate, equity market and credit risks. Note G41 provide additional information about the Group's risk management policy. Large Corporates & Institutions is responsible for the day-to-day management and hedging of the Group's market risks.

Derivatives are recognised and measured at fair value. Some of the Group's loans, deposits, issued bonds, etc. in the Group's banking units and Group Treasury carry fixed rates. Generally, such fixed-rate items are recognised at amortised cost. Further, the Group classifies certain bonds as 'hold to collect and sell' financial assets. Unrealised value adjustments of such bonds are recognised under Other comprehensive income. The Group uses fair value hedge accounting if the interest rate risk on fixed-rate financial assets and liabilities or bonds measured at fair value through other comprehensive income is hedged by derivatives.

Derivatives	2022			2021		
(DKK millions)	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards and swaps	7,214,105	121,850	135,218	6,917,267	71,685	74,700
Options	153,739	989	1,247	163,381	759	808
Interest rate contracts						
Forwards/swaps/FRAs	27,145,285	243,706	215,787	43,158,102	139,421	120,308
Options	3,480,220	54,471	54,875	3,677,425	33,345	33,365
Equity contracts						
Forwards	217,605	2,619	3,341	259,010	2,783	2,889
Options	124,041	2,964	3,144	168,175	4,222	5,615
Other contracts						
Commodity contracts	28	-	-	313	127	131
Credit derivatives bought	1,429	97	48	2,167	82	150
Credit derivatives sold	1,626	48	105	2,133	129	71
Total derivatives held for trading purposes		**426,743**	**413,764**		**252,553**	**238,037**
Hedging derivatives						
Currency contracts	1,956	9	119	3,492	26	23
Interest rate contracts	513,852	3,371	21,258	583,568	7,645	3,945
Total derivatives		**430,123**	**435,141**		**260,224**	**242,004**

Positive and negative fair values of derivatives are offset if certain criteria are fulfilled. Note G32 provides more information.

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

(d) Explanation of hedge accounting

An overview over the risks the Group is exposed to and how they are defined is provided on the first page of the notes Risk management. For some of those risks hedge accounting is applied. The Group uses fair value hedge accounting for hedges of interest rate risk. Further, the Group hedges part of the foreign currency risk on net investment in foreign entities.

Hedge of interest rate risk

The Group manages the fixed interest rate risk on financial assets and liabilities measured at amortised cost as a combination of economic hedges (matching of interest rate risk from assets and liabilities at amortised cost across the Group's banking units) and hedges using interest rate swaps. Group Treasury is responsible for the risk management of the interest rate risk (the so-called interest rate risk in the banking book). In the risk management process, economic hedges are established and/or identified. This includes the acquisition of 'hold to collect' fixed interest rate bonds in Group Treasury and the identification of fixed-rate loans extended by the Group's banking units to hedge the fixed interest rate risk on liabilities (including core demand deposits). Interest rate risk on fixed-rate liabilities (such as long dated funding via bond issuance) is generally hedged by interest rate swaps and the interest rate risk on certain fixed-rate assets can be hedged using derivatives as well. For further information see the sections Market risk in relation to non-trading portfolios at Group Treasury and Interest rate risk in the banking book (IRRBB) in G41.

When the Group uses swaps to hedge the fixed interest rate risk on financial instruments, the Group applies fair value hedge accounting using the option in IFRS 9 to continue to apply the fair value hedge accounting provisions in IAS 39. Fair value hedge accounting can be applied if changes in the fair value of the hedging swaps are expected to be effective in offsetting changes in the fair value of the hedged fixed interest rate risk. This requires (1) a formal designation and documentation of the hedging relationship, including a risk management objective and strategy for the hedge, (2) that the hedge is expected to be highly effective in achieving offsetting changes in fair value of the hedged interest rate risk, (3) the effectiveness of the hedge can be reliably measured and (4) the hedge on an ongoing basis has proven to be effective in actually offsetting of changes in fair value. With effective hedging, the hedged interest rate risk on hedged assets and liabilities is measured at fair value and recognised as a value adjustment of the hedged items. Value adjustments on the hedged item and the hedging swaps are presented in the income statement under Net trading income or loss. Any ineffective portion of a hedge that lies within the range for effective hedging is therefore also included under Net trading income or loss.

The interest rate is considered fixed if the interest rate resets to a reference rate with a term longer than three months. Once a financial instrument has been designated as a hedged item it will remain as hedged item for the life of the instrument. For hedged assets and liabilities to which a fixed rate of interest applies for a specified period of time starting at the commencement date of the agreement, future interest payments are split into basis interest and a customer margin and into periods of time. By entering into swaps or forwards with matching payment profiles in the same currencies and for the same periods, the Group hedges the risk at portfolio level from the commencement date of the hedged items. The fair values of the hedged interest rate risk and the hedging derivatives to ensure that changes in the fair value of the hedged interest rate risk lie within a band of 80-125% of the changes in the fair value of the hedging derivatives. Portfolios of hedging derivatives are adjusted if necessary.

The primary reasons for changes in the fair value of fixed interest rate financial assets are changes in the interest rate risk and the credit risk.

Hedge ineffectiveness relates to the fact that fair value changes on the hedged items are measured based on the interest rate curve relevant for each hedged item while the fair value of the fixed legs of the hedging derivatives are measured based on a swap curve. Further, the adjustment of the portfolios of hedging derivatives to changes in hedged positions is not done instantly, and some hedge ineffectiveness can therefore exist.

The ongoing Interest Rate Benchmark Reform will replace existing benchmark inter-bank offered rates (IBORs) with alternative risk-free rates. At the beginning of 2019, the Group formally established an IBOR Transition Programme, the main objectives being to identify how the IBOR transition will affect the Group financially and operationally, and identify how cessation of IBOR publications would affect the Group's ability to service its customer base. The programme has looked at both the financial and operational impact of the transition towards risk free rates and how to engage with customers that have been affected. The programme will continue into 2023 as attention turns to the USD LIBOR contracts and the transition of these ahead of the 30 June 2023 deadline.

IAS 39 provides reliefs from some of the effectiveness requirements. For the purpose of the expected effectiveness, it is assumed that the benchmark reform will not alter the cash flows. Further, a hedge will not disqualify if the actual result of the hedge falls outside the band of 80-125%, if the other requirements for applying hedge accounting are fulfilled. The relief covers the period during which uncertainty on the timing and the amount of the amended or replaced reference rates exists. IAS 39 contains further reliefs from existing hedge accounting requirements, for example that hedge accounting does not discontinue solely due to the benchmark reform. Here the hedging relationships and documentations are to be amended to reflect changes in the hedged item, the hedging instrument and the hedged risk (which do not represent a discontinuation of the exiting hedge). Based on this, the current uncertainty in relation to reference rates that have not yet been amended or replaced does not have an impact on the Group's ability to use fair value hedge accounting on existing hedging relationships.

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

The tables below show the hedging derivatives and the hedged fixed interest rate financial instruments, including a breakdown of the hedging derivatives at the end of 2022 and 2021 by the major reference rates as considered above.

Hedging derivatives (DKK millions)	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Changes in fair value used for calculating hedge ineffectiveness
Interest rate swaps, 2022				
CIBOR	15,282			
STIBOR	125,793			
NIBOR	16,773			
EURIBOR	226,580			
LIBOR	117,691			
Other	13,688			
Total	**515,807**	**3,380**	**21,377**	**-21,295**
Interest rate swaps, 2021				
CIBOR	13,735			
STIBOR	142,924			
NIBOR	20,175			
EURIBOR	267,143			
LIBOR	105,073			
Other	38,010			
Total	**587,060**	**7,671**	**3,968**	**-6,093**

Profile of the timing of the nominal amount of the hedging derivatives

(DKK millions)	2022	2021
< 12 months	151,844	193,810
1-5 years	348,754	377,417
> 5 years	15,210	15,833
Total	**515,807**	**587,060**

The table below shows the nominal contract amount of all derivatives that are yet to transition to alternative rates, by the major reference rates. Any derivatives that mature prior to transition of their reference rates are not included in the table.

Derivatives yet to transition to alternative benchmark rates

(DKK millions)	2022	2021
USD LIBOR	2,595,687	2,955,501
GBP LIBOR	-	397,642
Other	141,965	419,475
Total	**2,737,652**	**3,772,618**

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

Hedged fixed interest rate risk (DKK millions)	Carrying amount of hedged items		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
2022					
Amounts due from credit institutions	-		-		-
Loans	13,706		-844		-2,260
Bonds 'held to collect and sell'	837		76		-24
Amounts due to credit institutions		2,432		-6	10
Deposits		4,205		-24	23
Issued bonds		155,541		-14,296	15,760
Non-preferred senior debt		83,028		-5,206	5,889
Subordinated debt		22,069		-1,843	1,871
Total,	**14,544**	**267,276**	**-768**	**-21,375**	**21,270**
2021					
Amounts due from credit institutions	-		-		-6
Loans	22,114		1,412		-912
Bonds 'held to collect and sell'	1010		100		-16
Amounts due to credit institutions		173		3	5
Deposits		653		-1	1
Issued bonds		184,364		1,243	4,450
Non-preferred senior debt		97,216		683	2,116
Subordinated debt		23,998		28	408
Total	**23,124**	**306,404**	**1,512**	**1,958**	**6,045**

Hedge ineffectiveness recognised in the income statement, 2022	-26
Hedge ineffectiveness recognised in the income statement, 2021	-48

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

Hedge of foreign exchange risk on net investments in foreign entities

The Group hedges its foreign exchange risk on net investments in foreign currency units. Foreign exchange risk is defined as risk of losses from translating the net investments in foreign entities that are denominated in a foreign currency other than DKK. The net investment in foreign currency units includes the net assets and goodwill of the units. The Group has granted loans in the currency of the foreign unit to its branches in Sweden, Norway and Finland for a total of DKK 34,573 million (2021: 35,698 million). The loans represent the capital allocated to these units. The settlement of the loans is neither planned nor likely to occur in the foreseeable future and they are a part of the net investment in those units. Further, Danske Bank A/S has granted the subsidiary Northern Bank an additional tier 1 capital instrument that together with shareholders' equity in Northern Bank is considered part of the net investment in Northern Bank. The exchange differences from translating net profit in the foreign units at the date of underlying transactions and assets and liabilities at the closing rate and from translating the opening net assets at a closing rate that differs from the previous closing rate are recognised in Other comprehensive income (translation differences).

The Group hedges the foreign exchange risk of net investments in branches and subsidiaries outside Denmark by designating funding arrangements in the matching currencies as a hedge of the foreign exchange risk on the net investments. The foreign exchange differences on the funding arrangements are recognised in Other comprehensive income to offset the exchange differences on the net investments. The funding arrangements consist primarily of issued bonds. Realised net profit is hedged in the beginning of the next month. The Group does not hedge the expected financial results of units outside Denmark or other future transactions. In terms of assessing hedge effectiveness, this is applied by comparing the nominal value of the funding arrangement to the nominal value of the net investments. Hedge ineffectiveness can arise to the extent the funding arrangements exceed the net investments. However, when the net investments are decreased, e.g. when the net investments are reduced by paying out dividend, the same amount of funding arrangements are de-designated as hedges and the funding arrangements designated as hedges will therefore, in general, not exceed the net investments.

Part of the funding of the loans granted to the branches in Sweden, Norway and Finland is in DKK in order to create a so-called structural FX hedge position in accordance with banking regulation, i.e. to reduce the impact on capital ratios resulting from changes in the risk exposure amount due to changes in currency rates. With effect from 1 January 2021, the Group's net investment in its subsidiaries Danske Hypotek AB (Sweden) and Danske Mortgage Bank Plc (Finland) has been included in the structural hedge position to extend the hedge to the risk exposure amount measured by currency for EUR, NOK and SEK across the entire Group balance sheet, although with constraints to the size of the loans to the foreign branches and the net investment in the foreign subsidiaries. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decrease the hedge of the currency risk on the net investments in those units. At the end of 2022, the structural FX hedge position totalled DKK 41,350 million (2021: DKK 39,749 million) and a loss of DKK 2,070 million (2021: gain of DKK 393 million) has been recognised in Other comprehensive income, primarily due to depreciation of SEK against DKK in 2022. For further information, see the section on Market risk - Structural FX risk in G41.

The cumulative exchange differences on the hedging instrument and the translation differences related to the net investment is reclassified from Other comprehensive income to the income statement on the disposal of the foreign entities.

The table below provides information on the hedge of net investments in foreign entities.

Hedging of foreign entities

(DKK millions)	2022	2021
Net investment in foreign units	44,585	48,674
Funding arrangements designated as a hedge of net investments in foreign units[1]	3,236	8,925
Portion of net investment in foreign units not hedged, structural FX position	**41,350**	**39,749**
Hedge ineffectiveness		
Exchange differences on the hedging instruments	2,463	-1,270
Exchange differences on the net investment used for recognising hedge ineffectiveness	-2,463	1,270
Hedge ineffectiveness recognised in the income statement (net trading income)	-	-
Hedging gains or losses recognised in OCI	2,463	-1,270
Reclassified to the income statement on disposal of foreign units[2]	-	-

[1] Primarily included on the line item 'Issued bonds at amortised cost'

[2] Included in the item 'Gain or losses on sale of disposal groups held for sale'

Notes – Danske Bank Group

G13. Investment securities

Investment securities consists of bonds and shares held by non-trading units in the Group. It consists primarily of the liquidity portfolio managed by Group Treasury. The liquidity portfolio includes different portfolios with different business models. Some portfolios are managed on a fair value basis and mandatorily measured at fair value through profit or loss under IFRS 9, whereas other portfolios are either 'hold to collect and sell' and measured at fair value through other comprehensive income or 'hold to collect'.

Accounting policy

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets measured at fair value include securities that are managed on a fair value basis with no short-term profit taking. Realised and unrealised capital gains and losses and dividends are carried in the income statement under Net trading income or loss. Further, all shares (including unlisted shares) and bonds held in Group Treasury that do not have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that does not pass the SPPI test in IFRS 9) are mandatorily measured at FVPL and, consequently, included in this category.

Financial assets measured at fair value through other comprehensive income (FVOCI)

This category comprises bonds only, and primarily bonds listed in a liquid market, as the Group does not use the option to designate equity instruments at FVOCI. The bonds are held within a business model for the purpose of collecting contractual cash flows and selling (hold to collect and sell). The bonds have cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that passes the SPPI test in IFRS 9). FVOCI results in the assets being recognised at fair value in the balance sheet and at amortised cost in the income statement, including the recognition of expected credit losses as described in note G15. Gains and losses, except for expected credit losses and foreign exchanges gains and losses, are therefore recognised in other comprehensive income until the bond is derecognised. When a fixed interest rate risk is hedged in a hedge that qualifies for fair value hedge accounting, the fair value changes of the hedged interest risk are presented in the income statement under Net trading income or loss. When bonds are sold unrealised value adjustments recognised under Other comprehensive income are reclassified to the income statement and presented under Net trading income or loss. The Group recognises interest income according to the effective interest method, including amortisation of the difference between cost and the redemption value over the term to maturity of the bonds.

Financial assets measured at amortised cost (AMC)

This category consists of bonds held within a business model for the purpose of collecting the contractual cash flows (hold to collect) and with cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the SPPI test in IFRS 9). The bonds are measured at amortised cost. Interest income is recognised according to the effective interest method, including amortisation of the difference between cost and the redemption value over the term to maturity of the bonds. A change in the contractual cash flows that is required by the Interest Rate Benchmark Reform is accounted for by updating the effective interest rate, without recognising a gain or loss. This can only be applied if the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. The bonds are subject to the expected credit model in IFRS 9 as described in note G15. The interest rate risk on fixed-rate bonds are not hedged.

(a) Investment securities (DKK millions)	2022	2021
Financial assets at fair value through profit or loss		
Listed bonds	33,769	36,530
Unlisted shares	1,187	1,230
Total financial assets designated at fair value through profit or loss	**34,956**	**37,760**
Bonds hold to collect and sell (FVOCI)		
Listed bonds	116,429	119,296
Total bonds hold to collect and sell (FVOCI)	**116,429**	**119,296**
Total at fair value	**151,384**	**157,056**
Bonds hold to collect (AMC)		
Listed bonds	151,573	146,721
Total investment securities	**302,958**	**303,777**

Listed green bonds held for liquidity purposes amounted to DKK 15,775 million (2021: DKK 12,462 million).

Notes – Danske Bank Group

G13. Investment securities continued

(b) Further explanation

Investment securities consist of the liquidity portfolio held by Group Treasury. The liquidity portfolio is part of the balance sheet management to optimise the balance sheet composition, to hedge the interest rate risk in the banking book and to manage the Group's liquidity need. The management of the interest rate risk in the banking book is carried out through a combination of hedges with derivatives and partly through matching the duration on the fixed interest rate deposits (the interest risk on core deposits) with bond holdings with a matching duration. The latter is carried out through the acquisition of portfolios of bonds.

Financial assets measured at fair value through profit or loss (FVPL)

This portfolio includes the part of the liquidity bond portfolio that is actively traded although less frequently than what is required to be classified as a held-for-trading portfolio. These bonds are held in a business model being neither 'hold to collect' nor 'hold to collect and sell' and are therefore mandatorily recognised at fair value through profit or loss under IFRS 9.

The portfolio comprises primarily Danish mortgage bonds. Further, the portfolio includes listed and unlisted shares.

Financial assets measured at fair value through other comprehensive income (FVOCI)

This portfolio includes the part of the liquidity bond portfolio where both the collection of the contractual cash flows and sales are an integral part of achieving the objectives with the acquired bond portfolio. Further, the bonds included in the portfolio have contractual cash flows that pass the SPPI test.

The performance of the portfolio is measured on a combination of the collection of the contractual cash flows and sales proceeds. Sales typically occur when market opportunities arise, or when there is a need to adjust the portfolio to hedge part of the interest rate risk on the Group's core deposits. There is no objective of short-term profit taking and the performance reporting related to this portfolio reflects a combination of the collection of the contractual cash flows and realising fair value changes. The business model is therefore 'hold to collect and sell'.

The portfolio comprises primarily highly-rated covered, sovereign, supranational and agency bonds.

Financial assets measured at amortised cost (AMC)

This portfolio includes the part of the liquidity bond portfolio that is held in a business model being 'hold to collect', i.e. with the purpose of generating a return until maturity. Further, the bonds included in the portfolio have contractual cash flows that pass the SPPI test.

The performance is measured based on the collection of the contractual cash flows. The fair value of the portfolio is monitored for liquidity purposes as the bonds can be used in repo transactions. Sales from the portfolio are infrequent. When sales are made, they reflect:

- sales close to maturity (the proceeds from the sale approximate the collection of contractual cash flows)
- sales are made to manage risk concentration (e.g. the sale of bonds is made due to a concentration of currency risk)
- sales made due to increase in credit risk above a certain level (i.e. outside the investment policy)

The bonds are primarily Danish mortgage bonds, government bonds and government-guaranteed bonds. Some 95.5% of the portfolio is rated AA or higher (2021: 99.7%), while the remaining portfolio has investment grade ratings.

SPPI test applied for bonds at FVOCI or AMC

The SPPI test is applied for each bond to assess whether the contractual cash flows represent repayment of principal amount and interest on the principal amount outstanding. Bonds that are included in the portfolios at FVOCI or AMC are generally plain vanilla bonds that:

- have a fixed maturity, i.e. no perpetual bonds
- do not have terms that introduce exposure to risk or volatility, e.g. by a yield that refers to changes in equity or commodity prices
- are not subordinated or convertible bonds
- can be prepaid (e.g. at par plus accrued interest), with the fair value of the prepayment option being insignificant at initial recognition. In general, this will be the case if the premium/discount to the contractual par amount is insignificant at initial recognition

Bonds that are not compliant with the SPPI test are included in the portfolio of bonds at FVPL.

Notes – Danske Bank Group

G14. Due from credit institutions and central banks

The item due from credit institutions and central banks includes both balances that are measured at amortised cost and balances that are measured at fair value through profit or loss, depending on the business model for the management of the amounts due from credit institutions.

Accounting policy

For balances due from credit institutions in the Group's banking units (Personal & Business Customers, General Banking in Large Corporates & Institutions, Northern Ireland and Non-core), the business model is hold to collect. As the contractual cash flows represent basic lending feature, these balances are measured at amortised cost. For further information on the accounting policy etc., see note G15.

For balances due from credit institutions and central banks in the Group's trading units (Markets and Investment Banking & Securities in Large Corporates & Institutions) the business model is neither 'hold to collect' nor 'hold to collect and sell' and these balances are mandatorily recognised at fair value through profit or loss. For further information on the accounting policy, see note G16.

Cash in hand and demand deposits with central banks

Includes cash in hand of DKK 6,630 million (2021: DKK 6,765 million) and demand deposits of DKK 168,422 million (2021: DKK 286,621 million) (measured at amortised cost).

Due from credit institutions and central banks

(DKK millions)	2022	2021
Due from credit institutions and central banks measured at fair value through profit or loss:		
Reverse transactions	37,379	37,734
Other amounts due	768	1,728
Total at fair value through profit or loss	**38,147**	**39,462**
Due from credit institutions and central banks measured at amortised cost:		
Other amounts due	22,711	31,723
Allowance account	47	29
Total at amortised cost	**22,664**	**31,694**
Due from credit institutions and central banks, total	**60,811**	**71,156**

Due from credit institutions and central banks includes amounts due within three months and totalled DKK 57,479 million at the end of 2022 (2021: DKK 69,611 million). This amount is included under Cash and cash equivalents in the cash flow statement.

Notes – Danske Bank Group

G15. Loans at amortised cost

In general, the loans in the Group's banking units (Personal Customers, Business Customers, General Banking in LC&I, Northern Ireland and Non-core) are held with the objective of collecting the contractual cash flows. Therefore, most of the Group's loans in the banking units are classified as 'hold to collect' under IFRS 9. Further, the loans have basic lending features with the contractual cash flows solely representing repayment of principal and interest on the principal amount outstanding (the SPPI test). Therefore, the loans in the Group's banking units are recognised at amortised cost. The only exception is loans granted by Realkredit Danmark (see note G16) that are recognised at fair value, as the contractual cash flows do not represent basic lending features only, i.e. they do not pass the SPPI test in IFRS 9.

Accounting policy

At initial recognition, loans are measured at fair value plus transaction costs less origination fees and other charges that are an integral part of the effective interest rate on loans. This usually corresponds to the amount disbursed to the customer. Subsequently, they are measured at amortised cost, using the effective interest method, less impairment charges for expected credit losses. The difference between the value at initial recognition and the redemption value is amortised over the term to maturity as part of the effective interest. If fixed-rate loans are hedged effectively by derivatives, the fair value of the hedged interest rate risk is added to the carrying amount of the hedged assets.

Impairment for expected credit losses

The impairment charge for expected credit losses depends on whether the credit risk has increased significantly since initial recognition and follows a three stage model:

- Stage 1: 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 2: If the credit risk has increased significantly, the loan is transferred to stage 2 and an impairment charge equal to the lifetime expected credit losses is recognised.
- Stage 3: If the loan is in default, it is transferred to stage 3, for which the impairment charge continues to equal the lifetime expected credit losses but with interest income being recognised on the net carrying amount.

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD) and incorporates forward looking elements. For facilities in stages 2 and 3, the lifetime expected credit losses cover the expected remaining lifetime of a facility.

Expected credit loss impairment charges are booked in an allowance account and allocated to individual exposures.

(b) Loans at amortised cost (DKK millions)	2022	2021
Reverse transactions	1,747	1,630
Other loans	1,094,792	1,042,996
Allowance account	13,721	17,184
Total at amortised cost	**1,082,818**	**1,027,442**

Loans included payments due under finance leases of DKK 31,789 million at the end of 2022 (2021: DKK 30,810 million).

(b) Further explanation

Classification and measurement – business model assessment

The business model assessment in Danske Bank Group is applied separately for each business unit represented by the Group's reportable segments. The assessment is based on observable factors for the different portfolios, such as (1) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Executive Board and the Board of Directors, (2) the risks that affect the performance of the business model and the way such risks are managed and (3) past and expected frequency, value and timing of sales for the portfolio.

In the Group's banking units (Personal Customers, Business Customers, General Banking in LC&I, Northern Ireland and Non-core), the management and reporting of performance are based on collecting the contractual cash flows, and loans are only very infrequently sold. Therefore, the business model has been assessed as being 'hold to collect'.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Once a year, the Group assesses if past sales are consistent with the business model for loans in the Group's banking unit being 'hold to collect'. In general, if sales are below 5% of the size of a portfolio the sales are considered to be insignificant. Larger sales are considered individually in relation to consistency with the business model. The following sales are consistent with the business model being 'hold to collect':

- Loans are sold after having previously been transferred to one of the Group's debt collection units
- Loans are sold to manage credit concentration risk (specific countries or industries)
- Loans to customers that have refocused their activities out of the Nordic region, i.e. the customers are no longer Nordic customers
- The sale of loans that are no longer profitable, e.g. due to changes in the regulatory environment or the like

Classification and measurement – The SPPI test (solely payment of principal and interest on the principal amount outstanding)

For each loan in the Group's banking units, it is assessed if the contractual cash flows are consistent with the SPPI test. The principal amount reflects the fair value at initial recognition less any subsequent changes, e.g. due to repayment. The interest represents consideration for the time value of money, credit risk, other basic lending risks and a margin consistent with basic lending features only. If the cash flows introduce more than de minimis exposure to risk or volatility that is not consistent with basic lending features, the loan is mandatorily recognised at fair value through profit or loss. Features that are not genuine do not affect the classification. A feature is not genuine if it affects the contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

In general, the SPPI test of the Group's portfolios of loans covers, for instance, the following elements:

- Compensation for the time value of money. For some of the Group's variable-rate loans, the market standard for these loans is that the reset frequency and the tenor of the reference rate do not match. It has been assessed that the mismatch does not significantly modify the compensation for the time value of money. No loans have interest rates that are leveraged or linked to, for instance, the development in share prices etc.
- Prepayment options are consistent with the SPPI test, if the prepayment amount represents the principal amount outstanding and accrued interest and may include a reasonable compensation for early repayment. This is generally the case with the Group's loans, except loans granted by Realkredit Danmark (see further below).
- Extension options are consistent with the SPPI test if the cash flows during the extension period represent cash flows that are solely payments of principal and interest on the principal amount outstanding. Only very few loans include a contractual right for the customer to extend the loan, and for such loans, the interest rate will be updated to the current market rate for such loans.
- Compensation for credit risk and other basic lending risks. The interest rate includes a credit margin to compensate the Group for the credit risk, and it may be fixed initially. The Group does not incorporate profit sharing agreements, for example by contractual terms that increase the credit margin if the customer's earnings increase.
- Non-recourse features. In general, the Group does not grant loans that legally are non-recourse. However, in some cases a financial asset represents an investment in particular assets or cash flows in which case the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. This could be the case when the Group's claim is limited to specified assets of a debtor or the cash flows from specified assets, e.g. related to loans granted to a company/a special purpose entity with limited assets and with no guarantee from the owner/parent company. The Group only grants such loans if the cash flows from the underlying asset(s) are large compared to the contractual cash flows from the loans. Therefore, non-recourse-like features are limited and excluded from the assessment.
- Non-payment is not considered a breach of contract. The Group does not grant loans where non-payment would not constitute a breach of contract.
- The Group grants loans with sustainability-linked features. These are loans granted to support customers in achieving sustainability targets. The loans include incentives in the form of a change to the margin applicable to the loan if certain predetermined sustainability targets specific to the customer are met. These loans have been assessed and the contractual cash flows are considered to fulfil the SPPI test criteria and are consistent with a basic lending arrangement. As a result, the loans are held at amortised cost.

Loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Such loans are granted by the Realkredit Danmark subsidiary only. Borrowers may repay such loans by delivering the underlying bonds. This represents an option to prepay at fair value that can be both above and below the principal amount plus accrued interest and include other elements than the effect of changes in the relevant benchmark interest rate. The loans do not pass the SPPI test and are mandatorily recognised at fair value through profit or loss, see further in note G16.

Financial instruments in scope of the expected credit loss impairment model in IFRS 9

Impairment charges for expected credit losses apply to all financial assets recognised at amortised cost or at fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. Therefore, the Group's expected credit loss model also applies to bond portfolios included in the line item Investment securities, except for the bonds that are recognised at fair value through profit or loss.

Further, the adjustment for fair value of credit risk on loans granted by Realkredit Danmark is based on the expected credit loss impairment model in IFRS 9. Further information can be found in note G16 in the box on Accounting policy.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Significant increase in credit risk (transfer from stage 1 to stage 2)
The classification of facilities between stages 1 and 2 for the purpose of calculating expected credit losses depends on whether the credit risk has increased significantly since initial recognition. The assessment of whether credit risk has increased significantly since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the facility and incorporating forward-looking information. A facility is transferred from stage 1 to stage 2 based on observed increases in the probability of default:

- For facilities originated below 1% in PD: An increase in the facility's 12-month PD of at least 0.5 percentage points and a doubling of 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 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. 30 days past due is considered a backstop. Finally, customers subject to forbearance measures are placed in stage 2, if the Group, in the most likely outcome, expects no loss, or if the customers are subject to the two-year probation period for performing forborne exposures.

Stage 3 (credit-impaired facilities)
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 individual event – instead, the combined effect of several events may cause financial asset to become credit-impaired. Credit-impaired facilities are placed in rating category 11. For rating category 11 (default), all facilities are classified as stage 3 exposures.

Definition of default
The definition of default is used in the measurement of expected credit losses and the assessment to determine movements between stages. The definition of default is also used for internal credit risk management and capital adequacy purposes.

To support a more harmonised approach regarding the application of the definition of default, the European Banking Authority (EBA) has issued the following products that guides the application of the definition of default: the Guidelines on the application of the definition of default, EBA/GL/2016/07 and the Regulatory Technical Standards (RTS) on the materiality threshold for credit obligations past due, EBA/RTS/2016/06.

The Group implemented the new requirements related to the definition of default in January 2022 in order to align the existing definition of default to the new requirements outlined in the Guidelines and the RTS.

According to the revised definition of default, exposures that are considered default are also considered Stage 3 exposures. This is applicable for exposures that are default due to either the 90 days past due default trigger or the unlikeliness to pay default triggers.

DKK 0.9 billion of post-model adjustments in 2021 related to the new definition of default. This was reversed in 2022 after implementation of the new definition in January 2022. See note G41 for more information.

Purchased or originated credit-impaired facilities (POCI)
A facility that is credit-impaired at initial recognition is classified as a POCI financial asset. This is the case if the financial asset is purchased or originated at a deep discount that reflects the incurred credit losses. For such assets, life-time expected credit losses are recognised for the remaining lifetime of the asset. In general, the Group does not purchase credit-impaired financial assets and the category therefore relates to originated credit-impaired facilities, typically originated in relation to forbearance measures.

Calculation of expected credit losses
The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). In general, the Group's IFRS 9 impairment models and parameters draw on the bank's internal models in order to ensure alignment of models across the Group. New models and calculations have been developed especially for IFRS 9 purposes, including models for lifetime PD, prepayment and forward-looking LGD. All expected credit loss impairment charges are allocated to individual exposures. For significant loans in stage 3, the Group determines the expected credit losses individually.

Expected remaining lifetime
For most facilities, the expected lifetime is limited to the remaining contractual maturity and is adjusted for expected prepayment. For exposures with weak credit quality, the likelihood of prepayment is not included. For exposures that include both a loan and an undrawn commitment and where a contractual ability to demand prepayment and cancellation of the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period, the expected lifetime is the period during which the Group expects to be exposed to credit losses. This period is estimated on the basis of the normal credit risk management actions. Products identified as in scope of an expected lifetime longer than the remaining contractual maturity include credit cards, overdraft balances and certain revolving credit facilities.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Incorporation of forward-looking information

The forward-looking elements of the calculation reflect the current unbiased expectations of the bank's senior management. The process consists of the creation of macroeconomic scenarios (base case, upside and downside), including an assessment of the probability of each scenario, by the Group's independent macroeconomic research unit in Markets, the review and sign-off of the scenarios (through the organisation) and a process for adjusting scenarios given new information during the quarter. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Management's approval of scenarios can include adjustments to the scenarios, probability weighting and post-model adjustments to cover the outlook for particular high-risk portfolios which are not provided by the Group's macroeconomists. The approved scenarios are used to calculate the impairment levels. Technically, the forward-looking information is used directly in the PDs through an estimate of general changes to the PDs and the LGDs in the expected credit loss calculation. However, for significant exposures in stage 3, an individual assessment of the scenarios, changes to expected credit losses and the related probabilities are performed by senior credit officers.

The forward-looking information is based on a three year forecast period converging to steady state in year seven. The base case is based on the macroeconomic outlook as disclosed in the Group's Nordic Outlook reports. Further information on the macroeconomic scenarios used can be found in note G41.

Sustainability risk

Credit risk is deemed to be the risk type most materially affected by sustainability risk in the long term, of which climate risk is currently the most urgent of all ESG-related drivers capable of affecting the Group's credit risk.

The Group takes a risk-based approach in prioritising risk management efforts for credit portfolios that are likely to be most exposed to transition and physical risks. For that purpose, the Group's climate risk heat map is based on a mix of qualitative and quantitative input to define the credit exposures most exposed to transition and physical risks. The climate heat map gives an indication of the size of the exposure at risk and not the expected stress effects such as impairment charges. Such quantitative measures are to be assessed through scenario analysis and future stress testing. Climate scenario analysis is already being performed - following the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) for key sectors for both transition risk and physical risk, such as for the oil and gas, agriculture and property portfolios. The Group will continue to refine the climate risk heat map as more climate risk data becomes available to support the identification of both transition and physical risks for the purpose of determining financial materiality, however, conclusions have not led to adjustments to staging or expected credit losses, as the impacts either manifest over a longer time period than loan maturities, or as transition risks are concentrated on sectors with downside risks recognised in the bank's expected credit losses, for example in the agriculture and oil and gas portfolios.

Write-off policy

Loans considered uncollectible are written off. Write-offs are debited to the allowance account. Loans are written off once the usual collection procedure has been completed and the loss on the individual loan can be calculated. If the full loss is not expected to be realised until after a number of years, for example in the event of administration of complex estates, a partial write-off is recognised, reflecting the Group's claim less collateral, estimated dividend and other cash flows.

Modification

When a loan is modified the Group assesses whether the modification results in derecognition. This depends on whether the changes to the contractual cash flows or other contractual terms are significant or not, or whether they are as a result of the Interest Rate Benchmark Reform.

A change in the contractual cash flows that is required by the reform is accounted for by updating the effective interest rate, without recognising a gain or loss. This can only be applied if the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Otherwise, if the changes are not related to the reform and are significant, the modification is accounted for as derecognition of the original loan and recognition of a new loan. If the changes are not significant, the modification is accounted for as a modification of the original loan. The assessment is based on the following considerations:

- The Group differentiates between changes in the cash flows or other terms within the original contract and modifications of the contract, i.e. a new contract.
- In general, a significant modification is defined as a full credit process, a pricing decision and the signing of a new contract
- An assessment of whether the modification is caused as a forbearance measure or made on commercial terms.

If the financial asset is not derecognised, the original effective interest rate remains unchanged, and the net present value of the changed contractual cash flows represents the gross carrying amount of the financial asset after the modification. The difference between the net present value of the original contractual cash flows and the modified contractual cash flows is recognised in the income statement as a modification gain or loss.

If the original financial asset is derecognised, a derecognition gain or loss is recognised in the income statement. The derecognition gain or loss represents the difference between the carrying amount of the original financial asset (updated to reflect current expected credit losses) and the initial carrying amount of the new financial asset plus/minus any cash payments between the parties in relation to the modification.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Modifications in the form of forbearance measures include interest reduction schedules, interest only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and debt forgiveness. For modifications that are not significant, the modification loss is recognised in the income statement within Loan impairment charges.

In terms of stage allocation, a modification that leads to derecognition of the initial loan and recognition of a new loan, the loan will (unless the new loan is credit-impaired at initial recognition) be recognised in stage 1 at initial recognition, i.e. the initial credit risk is reset. If the replacing loan is considered an amendment to the original loan, the initial credit risk is not reset. Loans modified as part of the Group's forbearance policy, where the modification does not result in derecognition, the loss allowance on the forborne loans will generally only be measured based on 12-months expected credit losses when there is evidence of the borrower's improved repayment behaviour. When a loan in stage 3 is modified, and the modification results in derecognition, the Group assesses if the new loan is originated credit impaired. The assessment includes factors such as whether the customer's repayment behaviour has improved significantly prior to the modification or not and whether the pricing on the new loan reflects the actual credit risk etc. New loans that are originated credit impaired remains under a lifetime ECL calculation for the remaining term of the exposure.

(c) Reconciliation of total allowance account and gross credit exposure

Below the allowance account and the gross credit exposure is reconciled by measurement category. 'Loans at amortised cost' includes besides the balance sheet line item Loans at amortised cost, also exposures under Due from credit institutions that are carried at amortised cost and demand deposits with central banks, see note G14. 'Loans at fair value' consists of loans granted by Realkredit Danmark, for which the allowance account represents the fair value adjustment of the credit risk (for further information see note G16). 'Loan commitments and guarantees' consists of guarantees, loan commitments shorter than 1 year and loan commitments longer than 1 year, see note G27. The allowance account for loans at amortised cost and at fair value is credited against the related loans, whereas the allowance account related to loan commitments and guarantees is recognised as a liability and presented under Other liabilities.

Reconciliation of total allowance account

	Loans at amortised cost			Loans at fair value			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 2021	908	4,996	11,620	805	888	1,400	554	1,574	597	23,342
Transferred to stage 1	1,181	-996	-185	337	-301	-37	326	-308	-18	-
Transferred to stage 2	-82	396	-314	-81	192	-111	-17	61	-45	-
Transferred to stage 3	-6	-575	581	-114	-162	276	-	-136	136	-
ECL on new assets	422	953	1,727	119	145	33	105	184	79	3,768
ECL on assets derecognised	-362	-1,103	-4,176	-133	-128	-164	-137	-260	-238	-6,701
Impact of net remeasurement of ECL (incl. changes in models)	-438	760	976	-286	595	55	-219	-183	26	1,287
Write offs debited to the allowance account	-	-	-	-5	-	-	-	-	-	-5
Foreign exchange adjustments	18	30	296	-	-	-	3	24	32	402
Other	-161	168	577	-	-9	-119	-21	-	216	653
As at 31 December 2021	**1,481**	**4,629**	**11,103**	**642**	**1,221**	**1,334**	**594**	**957**	**786**	**22,746**
Transferred to stage 1	773	-734	-39	227	-189	-37	152	-145	-6	-
Transferred to stage 2	-242	547	-306	-112	202	-90	-52	84	-33	-
Transferred to stage 3	-9	-446	454	-16	-136	152	-1	-40	41	-
ECL on new assets	404	1,299	600	127	216	27	99	127	217	3,117
ECL on assets derecognised	-616	-1,200	-3,632	-148	-258	-88	-114	-52	-342	-6,448
Impact of net remeasurement of ECL (incl. changes in models)	177	1,509	910	-93	317	-103	55	273	226	3,271
Write offs debited to the allowance account*	-	-1	-2,958	-	-2	-56	-	-	-	-3,016
Foreign exchange adjustments	-44	-86	117	-	-	-	-7	-21	-57	-99
Other	-3	5	72	-	-	112	-	3	-115	74
As at 31 December 2022	**1,922**	**5,524**	**6,322**	**627**	**1,372**	**1,251**	**724**	**1,186**	**717**	**19,645**

* DKK 1.0 billion of Write-offs debited to the allowance account in 2022 relates to the Group's debt collection customers.

The movements on the allowance account are determined by comparing the classification and amount in the balance sheet at the beginning and the end of the year. The table above excludes the allowance account of DKK 4 million (2021: DKK 4 million) relating to bonds at amortised cost or fair value through other comprehensive income (all in stage 1). It also excludes the adjustment for credit risk on Loans held for sale (loan portfolios within the non-core segment where the Group has entered into sales agreements). For further information on the decomposition of the allowance account on facilities in stages 1-3, see the notes on credit risk.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Reconciliation of gross credit exposure

(DKK millions)	Loans at amortised cost Stage 1	Stage 2	Stage 3	Loans at fair value Stage 1	Stage 2	Stage 3	Loan commitments and guarantees Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2021	1,265,000	87,304	33,425	777,633	29,646	12,098	518,682	24,498	4,053	2,752,339
Transferred to stage 1	22,414	-21,367	-1,047	11,530	-10,310	-1,220	3,906	-3,704	-202	-
Transferred to stage 2	-22,874	26,798	-3,923	-17,532	19,081	-1,550	-5,182	5,478	-296	-
Transferred to stage 3	-862	-4,185	5,047	-8,415	-1,921	10,336	-59	-765	824	-
New assets	321,334	18,889	5,878	136,259	5,144	978	301,288	6,490	1,593	797,853
Assets derecognised	-271,932	-26,620	-11,424	-101,820	-5,968	-3,144	-279,922	-11,260	-2,049	-714,139
Changes due to modifications that did not result in derecognition	-	-	-58	-9	-4	-1	-	-	-	-72
Other changes	-48,072	-4,400	-1,861	-36,330	-1,177	-462	-1,202	-1,060	-138	-94,702
As at 31 December 2021	**1,265,007**	**76,419**	**26,036**	**761,316**	**34,492**	**17,035**	**537,512**	**19,678**	**3,784**	**2,741,278**
Transferred to stage 1	14,623	-14,178	-445	7,194	-5,638	-1,556	2,211	-2,173	-37	-
Transferred to stage 2	-40,100	41,487	-1,387	-15,439	19,643	-4,204	-11,731	11,866	-135	-
Transferred to stage 3	-1,035	-2,479	3,513	-918	-960	1,879	-54	-192	246	-
New assets	493,510	35,194	6,020	132,584	6,083	672	249,258	7,646	896	931,863
Assets derecognised	-549,726	-27,689	-12,325	-122,459	-7,024	-3,063	-266,791	-6,518	-1,314	-996,908
Changes due to modifications that did not result in derecognition	-	-	-13	-3	-	-1	-	-	-	-17
Other changes	-18,490	-4,864	-1,409	-87,301	-3,444	-1,586	-22,484	-1,313	-379	-141,270
As at 31 December 2022	**1,163,791**	**103,889**	**19,991**	**674,974**	**43,152**	**9,175**	**487,921**	**28,993**	**3,060**	**2,534,946**

(d) Significant accounting estimates related to expected credit losses

For information on significant accounting estimates related to expected credit losses, see note G1(b). Note G1(b) also includes information on the Group's approach to estimate credit losses following the war in Ukraine.

Notes – Danske Bank Group

G16. Loans and issued bonds at fair value

The Group has two types of portfolios of loans and issued bonds that are measured at fair value through profit or loss. The first portfolio consists of loans granted and bonds issued by the subsidiary Realkredit Danmark, a Danish mortgage institution covered by Danish mortgage finance law. The other portfolio consists of loans and bonds issued by the Group's trading units (Markets and Investment Banking & Securities in LC&I).

Accounting policy

Loans granted and bonds issued by Realkredit Danmark

Loans granted by Realkredit Danmark have contractual cash flows that are not solely payment of principal and interest on the principal amount outstanding. Therefore, the loans are mandatorily recognised at fair value through profit or loss. The issued bonds that are funding the loans are designated at fair value through profit or loss in order not to create an accounting mismatch. For the issued bonds, changes in fair value attributable to the Group's own credit risk is presented in the income statement, as an accounting mismatch would otherwise be introduced.

The fair value of the bonds issued by Realkredit Danmark is normally defined as their quoted market price. A small number of the issued bonds are illiquid, however, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation technique. The fair value of the loans is based on the fair value of the underlying bonds which ensures that changes in the fair value of the interest rate risk on the loans are measured based on market implied input. This fair value is adjusted for changes in the fair value of cash flows from the loans that differ from the cash flows from the issued bonds. The most important component is the credit risk on the borrowers (covered by the Group and not by the bond holders and therefore not priced into the price of the issued bonds).

Changes in fair value of credit risk etc on the loans

The IFRS 13 estimate of the fair value of the credit risk on the loans is based on the expected credit losses estimated in the models developed in connection with the Group's implementation of the expected credit loss impairment model in IFRS 9, including the allocation of loans between stage 1, stage 2 and stage 3. The expected credit losses are calculated for all loans as a function of PD, EAD and LGD and incorporates forward looking information, see further in note G15. The latter reflects management's expectations of expected credit losses and involves multiple scenarios (base case, upside and downside), including an assessment of the probability for each scenario.

On top of the expected credit losses, a collective assessment determines the need for further adjustments to reflect other components in the fair value measurement, such as an assessment of lifetime expected credit losses for loans in stage 1, an investors risk premium, compensation for administrative costs related to the loans and the possibility to increase the margin on the loans if the credit risk etc increases. It is acknowledged that the possibility to increase the margin depends on the economic resources of the customers. The possibility to increase the margin is therefore only considered in the measurement if it is very likely that the margin can be increased without the customer defaulting. Further, the possibility to increase the margin is only relevant if it does not give the customer an incentive to "move" to another mortgage institution. Therefore, the possibility to increase the margin is only relevant for the measurement of loans to customers with neither a relatively high credit risk nor a relatively low credit risk.

The discount rate used to discount the cash flows represents the interest rate on the funding bonds. This is considered to be close to a risk-free interest rate. The risk premium is incorporated into the cash flows. The risk premium is assumed to be higher for customers with high credit risk than for customers with low credit risk. Further, the adjustments for changes in the fair value of the credit risk and other components cannot increase the value of a loan (the adjustment cannot be positive).

Other loans and issued bonds measured at fair value through profit or loss

The loans in the Group's trading units (Markets and Investment Banking & Securities in LC&I) are managed and their performance reported on a fair value basis and the loans are under IFRS 9 mandatorily measured at fair value through profit or loss. In order not to introduce an accounting mismatch by measuring the financial assets in the trading units at fair value through profit or loss and the financial liabilities at amortised cost, the financial liabilities in the trading units are designated at fair value through profit or loss with fair value changes attributable to the Group's own credit risk presented in other comprehensive income.

Notes – Danske Bank Group

G16. Loans and issued bonds at fair value continued

(a)Loans at fair value

(DKK millions)	2022	2021
Loans granted by Realkredit Danmark:		
Nominal value	802,025	807,621
Fair value adjustment of underlying bonds	-74,724	5,447
Adjustment for credit risk	3,250	3,197
Fair value of loans granted by Realkredit Danmark	**724,051**	**809,872**
Loans in the Group's trading units:		
Reverse transactions	208,626	214,590
Other loans	-	-
Total	**932,677**	**1,024,461**

(b) Issued bonds at fair value

(DKK millions)	2022	2021
Bonds issued by Realkredit Danmark:		
Nominal value	840,922	854,988
Fair value adjustment of funding of current loans	-74,735	6,197
Holding of own mortgage bonds	80,949	90,523
Fair value of bonds issued by Realkredit Danmark	**685,238**	**770,661**
Bonds issued by the Group's trading units:		
Commercial papers and certificates of deposit	12,150	24,248
Total	**697,388**	**794,909**

(c) Further explanation on loans granted and bonds issued by Realkredit Danmark

Each loan granted by Realkredit Danmark is funded by issuing listed mortgage bonds with matching characteristics (e.g. amount outstanding, reference interest rate, term and currency). The borrower may repay the loan by delivering the underlying bonds to Realkredit Danmark.

The loans are held in a business model being similar to other loans in the Group's banking units, ie. the business model under IFRS 9 is 'held to collect'. The customers' right to prepay a loan by delivering the underlying bonds represents an option to prepay at fair value. Under this prepayment option, the prepayment amount can be both above and below the principal amount plus accrued interest. Changes in the fair value of the underlying bonds include other elements than the effect of changes in the relevant benchmark interest rate and the prepayment option is therefore not consistent with the SPPI test in IFRS 9 and are mandatorily measured at FVPL.

To eliminate the accounting mismatch that would exist if the loans are measured at fair value through profit or loss and the issued bonds at amortised cost, the issued bonds are designated at fair value through profit or loss using the fair value option for financial liabilities in IFRS 9. As the fair value of the loans is based on the fair value of the issued bonds, fair value changes of the issued bonds are offset by fair value changes of the loans, including the changes related to the fair value of the own credit risk of the issued bonds. For example, if the credit quality of the bonds worsens the fair value of the liability decreases and the fair value of the loans also decreases. Therefore, fair value changes of own credit risk on the issued bonds are recognised in the income statement, as an accounting mismatch would otherwise be created if changes in own credit risk were recognised in other comprehensive income.

The value of the loans is affected by changes in the credit risk on the loans. In 2022, the Group recognised DKK 15 million regarding changes in the credit risk on loans at fair value (2021: DKK 252 million) see note G11. At the end of 2022, the accumulated changes in the credit risk amounted to DKK 3,250 million (2021: DKK 3,197 million). The amounts are determined as the amount of the change in fair value that is not attributable to changes in market conditions that give rise to market risk, with the latter being represented by the fair value of the funding issued bonds. The Group does not use credit derivatives or similar instruments to mitigate the exposure to credit risk.

The holding of own mortgage bonds includes pre-issued bonds of DKK 29 billion (2021: DKK 21 billion) used for FlexLån® refinancing in January 2023 and bonds of DKK 29 billion (2021: DKK 39 billion) that relate to investments under insurance contracts, pooled schemes and unit-linked investment contracts where most of the risk is assumed by customers and most of the return on the assets accrues to customers.

The nominal value of bonds issued by Realkredit Danmark equals the amount to be redeemed on maturity.

Notes – Danske Bank Group

G16. Loans and issued bonds at fair value continued

Fair value adjustment for the credit risk on issued mortgage bonds is calculated on the basis of the option-adjusted spread (OAS). The calculation incorporates maturity, nominal holdings and OAS sensitivity. As a number of estimates are made, the calculation is subject to uncertainty.

In 2022, the Danish mortgage bond yield spread narrowed and the fair value of issued mortgage bonds thus increased by approximately DKK 0,7 billion. In 2021, the Danish mortgage bond yield spread increased, causing an decrease in the fair value of issued mortgage bonds. Based on the outstanding portfolio at the end of 2022, it is estimates that there has been a net widening of the spread since the issuance of the bonds, which produces a positive fair value of approximately DKK 0,3 billion (2021: positive fair value of approximately DKK 0.5 billion). Net profit and shareholders' equity remain unaffected by the change in fair value because the spread widening decreased the value of mortgage loans correspondingly.

Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar features from different issuers. Using this method, no fair value adjustment for credit risk in 2022 or the period since the issue has been required.

(d) Further explanation on loans, deposits and issued bonds by the Group's trading units

The loans in the Group's trading units (Markets and Investment Banking & Securities in LC&I) are managed and their performance reported on a fair value basis. The loans are mandatorily recognised at fair value through profit or loss as the business model is neither 'held to collect' nor 'held to collect and sell'. The loans consist primarily of reverse transactions and short-term loans. In order not to introduce an accounting mismatch, the financial liabilities in the trading units are designated at fair value through profit or loss, using the fair value option in IFRS 9.

The financial liabilities consist of issued bonds (certificates of deposits and commercial papers) and deposits (including repo transactions) with a maturity no longer than six months in general. Fair value changes attributable to the Group's own credit risk are presented in other comprehensive income. During 2022, changes in fair value attributable to the Group's own credit risk recognised in Other Comprehensive Income amounted to DKK 0 million (2021: DKK 0 million). In the balance sheet, deposits in the trading units are presented together with other deposits. The amount that the Group would be contractually required to pay at maturity amounts to DKK 12,636 million (2021: DKK 24,093 million) for bonds issued by the Group's trading units.

Notes – Danske Bank Group

G17. Assets and deposits under pooled schemes and unit-linked investment contracts

Assets and deposits under pooled schemes and unit-linked investment contracts comprises contributions to pooled schemes and unit-linked contracts defined as investment contracts. Assets include shares and bonds issued by the Group. Holdings of those assets are deducted from equity or eliminated. Consequently, the value of the line item Deposits under pooled schemes and unit-linked investment contracts exceeds that of Assets under pooled schemes and unit-linked investment contracts.

Accounting policy

Assets earmarked for customer savings are measured at fair value and recognised under Assets under pooled schemes and unit-linked investment contracts. Deposits made by customers are recognised under Deposits under pooled schemes and unit-linked investment contracts. These deposits are measured at the value of savings, corresponding to the fair value of the assets.

	Pooled schemes		Unit-linked contracts		Total	
(DKK millions)	2022	2021	2022	2021	2022	2021
(a) Assets						
Bonds	17,559	21,693	4,891	5,145	22,450	26,838
Shares	13,421	17,557	7,579	2,620	21,000	20,177
Unit trust certificates	14,228	16,810	7,124	12,100	21,352	28,910
Other	1,049	75	875	982	1,924	1,057
Total	46,256	56,135	20,469	20,847	66,725	76,982
including						
own shares	207	138	33	13	240	151
other intra-group balances	-104	52	91	124	-13	176
Total assets recognised in balance sheet	**46,153**	**55,945**	**20,345**	**20,710**	**66,499**	**76,654**
(b) Deposits	**46,256**	**56,135**	**20,469**	**20,847**	**66,725**	**76,982**

Notes – Danske Bank Group

G18. Assets and liabilities under insurance contracts

Assets under insurance contracts comprise assets earmarked for policyholders because most of the return accrues to policyholders. As the assets can be used only for payment of insurance liabilities, they are presented as a single line in the balance sheet. Liabilities under insurance contracts comprise primarily life insurance provisions regarding average rate insurance contracts and obligations for guaranteed benefits under unit-linked insurance contracts. Assets include shares and bonds issued by the Group. The holdings of those assets are deducted from equity or eliminated. Consequently, the value of Liabilities under insurance contracts exceeds the value of Assets under insurance contracts.

Accounting policy

Assets include financial assets, investment property, tangible assets and associates. The financial assets are managed on a fair value basis with no short-term profit taking. The business model for managing the assets is therefore neither 'held to collect' nor 'held to collect and sell' and the financial assets are therefore mandatorily recognised at fair value through profit or loss. The valuation technique used matches the Group's accounting policy for similar assets.

Recognition of life insurance provisions is based on actuarial computations of the present value of expected benefits for each insurance contract. The accounting for insurance liabilities follows the requirements in the Danish FSA's executive order on financial reports for insurance companies etc.

Life insurance provisions include guaranteed benefits, a risk margin and individual bonus potentials.

Guaranteed benefits comprise obligations to pay guaranteed benefits to policyholders. These obligations are calculated as the present value of current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums. The actuarial computations rely on assumptions about a number of variables, including mortality and disability rates, and the expected frequency of surrenders and conversions into paid-up policies. The risk margin is the expected market payment to an acquirer of a policy in return for assuming the risk that the payment obligations under the policy deviate from the present value of the best estimate of the cash flows. The risk margin is determined using a margin on mortality intensity and intensity relating to conversions into paid-up policies and surrenders.

Policyholders' share of the technical basis for insurance policies with a bonus entitlement not yet allocated to the individual policyholder is recognised in the collective bonus potential. Individual bonus potentials are calculated for the portfolio of insurance policies with bonus entitlement as the difference between the value of a policyholder's savings and the present value of guaranteed benefits under the policy.

Liabilities also depend on the discount yield curve, which is fixed on the basis of a European Insurance and Occupational Pension Authority (EIOPA) yield curve and a volatility adjustment, also set by EIOPA.

Provisions for unit-linked insurance contracts are measured at fair value on the basis of each contract's share of the earmarked assets and of the benefits guaranteed in the contract.

Notes – Danske Bank Group

G18. Assets and liabilities under insurance contracts continued

(a) Assets under insurance contracts (DKK millions)	2022	2021
Due from credit institutions	7,849	10,502
Investment securities	459,393	562,541
Holdings in associates	9,026	9,612
Investment property	15,035	14,425
Tangible assets	42	41
Reinsurers' share of provisions	23	106
Other assets	13,781	7,749
Total	**505,149**	**604,976**
including		
own bonds	29,376	39,414
own shares	782	507
other intra-group balances	19,575	17,249
Total assets	**455,416**	**547,806**

Investment securities under insurance contracts (DKK millions)	2022	2021
Listed bonds	161,629	179,887
Unlisted bonds	3,368	5,300
Listed shares	70,712	27,090
Unlisted shares	47,045	45,353
Unit trust certificates	81,766	178,363
Other securities	94,873	126,548
Total	**459,393**	**562,541**

(b) Liabilities under insurance contracts (DKK millions)	2022	2021
Life insurance provisions without collective bonus potential	130,741	154,065
Collective bonus potential	10,740	17,657
Provisions for unit-linked insurance contracts	231,419	252,121
Profit margin	5,036	7,903
Other technical provisions	15,424	17,598
Total provisions for insurance contracts	393,360	449,344
Other liabilities	112,296	156,453
Intra-group balances	-18,235	-17,061
Total	**487,422**	**588,736**

Provisions for insurance contracts (DKK millions)	2022	2021
Balance as at 1 January	449,344	428,736
Transferred to liabilities in disposal group held for sale		-4,482
Premiums paid	33,448	35,970
Benefits paid	-27,154	-27,449
Interest added to policyholders' savings	-31,845	24,180
Fair value adjustment	-21,898	-10,250
Change in collective bonus potential	-6,917	4,855
Other changes	-1,618	-2,216
Balance as at 31 December	**393,360**	**449,344**

Notes – Danske Bank Group

G18. Assets and liabilities under insurance contracts continued

(c) Further explanation

The measurement of insurance liabilities is based on the requirements in the Danish FSA's executive order on financial reports for insurance companies etc. and is harmonised to the measurement under the Solvency II framework.

Below the different components of liabilities related to insurance contracts are explained.

Life insurance provisions

Life insurance provisions comprise obligations towards policyholders to

- pay guaranteed benefits
- pay bonuses over time on agreed premiums not yet due
- pay bonuses on premiums and other payments due
- include a risk margin

Recognition of life insurance provisions is based on actuarial computations of the present value of expected future benefits for each insurance contract using the discount rate at the balance sheet date. These computations rely on assumptions about a number of variables, including mortality and disability rates, and the expected frequency of surrenders and conversions into paid-up policies. Estimates of future mortality rates are based on Danish FSA benchmarks, while other estimates are based on empirical data from Danica Pension's own portfolio of insurance contracts. Estimates are updated regularly. The life insurance provisions also include a risk margin. Obligations for guaranteed benefits are calculated as the present value of current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums.

Insurance obligations are calculated by discounting the expected cash flows using a discount yield curve and a volatility adjustment, both defined by EIOPA as part of the Solvency II rules.

Collective bonus potential

Provisions for the collective bonus potential are the policyholders' part of the value of the bonus entitlement not yet allocated to the individual policyholders.

Provisions for unit-linked insurance contracts

Provisions are measured at fair value on the basis of each contract's share of the earmarked assets and of the benefits guaranteed in the contract.

Profit margin

The profit margin is the present value of the future profit on contracts expected to be recognised in the income statement concurrently with the provision of insurance cover and any other benefits under the contract. For products where life insurance and health and accident insurance are written together, these are measured collectively. Accordingly, the profit margin on the customers' savings component is reduced by an amount similar to the provision for losses on health and accident insurance that can be included in the profit margin before the reduction.

Other technical provisions

Other technical provisions includes outstanding claims provisions for non-life insurance contracts, unearned premiums provisions, a risk margin for non-life insurance contracts and provisions for bonuses and premium discounts. The item includes the provision for health and accident insurance contracts.

Other liabilities

Other liabilities includes the portion of Danica Pension's other liabilities assumed by customers. Other types of liabilities are measured in accordance with the Group's accounting policies for such liability types.

Notes – Danske Bank Group

G19. Intangible assets

Intangible assets consist of goodwill and customer relations taken over on the acquisition of undertakings. Further, acquired and internally developed software is recognised as an asset if certain criteria are fulfilled.

The Group did not make any acquisitions of undertakings in 2022 and in 2021. The Group recognised an impairment charge on goodwill of DKK 1.6 billion (2021: DKK 0 billion); see further below.

Accounting policy

Goodwill

Goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost (until 1 January 2010 including direct transaction costs) of the undertaking and the fair value of its net assets, including contingent liabilities, at the time of acquisition. Goodwill is allocated to cash-generating units at the level at which management monitors the investment.

Goodwill is not amortised; instead, each cash-generating unit is tested for impairment once a year, or more frequently if indications of impairment exist. Goodwill is written down to its recoverable amount through profit and loss if the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected from the unit.

Goodwill on associates is recognised under Holdings in associates.

Other intangible assets

Identifiable intangible assets taken over on the acquisition of undertakings, such as customer relations, are measured at their fair value at the time of acquisition and amortised over their expected useful life, usually five to ten years, according to the straight-line method and tested for impairment if indications of impairment exist.

Software acquired is measured at cost, including expenses incurred to make a software application ready for use. Software acquired is amortised over its expected useful life, usually three years, according to the straight-line method.

Software developed by the Group is recognised as an asset if the cost of development is reliably measurable and analyses show that future earnings from using the individual software applications exceed the cost. Cost includes expenses incurred to make a software application ready for use. Once a software application has been developed, the cost is amortised over its expected useful life, usually three years, according to the straight-line method. The cost of development consists primarily of direct remuneration and other directly attributable development costs. Costs incurred in the planning phase are not included but are expensed when incurred.

Software is tested for impairment if indications of impairment exist and is written down to its value in use.

(a) Intangible assets (DKK millions)	2022	2021
Goodwill	4,427	6,131
Customer relations	722	855
Software, acquired or internally developed	1,653	1,833
Total	**6,802**	**8,819**

In 2022, the Group recognised software development costs of DKK 1,529 million as an asset (2021: DKK 1,804 million) and expensed DKK 2,563 million (2021: DKK 2,862 million). An impairment loss of DKK 65 million was recognised in 2022 on software development costs (2021: DKK 36 million).

(b) Further explanation of impairment testing of goodwill

The Group's goodwill is tested for impairment at least once a year by testing at the level of identifiable cash-generating units to which goodwill has been allocated. Further, if goodwill in a cash-generating unit is fully impaired, a further impairment loss is recognised as an impairment loss on intangible or tangible assets, if any.

The impairment tests conducted in 2022 resulted in impairment charges of DKK 1.6 million. The goodwill in Danica Pension amounting to DKK 1.6 billion was impaired due to increasing discount rates and lower financial outlook. The impairment test in 2021 did not reveal any impairment loss.

Notes – Danske Bank Group

G19. Intangible assets continued

(DKK millions)	1 January 2021 Goodwill	Foreign currency translation	31 December 2021 Goodwill	Sale	Impairment charges	Foreign currency translation	31 December 2022 Goodwill
LC&I, General Banking	507	-	507	-	-	-	507
LC&I, Markets and Investment Banking & Securities	2,095	-1	2,094	-	-	-	2,094
LC&I, Asset Management	1,808	-1	1,807	-	-	-	1,807
Danica Pension	1,627	-	1,627	-	1,627	-	-
Others	91	5	96	-73	-	-4	19
Total	**6,128**	**3**	**6,131**	**-73**	**1,627**	**-4**	**4,427**

Model applied in the goodwill impairment tests for 2022 and 2021

The impairment test compares the recoverable amount and the carrying amount for each cash-generating unit. The recoverable amount is represented by the present value of expected future cash flows (value in use). The special debt structure of financial institutions requires the use of a discounted dividend (equity) model to calculate the present value of expected future cash flows, as the interest on lending and borrowings is included as part of the cash flows.

The carrying amount for each cash-generating unit is the aggregate of the cash-generating unit's goodwill and allocated capital. The cash-generating unit's allocated capital is derived using the Group's capital allocation framework. The capital framework is based on a regulatory approach to identify the individual business unit's capital consumption and is in accordance with the Group's capital targets. The capital framework includes the expected impact from implementation of Basel IV. In the impairment test for 2021, the capital target for 2022 has been decreased from 15.5% to 15.0% compared to prior year's test.

For each cash generating unit, the expected future cash flow is based on approved strategies and earnings estimates for the budget period representing the first five years. For the terminal period, the steady state normalised level of earnings (expected dividend) is expected to grow at a constant growth rate equal to expected real GDP growth. Cash flow estimates are post-tax, and the risks of the individual cash-generating units are reflected in the estimated earnings. Accordingly, the risk-adjusted cash flows carry a similar risk profile. The estimated cash flows are discounted at the Group's risk-adjusted required rates of return post-tax.

Cash generating units with goodwill

Large Corporates & Institutions, General Banking

In 2007, Danske Bank acquired the shares of the Sampo Bank group and incorporated its banking activities into the business structure of Danske Bank's banking activities. In the beginning of 2011, General Banking was separated from banking activities into an independent unit, resulting in reallocation of goodwill to the unit. As a result of organisational changes in 2012, General Banking became part of Corporates & Institutions as a separate cash generating unit. At the organisational changes in 2021, Corporates & Institutions was renamed to Large Corporates & Institutions.

Large Corporates & Institutions, Markets and Investment Banking & Securities

The trading activities of Sampo Bank were incorporated into the business structure of Danske Markets in 2007. As a result of organisational changes in 2012, Danske Markets became part of Corporates & Institutions as a separate cash generating unit. In 2015, the unit was renamed to FI&C and Capital Markets. At the organisation changes in 2021, Corporates & Institutions was renamed to Large Corporates & Institutions and FI&C and Capital Markets to Markets and Investment Banking & Securities.

Large Corporates & Institutions, Asset Management

The asset management activities of Sampo Bank were incorporated into the business structure of Danske Capital in 2007. In addition to the acquisition of Sampo Bank, goodwill recognised by Danske Capital is attributable to a number of smaller acquisitions. As a result of organisational changes in 2016, Danske Capital became part of Wealth Management as a separate cash generating unit. At the organisational changes in 2021, the Wealth Management segment was dissolved and the asset management activities were transferred to Large Corporates & Institutions as a separate subsegment.

Danica Pension

This includes the acquisition of Danica Pensionsforsikring (formerly SEB Pension Danmark) in 2018 by the subsidiary Danica Pension. In 2019, Danica Pensionsforsikring was merged with Danica Pension. After the merger and integration of Danica Pensionsforsikring into Danica Pension, this goodwill is tested on the cash generating unit consisting of Danica Pension's Danish activities. Danica Pension used to be part of the Wealth Management segment. At the organisational changes in 2021, the Wealth Management segment was dissolved and Danica Pension became a separate segment.

Key assumptions for goodwill impairment tests

Discount rate

The discount rate used to calculate the present value of expected future cash flows was changed from 7% after tax in 2021 test to 8% after tax in 2022 test after updating data used to calculate the discount rate. The discount rate has been determined on the basis of the Capital Asset Pricing Model and comprises a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined and updated yearly using external sources of information. The Group applies the same discount rate to all cash-generating units, as the risks of the individual cash-generating units are reflected in their estimated cash flows.

Notes – Danske Bank Group

G19. Intangible assets continued

Cash flows in the terminal period

Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate. The growth estimates are determined on the basis of Danske Research's forecasts of real GDP growth for the relevant markets. For Asset Management, the assumed growth rate in the terminal period is 1.3% (2021: 1.5%) and for General Banking as well as for Markets and Investment Banking & Securities, the rate is 1.5% (2021: 1.5%). Around 74% of the net present value of future cash flows is expected to be generated in the terminal period (2021: 82%).

Large Corporates & Institutions, General Banking

Earnings are primarily affected by expectations for the interest level and its resulting effect on net interest income, as well as expectations for net fee income, on operating expenses and on credit losses.

The *interest rate levels* used in the impairment test are based on Danske Research's expectations for developments in overnight money market interest rates. The interest rates are expected to stay positive throughout the budget period (2021: negative throughout the budget period). When interest rate levels increase, the return on allocated capital will increase. Earnings on lending and deposits depend on the growth in lending and deposits volumes and on changes in lending and deposit margins. Expectations for growth in lending and deposits reflect Danske Bank's budgets for the first years and subsequently Danske Research's forecasts for real GDP growth. As lending and deposit margins are assumed to be constant regardless of the interest rate level, earnings from lending and deposits are not particularly sensitive to changes in the interest rate level.

Fee income is in 2023-2025 expected to increase driven by growth in daily banking. In the years 2026 and 2027 growth is in line with GDP.

For 2023 *operating expenses* is expected to decrease based on projections. 2024 to 2027 is based on expected wage inflation and other costs with general inflation.

The expectations for *credit losses* are for the budget period based on Danske Bank's estimates for the through-the-cycle level throughout the budget period, reflecting historical data adjusted to reflect the current situation, including the impact from the war in Ukraine. Credit losses are expected to decrease and stabilise at a higher level than compared to 2022.

Large Corporates & Institutions, Markets and Investment Banking & Securities

Earnings are primarily affected by expectations for net fee income, net trading income and costs.

Fee and trading income have been forecasted with the growth in GDP. Projections are based on expected fee and trading income for 2023. Income is impacted by interest on calculated equity and Capital cost. Interest on calculated equity is calculated based on the overnight money market interest rate and the allocated capital. The interest rates are expected to stay positive throughout the budget period (2021: negative throughout the budget period). Capital costs are expected to increase driven by higher capital consumption.

For 2023 *operating expenses* is expected to increase based on projections. 2024 to 2027 is based on expected wage inflation and other costs with general inflation.

Large Corporates & Institutions, Asset Management

Earnings at Asset Management depend primarily on the management fee on assets under management. Expected cash flows therefore depend on expectations for changes in assets under management and the average margin on those assets. For the period until the terminal period, changes in assets under management depend on net sales and on the accumulation of market returns on the assets. Assets under management decreased in 2022 compared to 2021. Asset under management is expected to grow using Rådet for Afkastforventningers' assumptions. The average margin on assets under management is expected to be 0.36% (2021: 0.35%). The budgeted average margin on assets under management is in line with the realised margin for 2022. All assumptions reflect management's expectations.

Sensitivity analysis

For *General Banking*, the excess value (the amount by which the recoverable amount exceeds the carrying amount of goodwill) amounts to DKK 26,471 million (2021: DKK 7,880 million). The increase in excess value is mainly due to higher level of profit after tax. Compared to last year, the expectations to income is higher, and the expectations to costs and impairment on loans are lower. If the growth in the terminal period is reduced from 1.5% to -12.6% (2021: from 1.5% to -0.8%) or the discount rate is increased from 8.0% to 15.5% (2021: increased from 7.0% to 8.7%) the excess value would be zero.

For *Markets and Investment Banking & Securities*, the excess value amounts to DKK 10.540 million (2021: DKK 5,239 million). The increase in the excess value is mainly due to higher level of the profit after tax, and partly reduced by the increase in the discount rate from 7.0% in the 2021 test to 8.0% in the 2022 test. If the growth in the terminal period is reduced from 1.5% to -5.1% (2021: from 1.5% to -0.6%) or the discount rate is increased from 8.0% to 12.2% (2021: increase from 7.0% to 9.6%), the excess value would be zero.

For *Asset Management*, the excess value amounts to DKK 913 million (2021: DKK 1,759 million). The decrease in excess value is maily driven by the increase in the discount rate from 7.0% in the 2021 test to 8.0% in the 2022 test. If the growth in the terminal period is reduced from 1.3% to -6.5% (2021: from 1.5% to -6.5%) or the discount rate is increased from 8.0% to 11.2% (2021: from 7.0% to 12.1%), the excess value would be zero.

Notes – Danske Bank Group

G20. Due to credit institutions and central banks and Deposits

Amounts due to credit institutions and central banks and Deposits also include amounts received under repo transactions (sales of securities which the Group agrees to repurchase at a later date). Such transactions are presented as collateralised borrowings.

Accounting policy

Amounts due to credit institutions and central banks and Deposits in the Group's trading units (Markets and Investment Banking & Securities in LC&I) are designated at fair value through profit or loss. However, the amount of the change in fair value attributable to the Group's own credit risk is recognised in other comprehensive income.

All other balances are measured at amortised cost. If fixed-rate deposits are hedged effectively by derivatives, the fair value of the hedged interest rate risk is added to the amortised cost of the liabilities.

(a) Due to credit institutions and central banks (DKK millions)	2022	2021
Designated at fair value:		
Repo transactions	47,618	71,190
Other amounts due	4,634	13,573
Total designated at fair value	**52,252**	**84,763**
Amortised cost:		
Repo transactions	-	-
Other amounts due	86,525	88,213
Total amortised cost	**86,525**	**88,213**
Total	**138,777**	**172,976**

(b) Deposits (DKK millions)	2022	2021
Designated at fair value:		
Repo transactions	90,168	122,201
Time deposits	7,883	12,131
Total designated at fair value	**98,051**	**134,332**
Amortised cost:		
Repo transactions	-	-
Transaction accounts	1,023,795	1,042,751
Time deposits	124,872	98,499
Pension savings etc.	15,574	16,448
Total amortised cost	**1,164,241**	**1,157,698**
Total	**1,262,293**	**1,292,030**

(c) Further explanation on balances designated at fair value through profit or loss

Any changes in the fair value that is attributable to changes in the Group's own credit risk of the liabilities are recognised in other comprehensive income. As the deposits are collateralised and/or with a short maturity, no change in the fair value is attributable to changes in the Group's own credit risk. The amount that the Group would be contractually required to pay at maturity amounts to DKK 52.3 billion (2021: DKK 84.8 billion) for Due to credit institutions and central banks and DKK 97.9 billion (2021: DKK 134.3 billion) for Deposits.

Notes – Danske Bank Group

G21. Tax

Tax assets and liabilities are divided into current and deferred tax in this note. Current tax relates to expected tax to be paid on the profit for the year, whereas deferred tax relates to temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet. Further, this note gives an overview of the Group's tax expense for the year and the effective tax rate broken down by country.

Accounting policy

Current tax

Current tax assets and liabilities are recognised in the balance sheet as the estimated tax payable on the profit for the year adjusted for prepaid tax and prior-year tax payables and receivables. Tax assets and liabilities are offset if the Group has a legally enforceable right to set off such assets and liabilities and intends either to settle the assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is measured on the basis of enacted or substantially enacted tax regulations and rates that are applicable in the relevant countries at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement on the basis of expected cash flows. The Group does not recognise deferred tax on temporary differences between the tax base and the carrying amounts of goodwill not subject to amortisation for tax purposes and other items if the temporary differences arose at the time of acquisition without effect on net profit or taxable income. If the tax base may be calculated according to several sets of tax regulations, deferred tax is measured in accordance with the regulations that apply to the use of the asset or settlement of the liability as planned by management. Tax assets arising from unused tax losses are only recognised if it is expected that such tax losses can be offset against tax on future profit in the next five years. Deferred tax assets and liabilities are offset when they relate to the same tax jurisdiction, a legally enforceable right to offset exists and the Group intends to settle on a net basis.

Current and deferred tax is calculated on the profit for the year, and adjustments of prior-year tax charges are recognised in the income statement. Tax on items recognised under Other comprehensive income is recognised under Other comprehensive income. Similarly, tax on items recognised in equity is recognised in equity. When uncertainty over tax treatment exists, the uncertainty is reflected by using either the most likely outcome (if the possible outcomes are binary or are concentrated on one value) or the expected value, probability weighted amounts in a range of possible outcomes (if there is a range of possible outcomes that are neither binary nor concentrated on one value).

Notes – Danske Bank Group

G21. Tax continued

(a) Tax assets and liabilities (DKK millions)

	Tax assets		Tax liabilities	
	2022	2021	2022	2021
Current tax charge	4,230	3,998	712	70
Deferred tax	969	512	1,752	1,794
Total tax	**5,199**	**4,510**	**2,464**	**1,864**

(b) Change in deferred tax (DKK millions)

2022	1 January	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	Deduction due to sale	31 December
Intangible assets	145	2	120	-	-50	217
Tangible assets	1,446	-13	-1,606	-6	-	-179
Securities	10	-	90	-6	-	94
Provisions for obligations	576	-21	375	-178	-	752
Tax loss carry forwards	-251	12	-265	-	-	-504
Other	-643	13	1,119	-85	-	404
Total	**1,282**	**-7**	**-167**	**-275**	**-50**	**783**
2021						
Intangible assets	173	-7	-21	-	-	145
Tangible assets	1,559	12	-130	5	-	1,446
Securities	12	-	-2	-	-	10
Provisions for obligations	587	35	-6	-40	-	576
Tax loss carry forwards	-450	-29	228	-	-	-251
Other	-829	-6	226	-34	-	-643
Total	**1,051**	**5**	**295**	**-69**	-	**1,282**

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit in the next five years. The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 2.6 billion (2021: DKK 2.9 billion).

Notes – Danske Bank Group

G21. Tax continued

(c) Tax expense

Tax 2022 (DKK millions)	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	1,456	348	376	690	-89	-130	133	2,784
Tax on other comprehensive income	-594	-	-6	-	-253	-	-	-853
Tax on profit for the year								
Current tax charge	1,197	341	371	615	356	-	194	3,074
Transferred to other comprehensive income	-594	-	-6	-	-253	-	-	-853
Change in deferred tax	845	20	-14	58	17	130	-17	1,039
Adjustment recognised tax loss					-155	-130	-	-285
Adjustment of prior-year tax charges	-139	-13	25	17	-113	-130	-44	-397
Change in deferred tax charge as a result of increased tax rate*	147	-	-	-	59	-	-	206
Total	**1,456**	**348**	**376**	**690**	**-89**	**-130**	**133**	**2,784**
Effective tax rate %								
Tax rate	22.0	20.0	20.6	25.0	23.5	12.5		
Non-recognised tax loss	-	-	-	-	-	-12.5		
Non-taxable income	3.1	-0.1	-4.4	-1.3	-3.3	-		
Non-deductible expenses**	-39.4	1.2	0.4	2.3	0.6	-		
Tax on profit for the year	**-14.3**	**21.1**	**16.6**	**26.0**	**20.8**	**-**		
Adjustment of prior-year tax charges	1.4	-0.7	1.2	0.7	-19.5	-114.9		
Adjustment recognised tax loss	-	-	-	-	-26.9	-		
Change in deferred tax charge as a result of increased tax rate*	-1.5	-	-	-	10.1	-		
Effective tax rate	**-14.4**	**20.4**	**17.8**	**26.7**	**-15.5**	**-114.9**	**-**	**-121.9**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	-5	-	-6	-	-168	-	-	-179
Hedging of units outside Denmark	-311	-	-	-	-	-	-	-311
Bonds at fair value (OCI)	-278	-	-	-	-85	-	-	-363
Total	**-594**	**-**	**-6**	**-**	**-253**	**-**	**-**	**-853**

* The corporate tax rate for credit institutions and insurance companies in Denmark increase from 22% in 2022 to 25,2% in 2023 and 26% for 2024 and onwards. Balances for deferred taxes in Denmark by end of 2022 has been adjusted accordantly.

** Non-deductible expenses affecting the effective tax rate in Denmark include the additional provision for the Estonia matter DKK 13,800 million and impairment charges on goodwill DKK 1,627 million.

Notes – Danske Bank Group

G21. Tax continued

Tax 2021 (DKK millions)	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	1,811	300	590	736	137	-26	103	3,651
Tax on other comprehensive income	-110	-	50	-	-238	-	-	-298
Tax on profit for the year								
Current tax charge	2,010	295	686	349	336	-	115	3,791
Transferred to other comprehensive income	-110	-	50	-	-238	-	-	-298
Change in deferred tax	84	10	-68	381	22	26	-6	449
Adjustment recognised tax loss	-	-	-	-	-22	-26	-	-48
Adjustment of prior-year tax charges	-173	-5	-78	6	-10	-26	-6	-292
Change in deferred tax charge as a result of increased tax rate	-	-	-	-	49	-	-	49
Total	**1,811**	**300**	**590**	**736**	**137**	**-26**	**103**	**3,651**
Effective tax rate %								
Tax rate	22.0	20.0	20.6	25.0	22.8	12.5		
Non-recognised tax loss	-	-	-	-	-	-12.5		
Non-taxable income	-0.5	-3.3	-0.4	-0.8	-0.5	-		
Non-deductible expenses	5.6	1.4	0.3	-	3.0	-		
Tax on profit for the year	**27.1**	**18.1**	**20.5**	**24.2**	**25.3**	**-**		
Adjustment of prior-year tax charges	-2.4	-0.3	-2.4	0.2	-2.0	-15.7		
Adjustment recognised tax loss	-	-	-	-	-4.7	-		
Change in deferred tax charge as a result of increased tax rate	-	-	-	-	10.3	-		
Effective tax rate	**24.7**	**17.8**	**18.1**	**24.4**	**28.9**	**-15.7**	**-**	**22.0**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	8	-	50	-	-204	-	-	-146
Hedging of units outside Denmark	-73	-	-	-	-	-	-	-73
Bonds at fair value (OCI)	-45	-	-	-	-34	-	-	-79
Total	**-110**	**-**	**50**	**-**	**-238**	**-**	**-**	**-298**

Notes – Danske Bank Group

G22. Issued bonds

The issued bonds presented in this note consist of preferred senior, non-preferred senior and subordinated bonds issued by the Group, with the exception of additional tier 1 capital accounted for as equity. Note G16 provides more information about issued bonds measured at fair value through profit or loss and note G25 provides more information about additional tier 1 capital accounted for as equity.

Preferred senior bonds are presented under the balance sheet item Issued bonds at amortised cost, while non-preferred senior and subordinated bonds are presented as separate line items in the balance sheet. Non-preferred senior bonds rank senior to subordindated debt and junior to other debt. Subordinated bonds are liabilities in the form of subordinated loan capital and other capital instruments which, in case of the Group's voluntary or compulsory winding-up, will not be repaid until the claims of its ordinary and non-preferred senior creditors have been met. Subordinated bonds include additional tier 1 capital that converts into a variable number of ordinary shares if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group (the trigger event). The number of shares the additional tier 1 capital could potentially convert into a function of the share price at the time of conversion, however, minimised to USD 23.97 per share (a maximum of 62.6 million shares for the outstanding amount of the capital of USD 1.5 billion). This capital utilises 70% of the Board of Directors' authorisation to issue shares without pre-emption rights. For further information on the Group's additional tier 1 capital, see note G25.

Accounting policy

Issued bonds, both senior, non-preferred senior and subordinated bonds, are at initial recognition measured at fair value less transaction costs and subsequently measured at amortised cost plus the fair value of the hedged interest rate risk. Interest expense is recognised according to the effective interest rate method, including amortisation of any difference between the amount received on issue and the redemption amount.

The Group issues perpetual bonds with discretionary interest payments that fulfil the requirements for additional tier 1 capital under the Capital Requirements Regulation (CRR). If a trigger event occurs, those bonds must be either written down temporarily or converted into a variable number of ordinary shares, depending on the terms of the individual bond issue. Bonds that convert into a variable number of ordinary shares are accounted for as liabilities, while bonds that are temporarily written down are accounted for as equity. For liability accounted bonds, the interest expense is recognised in the income statement, i.e. the bonds are accounted for as liabilities in their entirety.

The yield on some issued bonds depends on an index that is not closely linked to the bonds' financial characteristics, for example an equity or commodity index. Such embedded derivatives are bifurcated and measured at fair value in the trading portfolio.

(a) Other issued bonds

Issued bonds at fair value

(DKK millions)	2022	2021
Bonds issued by Realkredit Danmark (covered bonds)	685,238	770,661
Commercial papers and certificates of deposits	9,119	24,248
Structured retail notes	3,032	-
Issued bonds at fair value, total	**697,388**	**794,909**

Bonds issued by Realkredit Danmark under the Group's green bond framework amounted to a nominal value of DKK 21,544 million outstanding at the end of 2022 (2021: DKK 17,008 million).

Issued bonds at amortised cost

(DKK millions)	2022	2021
Commercial papers and certificates of deposits	-	1,488
Preferred senior bonds	51,854	65,221
Covered bonds	140,829	157,145
Issued bonds at amortised cost, total	**192,682**	**223,854**
Non-preferred senior bonds	93,235	107,654

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

Notes – Danske Bank Group

G22. Issued bonds continued

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

* Preferred senior bonds includes structured retail notes.

Nominal value (DKK millions)	1 January 2021	Issued	Redeemed	Foreign currency translation	31 December 2021
Commercial papers and certificate of deposits	22,515	53,067	52,783	913	23,712
Preferred senior bonds	63,352	27,282	27,717	4,805	67,724
Covered bonds	168,445	33,344	34,037	-2,685	165,067
Non-preferred senior bonds	105,028	4,371	6,422	5,126	108,104
Other issued bonds	**359,340**	**118,066**	**120,959**	**8,159**	**364,607**

The Group has issued non-preferred senior bonds in accordance with the Group's green bond framework. At the end of 2022, the nominal value of green non-preferred senior bonds amounted to DKK 13,014 million (2021: DKK 7,437 million) and is included under non-preferred senior bonds in the tables above.

Broken down by maturity

(DKK millions)	2022	2021
Redeemed bonds 2022		108,626
2023	92,355	83,355
2024	70,143	64,870
2025 or later	163,303	107,756
Nominal value of other issued bonds	325,801	364,607
Fair value hedging of interest rate risk	-19,351	1,814
Premium/discount	18	1,494
Own holding of bonds issued	8,401	12,158
Total other issued bonds	**298,068**	**355,756**

Notes – Danske Bank Group

G22. Issued bonds continued

(b) Subordinated debt
Subordinated debt consists of liabilities in the form of issued subordinated bonds. Some of these bonds (presented as liability accounted additional tier 1 capital below) rank below other subordinated bonds. Early redemption of subordinated debt must be approved by the Danish FSA. Subordinated debt is included in total capital in accordance with the CRR.

The issuance and redemption of subordinated debt during the year and the maturity of the outstanding debt are presented in the tables below.

Nominal value (DKK millions)	1 January 2022	Issued	Redeemed	Foreign currency translation	31 December 2022
Subordinated debt, excluding liability accounted additional tier 1 capital	24,895	-	-	-58	24,837
Liability accounted additional tier 1 capital	14,754	-	-	922	15,676
Total subordinated debt	**39,649**	**-**	**-**	**864**	**40,514**

Nominal value (DKK millions)	1 January 2021	Issued	Redeemed	Foreign currency translation	31 December 2021
Subordinated debt, excluding liability accounted additional tier 1 capital	23,058	5,577	3,718	-22	24,895
Liability accounted additional tier 1 capital	9,079	4,565	-	1,110	14,754
Total subordinated debt	**32,137**	**10,142**	**3,718**	**1,088**	**39,649**

Currency	Borrower	Note	Nominal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2022 (DKK m)	2021 (DKK m)
Subordinated debt, excluding liability accounted additional tier 1 capital									
Redeemed loans 2022									-
EUR	Danica	a	500	4.375	2015	29.09.2045	100	3,718	3,718
EUR	Danske Bank A/S	b	750	2.50	2019	21.06.2029	100	5,577	5,577
SEK	Danske Bank A/S	c	1,000	var	2019	14.11.2029	100	669	727
EUR	Danske Bank A/S	d	750	1.375	2019	12.02.2030	100	5,577	5,577
EUR	Danske Bank A/S	e	500	1.50	2020	02.09.2030	100	3,718	3,718
EUR	Danske Bank A/S	f	750	1.00	2021	15.05.2031	100	5,577	5,577
Subordinated debt, excluding liability accounted additional tier 1 capital								**24,837**	**24,895**
Liability accounted additional tier 1 capital									
USD	Danske Bank A/S	g	750	6.125	2017	Perpetual	100	5,225	4,918
USD	Danske Bank A/S	h	750	7.00	2018	Perpetual	100	5,225	4,918
USD	Danske Bank A/S	i	750	4.375	2021	Perpetual	100	5,225	4,918
Liability accounted additional tier 1 capital								**15,676**	**14,754**
Nominal subordinated debt								40,514	39,649
Discount								-128	-184
Fair value hedging of interest rate risk								-1,843	29
Own holding of subordinated debt								-193	-172
Total subordinated debt								**38,350**	**39,321**
Portion included in total capital as additional tier 1 or tier 2 capital instruments								**36,795**	**35,931**

Total capital further includes DKK 0 billion (2021: DKK 5,577 billion) from the additional tier 1 bond issues accounted for as equity (see note G25).

Notes – Danske Bank Group

G22. Issued bonds continued

a Optional redemption from September 2025. If the debt is not redeemed, the annual interest rate will be reset at 4.38 percentage points above the 10-year EUR swap rate every tenth year until maturity. Solvency II compliant tier 2 capital and included in Danica's capital base.

b Optional redemption in June 2024. If the debt is not redeemed, the annual interest rate will be reset at 2.50 percentage points above the 5 year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

c Optional redemption in November 2024. If the debt is not redeemed, the quarterly interest rate will be reset at 1.90 percentage points above the 3-month STIBOR rate for the remaining five years until maturity. CRR compliant tier 2 capital.

d Optional redemption in February 2025. If the debt is not redeemed, the annual interest rate will be reset at 1.70 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

e Optional redemption in September 2025. If the debt is not redeemed, the annual interest rate will be reset at 1.90 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

f Optional redemption in May 2026. If the debt is not redeemed, the annual interest rate will be reset at 1.40 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

g Optional redemption from March 2024. If the debt is not redeemed, the annual interest rate will be reset at 3.896 percentage points above 7-year USD swap rate. CRR compliant tier 1 capital. The capital converts into a variable number of shares if Danske Bank Group's or Danske Bank A/S' common equity tier 1 capital ratio falls below 7%. The instrument is included as a CRR compliant additional tier 1 capital instrument in the statement of capital.

h Optional redemption from June 2025. If the debt is not redeemed, the annual interest rate will be reset at 4.130 percentage points above 5-year CMT rate. CRR compliant tier 1 capital. The capital converts into a variable number of shares if Danske Bank Group's or Danske Bank A/S' common equity tier 1 capital ratio falls below 7%. The instrument is included as a CRR compliant additional tier 1 capital instrument in the statement of capital.

i Optional redemption from May 2026. If the debt is not redeemed, the annual interest rate will be reset at 3.387 percentage points above the 5 year CMT rate. The capital converts into a variable number of shares if Danske Bank Group's or Danske Bank A/S's common equity tier 1 capital ratio falls below 7%. The instrument is included as a CRR compliant additional tier 1 capital instrument in the statement of capital.

Notes – Danske Bank Group

G23. Assets held for sale and Liabilities in disposal groups

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

Accounting policy

Assets held for sale and Liabilities in disposal groups

Assets held for sale are tangible assets and disposal groups of assets actively marketed for sale and for which a sale is expected to occur within 12 months. A disposal group is a group of assets that will be disposed of in a single transaction and includes any directly associated liabilities. A disposal group includes for example companies (subsidiaries) taken over under non-performing loan agreements. Further, loans that are marketed for sale are transferred to Assets held for sale. The loans are written down to their expected selling price.

When significant, assets held for sale and liabilities in disposable groups held for sale are presented separately in the balance sheet.

Tangible assets held for sale are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated. For disposal groups, the net assets in the disposal group are remeasured at the lower of the carrying amount of the net assets in the disposal group at the time of reclassification and fair value less expected cost to sell.

If a disposal group of assets and liabilities represents a separate major line of business (typically a reportable segment) or a geographical area of operation or is a subsidiary acquired exclusively with a view of resale, it is presented as a discontinued operation. For a discontinued operation, net profit is presented as a single item 'Net profit from discontinued operations' in the income statement, i.e. no longer included as income and expenses from the Group's continuing operations.

(DKK millions)	2022	2021
Assets held for sale		
Loans held for sale	-	4,539
Assets under insurance contracts	-	23,979
Other	350	282
Total	**350**	**28,800**
Liabilities in disposal groups		
Deposits held for sale	-	6,453
Insurance liabilities	-	23,124
Total	**-**	**29,577**

Loans held for sale and associated deposits consists of loan portfolios where the Group has entered into sales agreements. In July 2021, Danske Bank entered into a binding contract for the sale of the business activities of Danske Bank International in Luxembourg (part of the business segment Personal Customers) to Union Bancaire Privée SA. The sale, which included loans, assets under management and deposits, settled in the first quarter of 2022.

In December 2021, Danske Bank entered into an agreement for the sale of Danica Pensjonforsikring AS (Danica Pension business segment in Norway) to Storebrand. The sale, which included assets and liabilities under insurance contracts, was approved by the Norwegian authorities and settled during the second quarter of 2022.

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

Notes – Danske Bank Group

G24. Other assets and Other liabilities

The Group uses quantitative and qualitative materiality considerations when aggregating line items in the balance sheet that are not considered individually material. Such line items are presented under Other assets or Other liabilities and consist of net assets or net liabilities in defined benefit pension plans, investment property, tangible assets, right-of-use lease assets and lease liabilities and holdings in associates.

The Group uses clean pricing of financial instruments, and accrued interest is therefore included in Other assets and Other liabilities. In addition, prepayments and accrued income and expenses are included under Other assets and Other liabilities. Other staff commitments includes provisions for holiday payments, variable remuneration, severance pay etc. The provisions recognised represent the compensation that the employee has earned and that is expected to be paid to the employee.

Accounting policy

Defined benefit pension plans

When the Group has entered into defined benefit pension plans, the amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is calculated on the basis of expected future trends in salaries and interest rates, the time of retirement, mortality rates and other factors. The present value of pension benefits less the fair value of pension assets is recognised as a pension obligation for each plan under Other liabilities. If the net amount of a defined benefit pension plan is positive and may be repaid to the Group or reduce its future contributions to the plan, the net amount is recognised under Other assets. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations.

Right of use lease assets and lease liabilities

The Group recognise a right-of-use asset and a lease liability at the commencement date, for all lease agreements, that the Group has entered into as lessee, except short-term leases and leases of low value asset. The lease liability is initially measured at the present value of the future payments from lease components, discounted using the incremental borrowing rate for the individual lease. The lease liability is subsequently measured by increasing the carrying amount, to reflect interest and by reducing the carrying amount to reflect the lease payments made. Further lease liabilities are changed when remeasurements are needed, corresponding adjustment is the related right-of-use asset. Gain or loss from a lease modification, (excluding modifications that change the basis for determining future lease payments as a result of the Interest Rate Benchmark Reform) that are not accounted for as a separate lease, is recognised in profit and loss. If a lease modification is necessary as a direct consequence of the interest rate benchmark reform, and the new basis for determining the lease payments is economically equivalent to the previous basis immediately preceding the modification, then the lease liability shall be remeasured by discounting the revised lease payments. The initial right-of-use asset comprise the amount of the initial measurement of the lease liability, lease payments made at or before the commencement day, initial direct costs and costs to restore the underlying asset. The right-of-use asset are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. When the Group is an intermediate lessor, the Group accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Investment property

Investment property is real property, including real property let under operating leases, which the Group owns for the purpose of receiving rent and/or obtaining capital gains. Real property with both domicile (occupied by the Group's support, administrative and back-office functions) and investment property elements is allocated proportionately to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as investment property if the Group occupies less than 10% of the total floorage. Investment property is recognised at fair value. Fair value adjustments and rental income are recognised under Other income. Real property taken over by the Group under non-performing loan agreements that is expected to be sold within 12 months of classification is valued in accordance with the principles used for investment property but presented as Assets held for sale.

Tangible assets

Tangible assets include domicile property and plant and equipment. Plant and equipment cover equipment, vehicles, furniture, fixtures and leasehold improvements. Tangible assets also include lease assets, i.e. assets let under operating leases, except real property. Lease assets includes cars, lorries and equipement. Tangible assets are measured at cost and depreciated over the estimated useful life. The estimated useful life is 20-50 years for domicile property, 3-10 years for plant and equipment and three years for lease assets. Depreciation charges are recognised under Operating expenses.

Tangible assets are tested for impairment if indications of impairment exist. An impaired asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Loan commitments and guarantees

The Group issues a number of loan commitments and guarantees. Such exposures are subject to impairment for excepted credit losses. Further information can be found in note G15.

Other provisions, including litigations

Provisions for other obligations, such as lawsuits, are recognised if the obligation is likely to result in a payment obligation and the amount can be measured reliably. Liabilities are recognised at the present value of expected payments.

Notes – Danske Bank Group

G24. Other assets and Other liabilities continued

(a) Other assets and other liabilities (DKK millions)	2022	2021
Other assets*		
Accrued interest and commissions due	4,500	3,450
Prepayments, accruals and other amounts due	17,048	18,558
Defined benefit pension plan, net assets	1,486	2,451
Investment property	1,843	2,263
Tangible assets	7,589	8,583
Right of use lease assets	2,615	3,922
Holdings in associates	536	206
Total	**35,617**	**39,433**
Other liabilities		
Sundry creditors*	35,868	38,970
Estonia settlement*	15,300	-
Accrued interest and commissions due	7,634	5,845
Defined benefit pension plans, net liabilities	366	441
Other staff commitments	1,804	1,986
Lease liabilities	2,743	3,909
Loan commitments and guarantees etc.	2,627	2,335
Reserves subject to a reimbursement obligation	4	5
Provisions, including litigations*	2,677	2,778
Total	**69,024**	**56,268**

*Provisions of DKK 2,221 million that were included within Sundry creditors as at 31 December 2021 have been reclassified to Provisions, including litigations, so as to present all provisions in the same line. Therefore comparatives for Sundry creditors and Provisions, other litigations have been reclassified. There is no change to the total balance of Other liabilities in 2021.

Information on defined benefit plans and holdings in associates is provided in notes G9 and G39, respectively.

(a) Further explanation other assets

Investment property is recognised at fair value, and any change in fair value is recognised through profit or loss under Other income. Information on the method used to determine the fair value of investment properties is provided in note G34.

Right-of-use lease assets includes domicile property of DKK 2,615 million (2021: DKK 3,149 million) and other tangible assets of DKK 0 million (2021: DKK 773 million). The depreciation charge is respectively DKK 660 million (2021: DKK 733 million) and DKK 0 million (2021: DKK 111 million). The interest expense on the corresponding lease liability is DKK 50 million (2021: DKK 63 million). There has been no significant impairment losses of the right-of-use lease assets in 2022 and 2021.

Tangible assets consist primarily of lease assets (where the Group acts as lessor). Further, it includes domicile property (not held for sale) amounting to DKK 119 million (2021: DKK 151 million). If indications of impairment exist, the properties are written down to the lower of the carrying amount and its value in use determined on the basis of the rate of return used for investment property. Note G34 provides more information. There was no write-down in 2022, nor in 2021. The fair value of the properties was DKK 267 million (2021: DKK 297 million). The required rate of return of 7.8% (2021: 7.8%) was determined in accordance with Danish FSA rules.

Notes – Danske Bank Group

G24. Other assets and Other liabilities continued

(b) Further explanation other liabilities

The table below shows an analysis of provisions by class of provision

Provisions (DKK millions)	Customer remediations	Regulatory and legal proceedings	(Restructuring cost)	Other provisions	Total
Balance as at 1 January 2022	603	2	327	1,846	2,778
Additional provisions made	1,769	1	43	14,187	16,000
Amounts used	324	-	49	50	423
Reversals	118	1	2	249	370
Transfer to other liabililties	-	-	-	15,300	15,300
Foreign exchange adjustments	-	-	-8	-1	-9
Balance as at 31 December 2022	**1,930**	**2**	**311**	**433**	**2,676**

Customer remediation refers to activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by the Group in response to customer complaints and/or industry developments in sales practices and is not necessarily initiated by regulatory action. Customer remediation includes the provision for customer compensation in the debt collection case, issues with the Group's tax services and other investor protection cases. The provision for customer remediation increased by DKK 1.6 billion during 2022 in relation to the Group's debt collection customers in Denmark. DKK 0.9 billion of the increase relates to compensation to customers, whilst the remaining DKK 0.7 billion relates to loan impairment charges (which includes part of the compensation to customers). The majority of the provision is expected to be utilised by the end of 2023.

Regulatory and legal proceedings include civil court, arbitration or tribunal proceedings brought against companies within the Danske Bank Group (whether by way of claim or counterclaim) or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. Regulatory matters refer to investigations, reviews and other actions carried out by, or in response to the actions of, regulators or law enforcement agencies in connection with alleged wrongdoing by companies within the Danske Bank Group. For further information on regulatory and legal proceedings, including the Estonia matter, see note G27(c).

Restructuring costs include provisions for severance pay in connection with termination of employees and provisions for branch mergers and closure of office sites.

At the beginning of 2022. Other provisions included DKK 1.5 billion for the expected financial impact of the potential coordinated resolution with the Danish and the US authorities in relation to the Estonia matter. During the third quarter of 2022, Danske Bank was in a position to reliably estimate the financial impact of a potential coordinated resolution with the Danish and US authorities, and hence the provision was increased to DKK 15.5 billion. In December 2022, Danske Bank reached coordinated resolutions with the Danish and US authorities regarding the Estonia matter, resulting in total settlement of DKK 15.3 billion, and therefore DKK 0.2 billion of provisions was reversed. Now that the Group is able to reliably estimate both the timing and amount of settlement, the provision has been transferred to other liabilities as at 31 December 2022, with the settlement for the Estonia matter presented within Other liabilities as at 31 December 2022. The settlement for Estonia was paid during January 2023, see note G27 for more detail.

Further, Other provisions includes a provision of DKK 0.3 billion (2021: DK 0.3 billion) for restoration of lease assets.

Further analysis of the movement in the expected credit loss provision is disclosed within the 'Reconciliation of total allowance account' in note G15.

Notes – Danske Bank Group

G25. Equity

Equity is the residual interest in the assets after deducting all liabilities recognised in the balance sheet. Equity is divided between capital and reserves that are attributable to holders of shares issued by the Group (owners of Danske Bank A/S) and other parties holding an interest in the net assets of the Group.

At the end of 2022, the nominal value of issued additional tier 1 capital in Danske Bank Group amounted to DKK 15,676 million (2021: DKK 20,331 million) of which DKK 0.0 million (2021: DKK 5,577 million) is accounted for as equity instruments and DKK 15,676 million (2021: 14,754 million) as liability instruments, see note G22. Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bondholders. Additional tier 1 capital that are accounted for as equity instruments are included in equity as a non-controlling interest. This means that equity was increased at the time of issue by the net proceeds received. When interest is paid, the amount paid to investors reduces equity at the time of payment and does not affect net profit. If the Group decides to repay the capital, equity will be reduced by the redemption amount at the time of redemption. The capital issued is included in tier 1 capital instruments in the statement of capital as it meets the criteria of the CRR for such instruments.

Accounting policy

Equity is the residual interest in recognised assets after deduction of recognised liabilities. In this context, the following items are of particular interest:

Own shares

Amounts received or paid for the Group's sale or purchase of Danske Bank shares are recognised directly in equity under transactions with owners. The same applies to premiums received or paid for derivatives entailing settlement in own shares. A capital reduction by cancellation of own shares will lower the share capital by an amount equal to the nominal value of the shares at the time of registration of the capital reduction.

Additional tier 1 capital

The capital instruments accounted for as equity instruments include no contractual obligation to deliver cash or another financial asset to the holders, as Danske Bank A/S may, at its sole discretion, omit payment of interest and principal payments to the bondholders. Therefore, the issue does not fall under the definition of financial liabilities under IAS 32. The net amount received at the time of issue is recognised as an increase in equity. Interest payments are accounted for as dividends, which are recognised directly in equity at the time the payment obligation arises. If Danske Bank A/S chooses to redeem the bonds, equity will be reduced by the redemption amount at the time of redemption. Amounts received or paid for the sale or acquisition of own holdings of additional tier 1 capital instruments are recognised directly in equity, similarly to holdings of own shares.

(a) Further explanation

Equity consists of various components, including the accumulated balance of each class of other comprehensive income, retained earnings and issued additional tier 1 capital. The various components of equity are described below. Tax on items recognised directly in equity is recognised under Retained earnings.

Foreign currency translation reserve

Assets and liabilities of units outside Denmark are translated into DKK at the applicable exchange rates at the balance sheet date. Income and expenses are translated at the applicable exchange rates at the transaction date. Gains and losses arising at the translation of net investments in units outside Denmark are recognised under Other comprehensive income and recognised in the foreign currency translation reserve in equity. Net investments include the net assets and goodwill of the units as well as holdings in the form of subordinated loan capital and other loans to the units for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate adjustments of financial liabilities used for hedging the Group's net investments are also recognised under Other comprehensive income and in the foreign currency translation reserve. Further information can be found in Note G12(d).

If the net investment in a unit outside Denmark is sold, translation differences, including the impact from hedge, are reclassified from Other comprehensive income to the income statement.

Reserve for bonds at fair value through other comprehensive income

The reserve covers unrealised fair value adjustments, other than expected credit losses and foreign exchanges gains and losses, of bonds measured at fair value through other comprehensive income. Unrealised fair value adjustments of hedged interest rate risks that qualify for fair value hedge accounting are recognised in the income statement and are not included in the reserve. When bonds are sold, the Group reclassifies unrealised value adjustments from the reserve to the income statement.

Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in equity. The dividends are recognised as a liability when the general meeting has adopted the proposal.

Notes – Danske Bank Group

G25. Equity continued

Share-based payments

Share-based payments by the Group are settled in Danske Bank shares. The fair value at the grant date is expensed over the vesting period and set off against equity. At the time of exercise, payments by employees are recognised as an increase in equity. As with other purchases of Danske Bank shares, shares acquired for hedging purposes reduce equity by the amount paid.

Non-controlling interests

Non-controlling interests' share of equity equals the carrying amounts of the net assets in group undertakings not owned directly or indirectly by Danske Bank A/S. Non-controlling interests amounted to DKK 0 million (2021: DKK 0 million) and are presented under 'Additional tier 1 capital' as other holders of equity than shareholders of the parent company.

Additional tier 1 capital holders

This reserve includes the net proceed received at the time of issuance and accrued interest not yet paid to the holders of the capital.

As described above, Danske Bank A/S may, at its sole discretion, cancel interest payments to additional tier 1 bond holders (equity accounted as well as liability accounted bonds). Any interest payments must be paid out of distributable items, which primarily consist of retained earnings at Danske Bank A/S and Danske Bank Group (see section 6.4.3 of Risk Management 2022 for further information). The additional tier 1 capital will be either written down temporarily or converted into a variable number of shares (depending on if the common equity tier 1 ratio falls below 7% for Danske Bank A/S or Danske Bank Group). The ratio at year-end is disclosed in the statement of capital for Danske Bank A/S and Danske Bank Group. Bonds that are temporarily written down are accounted for as equity, while bonds that convert into a variable number of ordinary shares are accounted for as liabilities (included in note G22).

At the end of 2022, the fair value of the outstanding equity accounted additional tier 1 capital amounted to DKK 0 million (2021: DKK 5,655 million).

In April 2022, the Group redeemed EUR 750 million of additional tier 1 capital, which led to a reduction in shareholders' equity of DKK 5,419 million. In November 2021, the Group redeemed DKK 3,000 million of additional tier 1 capital, which led to a reduction in shareholders' equity of DKK 3,000 million.

Notes – Danske Bank Group

G26. Note to the cash flow statement

This note provides further information on the cash flow statement, including a reconciliation of the cash flows arising from financing activities.

Accounting policy

The cash flow statement is prepared according to the indirect method. The statement is based on pre-tax profit for the year and shows the cash flows from operating, investing and financing activities as well as the increase or decrease in cash and cash equivalents during the year. Cash and cash equivalents consists of cash in hand and demand deposits with central banks as well as amounts due from credit institutions and central banks with an original maturity shorter than three months.

In the cash flow statement, cash flows are divided into cash flows from operations, investing activities and financing activities. Investing activities include cash flows from the sale or acquisition of tangible and intangible assets as well as businesses. Financing activities include cash flows from the Group's issued non-preferred senior bonds, subordinated debt, additional tier 1 capital (both liability- and equity-accounted bonds) and share capital.

All credit institutions and insurance companies supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities. Note G31 provides information on amounts due from credit institutions that are provided as collateral for liabilities or contingent liabilities.

Adjustment for non-cash operating items (DKK millions)	2022	2021
Unrealised income from holdings in associates	-8	-175
Amortisation/depreciation of intangible, tangible and right-of-use assets	4,706	4,876
Impairment charge on goodwill	1,627	-
Loan impairment charges	1,502	141
Provisions	13,800	-
Other	-168	74
Total	**21,459**	**4,916**

Reconciliation of liabilities from financing activities (DKK millions)	1 January 2022	Cash flows: Issued	Cash flows: Redeemed	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	31 December 2022
Subordinated debt	39,321	-	-	-58	-914	38,350
Non-preferred senior bonds	107,654	20,052	30,590	2,913	-6,794	93,235

(DKK millions)	1 January 2021	Cash Flows: Issued	Cash Flows: Redeemed	Non-Cash Changes: Foreign exchange movement	Non-Cash Changes: Fair Value changes	31 December 2021
Subordinated debt	32,337	10,102	3,718	1,088	-488	39,321
Non-preferred senior bonds	106,371	4,352	6,309	5,126	-1,886	107,654

Fair value changes include the impact from fair value hedge accounting, amortisation of transaction costs and changes in own holdings. The cash flows from debt issued and redeemed are based on the applicable foreign exchange rate at the transaction date and net of any transaction costs etc. In note G22, which shows changes in the nominal value of subordinated debt, issue and redemption amounts excludes transaction costs etc.

Liabilities from financing activities includes lease liabilities that are recognised on the balance sheet under IFRS 16. At the end of 2022, lease liabilities amounted to DKK 2,743 million (2021: DKK 3,909 million). The cash flows included in the cash flow statement as cash flows from financing activities relates to the principal portion of the lease payments. Other changes are non-cash changes, which primarily consists of interest expenses, new leases, terminated leases and modifications of existing leases.

Notes – Danske Bank Group

G27. Guarantees, commitments and contingent liabilities

The Group uses a variety of loan-related financial instruments to meet customers' financial requirements. Such instruments include loan commitments, loan offers, other credit facilities and guarantees. This note provides information on such instruments and on other contingent liabilities.

Accounting policy

Guarantees and loan commitments are subject to the expected credit loss impairment model in IFRS 9. For further information, see note G15.

Contingent liabilities consist of possible obligations arising from past events. The existence of such obligations will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Further, contingent liabilities consists of present obligations arising from past events, for which it is either not probable that the obligation will result in an outflow of financial resources, or it is not possible to reliably estimate the amount of the obligation.

A contingent liability is not recognised in the financial statement but disclosed, unless the possibility of an outflow of financial resources is remote.

(a) Guarantees

(DKK millions)	2022	2021
Financial guarantees	5,512	6,267
Other guarantees	75,884	74,733
Total	**81,396**	**81,000**

(b) Commitments

(DKK millions)	2022	2021
Loan commitments shorter than 1 year	236,062	271,862
Loan commitments longer than 1 year	199,888	205,503
Other unutilised commitments	15,196	16,183
Total	**451,146**	**493,549**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 216 billion (2021: DKK 194 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

(c) Regulatory and legal proceedings

Estonia matter

On 13 December 2022, Danske Bank announced that it had reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. In relation to the resolutions with U.S. authorities, Danske Bank has pleaded guilty to a criminal charge from the DoJ of conspiracy to commit bank fraud. Furthermore, Danske Bank agreed to settle a civil securities fraud action with the SEC. Under the SCU resolution, Danske Bank has agreed to accept a fine and confiscation for violations of the Danish AML Act and the Danish Financial Business Act.

The coordinated resolution marks the end of the criminal and regulatory investigations into Danske Bank by the authorities in Denmark and the United States.

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

The aggregate amounts payable to the US and Danish authorities total USD 2.06 billion (approximately DKK 15.3 billion) is covered by the provisions booked in connection with our financial results for the third quarter of 2022 and the third quarter of 2018. Reflecting cross-crediting arrangements between the three authorities as well as currency conversions, the amounts payable to the authorities are as follows: DoJ: USD 1,209 million, SEC: USD 179 million and SCU: DKK 4,749 million. All amounts have been paid in January 2023.

Danske Bank has accepted and agreed to the terms of the resolutions. As part of the Bank's agreement with DoJ, the Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025. As a result of the resolutions, the investigations by U.S. and Danish authorities are now closed as to Danske Bank. However, the Bank remains in contact with DoJ as a matter of post-resolution obligations set forth in the agreement with DoJ.

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

Notes – Danske Bank Group

G27. Guarantees, commitments and contingent liabilities continued

Danske Bank has been procedurally notified in two claims filed against Thomas F. Borgen. Under Danish law, the purpose of a procedural notification is to make a formal reservation of rights to bring a potential claim against the notified party. The first case was dismissed in the first instance and subsequently appealed by the claimants. The original claim amount for both claims was approximately DKK 3.2 billion, but has been reduced to approximately DKK 1.7 billion.

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

Other

Owing to its business volume, Danske Bank is continually a party to various other lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA and the Danish Tax Agency on other matters. In general, Danske Bank does not expect the outcomes of any of these other pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. Provisions for litigations are included in Other liabilities, see note G24.

Notes – Danske Bank Group

G27. Guarantees, commitments and contingent liabilities continued

(d) Further explanation

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

The Group participates in the Danish Guarantee Fund and the Danish Resolution Fund. The funds' capital must amount to at least 0.8% and 1%, respectively, of the covered deposits of all Danish credit institutions by 31 December 2024. The Danish Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5% of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage require the consent of the Danish FSA. The first contribution to the Danish Resolution Fund was made in December 2015. Danske Bank A/S and Realkredit Danmark A/S make contributions to the Resolution Fund on the basis of their size and risk relative to other credit institutions in Denmark. The contribution to the Danish Resolution Fund is recognised as operating expenses.

If the Resolution Fund does not have sufficient means to make the required payments, extraordinary contributions of up to three times the latest annual contributions may be required. In addition, Danish banks participate in the Danish Restructuring Fund, which reimburses creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015. Similarly, Danish banks have made payment commitments (totalling DKK 1 billion) to cover losses incurred by the Danish Restructuring Fund for the withdrawal of distressed banks from data centres etc. Payments to the Danish Restructuring Fund are calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark. However, each institution's contribution to the Danish Restructuring Fund may not exceed 0.2% of its covered deposits.

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

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

With effect from 1 April 2022, Danske Bank A/S is no longer registered jointly with all significant Danish entities of Danske Bank Group for financial services employer tax and VAT, for which Danske Bank A/S and the entities had been jointly and severally liable.

Notes – Danske Bank Group

G28. Balance sheet items broken down by expected due date

The Group presents the balance sheet items in order of liquidity instead of distinguishing between current and non-current items. The table below shows the balance sheet items expected to mature within one year (current) and after more than one year (non-current).

	2022		2021	
(DKK millions)	Within 1 year	After 1 year	Within 1 year	After 1 year
Assets				
Cash in hand and demand deposits with central banks	175,052	-	293,386	-
Due from credit institutions and central banks	59,690	1,121	70,326	830
Trading portfolio assets	305,290	333,509	293,561	216,029
Investment securities	79,291	223,667	99,391	204,386
Loans at amortised cost	306,048	776,770	214,459	812,983
Loans at fair value	229,001	703,676	240,764	783,697
Assets under pooled schemes and unit-linked investments contracts	-	66,499	-	76,654
Assets under insurance contracts	32,116	423,300	24,783	523,023
Assets held for sale	350		28,800	
Intangible assets	-	6,802	-	8,819
Tax assets	4,230	969	3,998	512
Other assets	21,548	14,069	22,008	17,425
Total	**1,212,616**	**2,550,383**	**1,291,476**	**2,644,358**
Liabilities				
Due to credit institutions and central banks	133,557	5,220	136,209	36,767
Trading portfolio liabilities	148,901	405,420	72,461	302,498
Deposits	219,387	1,042,905	229,808	1,062,222
Issued bonds at fair value	116,052	581,336	148,934	645,975
Issued bonds at amortised cost, including Non-preferred senior bonds*	73,657	212,261	79,399	252,109
Deposits under pooled schemes and unit-linked investment contracts*	10,509	56,216	10,864	66,118
Liabilities under insurance contracts*	44,801	442,620	35,054	553,682
Liabilities in disposal groups held for sale	-		29,577	
Tax liabilities	630	1,834	70	1,794
Other liabilities	65,910	3,114	51,914	4,354
Subordinated debt	-	38,349	-	39,321
Total	**813,403**	**2,789,277**	**794,289**	**2,964,841**

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

Deposits include fixed-term deposits and demand deposits. Fixed-term deposits are recognised according to maturity. Demand deposits have short contractual maturities but are considered a stable funding source withåø an expected maturity of more than one year.

Notes – Danske Bank Group

G29. Contractual due dates of financial liabilities

The table below shows the contractual due dates of non-derivative financial liabilities broken down by maturity time bands. The maturity analysis is based on the earliest date on which the Group can be required to pay and does not reflect the expected due date. The section on liquidity risk in note G41 provides information about the Group's liquidity risk and liquidity risk management.

2022 (DKK millions)	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	90,912	9,603	33,885	5,376	1
Deposits	1,173,421	44,719	27,500	11,284	9,521
Repurchase obligation under reverse transactions	119,180		-	-	-
Issued bonds at fair value	22,547	9,151	92,477	473,389	181,087
Issued bonds at amortised cost	-	4,858	70,626	223,330	9,021
Subordinated debt	141	281	1,267	82,625	-
Other financial liabilities	2,123	1,267	7,119	22,178	34,039
Financial and loss guarantees	81,397				
Loan commitments shorter than 1 year	236,062	-	-	-	-
Loan commitments longer than 1 year	199,888	-	-	-	-
Other unutilised loan commitments	85	-	-	-	-
Total	**1,925,755**	**69,880**	**232,873**	**818,182**	**233,669**
2021 (DKK millions)					
Due to credit institutions and central banks	120,172	11,651	1,188	37,085	1,673
Deposits	1,213,387	42,827	16,009	10,101	9,142
Repurchase obligation under reverse transactions	132,955		-	-	-
Issued bonds at fair value	36,184	16,127	104,747	487,164	231,951
Issued bonds at amortised cost	962	27,779	50,323	262,273	8,537
Subordinated debt	121	243	1,093	82,096	-
Other financial liabilities	2,825	1,162	6,878	24,438	41,680
Financial and loss guarantees	81,000				
Loan commitments shorter than 1 year	204,610	-	-	-	-
Loan commitments longer than 1 year	198,830	-	-	-	-
Other unutilised loan commitments	135	-	-	-	-
Total	**1,991,182**	**99,789**	**180,236**	**903,157**	**292,982**

(a) Further explanation

Disclosures comprise agreed payments, including principal and interest. For liabilities with variable cash flows, for example variable-rate financial liabilities, disclosure is based on the contractual conditions at the balance sheet date.

Usually, deposits are contractually very short-term funding, but in practice, they are considered a stable funding source, as amounts disbursed largely equal deposits received. A number of loan commitments and guarantees expire without being utilised. Loan commitments and guarantees are included at the earliest date on which the Group can be required to pay. To take into account potential drawings under loan commitments, the Group factors in the effect of the unutilised portion of the facilities in the calculation of liquidity risk.

For guarantees to result in a payment obligation to the Group, a number of individual conditions must be met. As it is not possible to break down the earliest dates on which such conditions are met by maturity time bands, all guarantees are included in the 0-1 month column.

The table excludes investment commitments in Danica Pension of DKK 15,111 million (2021: 17,612 million). The investment commitments relate primarily to commitments to participate in alternative investments where the insurance policyholders' assume the majority of the risks on the investments.

Notes – Danske Bank Group

G30. Transferred financial assets that are not derecognised

The Group enters into transactions that transfer ownership of financial assets, such as bonds and shares, to a counterparty, while the Group retains the risks associated with the holding of the assets. If the Group retains all significant risks, the securities remain in the balance sheet, and the transactions are accounted for as loans received against collateral. Such transactions are repo transactions and securities lending. The transactions involve selling the securities to be repurchased at a fixed price at a later date. Counterparties are entitled to sell the securities or deposit them as collateral for loans.

Trading portfolio	2022		2021	
(DKK millions)	Bonds	Shares	Bonds	Shares
Carrying amount of transferred assets				
Repo transactions	139,807		193,258	
Securities lending		2,008		2,988
Total transferred assets	**139,807**	**2,008**	**193,258**	**2,988**
Repo transactions, own issued bonds	31,064		32,592	
Carrying amount of associated liabilities	171,384	2,109	226,855	3,137
Net positions	**513**	**100**	**1,006**	**149**

The Group has not entered into any agreements on the sale of assets that entail the Group's continuing involvement in derecognised financial assets.

Notes – Danske Bank Group

G31. Assets provided or received as collateral

At the end of 2022, the Group had deposited securities (including bonds issued by the Group) worth DKK 30.6 billion as collateral with Danish and international clearing centres and other institutions (2021: DKK 42.1 billion).

At the end of 2022, the Group had provided cash and securities (including bonds issued by the Group) worth DKK 90.4 billion as collateral for derivatives transactions (2021: DKK 73.2 billion).

At the end of 2022, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts and unit-linked investment contracts worth DKK 417.5 billion (2021: DKK 514.5 billion) as collateral for policyholders' savings of DKK 404.6 billion (2021: DKK 493.1 billion).

At the end of 2022, the Group had registered loans at fair value and securities worth a total of DKK 728.6 billion (2021: DKK 818.9 billion) as collateral for bonds issued by Realkredit Danmark. Note G16 provides additional information. Similarly, the Group had registered DKK 306.3 billion worth of loans and other assets (2021: DKK 325.1 billion) as collateral for covered bonds issued under Danish, Swedish and Finnish law.

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

	2022			2021		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	22,917	22,917	-	29,928	29,928
Trading and investment securities	139,807	72,697	212,504	193,258	70,857	264,115
Loans at fair value	-	724,051	724,051	-	809,872	809,872
Loans at amortised cost	-	328,800	328,800	-	339,183	339,183
Assets under insurance contracts and unit-linked investment contracts	-	347,673	347,673	-	433,672	433,672
Other assets	-	93	93	-	50	50
Total	139,807	1,496,231	1,636,038	193,258	1,683,562	1,876,820
Own issued bonds	31,064	76,754	107,818	32,592	90,192	122,784
Total, including own issued bonds	**170,871**	**1,572,985**	**1,743,856**	**225,850**	**1,773,754**	**1,999,604**

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 139.8 billion at the end of 2022 (2021: DKK 193.3 billion).

At the end of 2022, the Group had received DKK 303.8 billion worth of securities (2021: DKK 297.8 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in many cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At the end of 2022, the Group had sold securities or provided securities as collateral worth DKK 119.2 billion (2021: DKK 133.0 billion).

The Group also receives many other types of assets as collateral in connection with its ordinary lending activities. The Group has not transferred the ownership of these assets. Note G41 provide more details on assets received as collateral.

Notes – Danske Bank Group

G32. Offsetting of financial assets and liabilities

Offsetting of financial assets and liabilities in the financial statements requires some criteria to be fulfilled. In the event that the counterparty or the Group defaults, further offsetting will take place. This note shows the offsetting in the financial statements, further netting according to enforceable master netting agreements and similar agreements (i.e. in the event of default) and collateral provided or received under such agreements.

Accounting policy

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to offset recognised amounts and have agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Positive and negative fair values of derivatives with the same counterparty are offset if the Group has agreed with the counterparty to settle contractual cash flows net and to make cash payments or provide collateral on a daily basis to cover changes in the fair value of the derivative position. Master netting agreements or similar agreements give the right to additional offsetting in the event of default. Such agreements reduce the exposure further in the event of default, but do not qualify for offsetting in accordance with IFRS.

2022 (DKK millions)	Gross amount	Offsetting	Net amount presented in balance sheet	Further offsetting, master netting agreements	Collateral	Net amount
Financial assets						
Derivatives with positive market value	1,202,931	772,809	430,123	340,984	78,549	10,590
Reverse transactions	442,430	194,678	247,752	-	247,752	-
Other financial assets	7,474	-4,686	12,160	-	-	12,160
Total	**1,652,836**	**962,801**	**690,034**	**340,984**	**326,302**	**22,749**
Financial liabilities						
Derivatives with negative market value	1,207,950	772,809	435,141	340,984	63,486	30,671
Repo transactions	366,063	194,678	171,384	-	170,871	513
Other financial liabilities	64,684	-4,686	69,370	-	-	69,370
Total	**1,638,696**	**962,801**	**675,895**	**340,984**	**234,357**	**100,554**
2021 (DKK millions)						
Financial assets						
Derivatives with positive market value	654,261	394,037	260,224	183,395	59,732	17,098
Reverse transactions	444,162	190,208	253,954	-	253,954	-
Other financial assets	5,632	-7,124	12,756	-	-	12,756
Total	**1,104,054**	**577,121**	**526,933**	**183,395**	**313,685**	**29,853**
Financial liabilities						
Derivatives with negative market value	636,041	394,037	242,004	183,395	46,489	12,121
Repo transactions	417,063	190,208	226,855	-	225,850	1,006
Other financial liabilities	60,353	-7,124	67,476	-	-	67,476
Total	**1,113,457**	**577,121**	**536,336**	**183,395**	**272,339**	**80,603**

Notes – Danske Bank Group

G33. Fair value information for financial instruments

Financial instruments are carried in the balance sheet at fair value or amortised cost. The Group breaks down its financial instruments according to the valuation method (note G1 provides additional information).

	2022		2021	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	175,052	-	293,386
Due from credit institutions and central banks	38,147	22,664	39,462	31,694
Trading portfolio assets	638,799	-	509,590	-
Investment securities	151,384	151,573	157,056	146,721
Loans at amortised cost	-	1,082,818	-	1,027,442
Loans at fair value	932,677	-	1,024,461	-
Assets under pooled schemes and unit-linked investment contracts	66,499	-	76,654	-
Assets under insurance contracts	422,877	-	522,184	-
Loans held for sale	-	-	-	4,539
Total	**2,250,384**	**1,432,108**	**2,329,407**	**1,503,781**
Financial liabilities				
Due to credit institutions and central banks	52,252	86,525	84,763	88,213
Trading portfolio liabilities	554,321	-	374,959	-
Deposits	97,917	1,164,375	134,332	1,157,698
Issued bonds at fair value	697,388	-	794,909	-
Issued bonds at amortised cost	-	192,682	-	223,854
Deposits under pooled schemes and unit-linked investment contracts	66,725	-	76,982	-
Liabilities held for sale	-	-	-	6,453
Non-preferred senior bonds	-	93,236	-	107,654
Subordinated debt	-	38,350	-	39,321
Loan commitments and guarantees	-	2,627	-	2,335
Total	**1,468,604**	**1,577,795**	**1,465,945**	**1,625,529**

(a) Financial instruments at fair value

The fair value is the amount for which a financial asset or a financial liability can be exchanged between knowledgeable, willing parties. Fair value is measured on the basis of the following hierarchy:

The fair value hierarchy

- Quoted price (level 1) consists of financial instruments that are quoted in an active market. The Group uses the price quoted in the principal market.
- Valuation based on observable input (level 2) consists of financial instruments valued substantially on the basis of observable input other than a quoted price for the instrument itself. If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes to market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no market exists. In such cases, the Group uses recent transactions in similar instruments and discounted cash flows or other generally accepted estimation and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value. 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.
- Valuation based on significant non-observable input (level 3): The valuation of certain financial instruments is based substantially on non-observable input. Such instruments include unlisted shares, some unlisted bonds and a limited portion of the derivatives portfolio (2%).

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 reclassifications 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 instead become liquid and have been moved from the Observable input to the Quoted prices category.

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

Valuation techniques

The most frequently used valuation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes models. As part of the Group's control environment, valuation models are validated by units that are independent of the business units that develop the models and trade in the products covered by the models. Validation is made to test the implementation, quality and operating stability of models to ensure that the models can be used for pricing and risk management of financial products.

Loans granted and bonds issued by Realkredit Danmark are recognised at the fair value of the issued bonds (the quoted price in an active market). The Group adjusts for changes to the fair value of the credit risk on borrowers etc. The adjustment is described further in note G16.

The value of derivatives, primarily long-term contracts, is determined on observable yields extrapolated to yield curves for the full duration of the contracts. Moreover, the very limited portfolio of credit derivatives is valued on the basis of observable input as well as assumptions about the probability of default (recovery rate). Unlisted shares are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEV) which are compliant with IFRS. IPEV guides the calculation of the estimated fair value of unlisted shares as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation methods include discounted cash flow models and pricing based on a multiple of earnings or equity.

Fair value adjustments

Management estimates underlie the valuation of financial instruments for which the value is based on valuation techniques. The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) on derivatives, funding risk (FVA and ColVA), bid-offer spreads on the net open position of portfolios with offsetting market risk, and model risk on level 3 derivatives.

Credit value adjustment (CVA), debit value adjustment (DVA) and funding value adjustment (FVA and ColVA)

The Group makes a fair value adjustment to cover the counterparty credit risk on derivatives with a positive fair value (CVA). For a given counterparty's portfolio of derivatives, CVA is calculated as a function of the probability of default (PD), the expected positive exposure (EPE) and the loss given default in the event of bankruptcy (LGD). The Group enters into derivatives transactions mainly with counterparties in the Scandinavian market.

The PDs used in the CVA model are derived from single name liquid credit default swap (CDS). If this is not available, the PDs are derived using proxy-mapping to a CDS index. For the calculation of EPE, the Group uses simulations to estimate the expected positive exposures to the counterparty's portfolio over the term of the derivatives. The exposure model is based fully on market-implied data. For the calculation of LGD, the Group uses market compliant LGD. However, for customers classified in stage 3 in relation to the expected credit loss impairment, CVA is calculated as if the derivatives were loans subject to impairment because of credit losses.

A fair value adjustment for derivatives with an expected negative exposure is made to cover the counterparty's credit risk on Danske Bank (DVA), with PD calculated according to principles similar to CVA. The Group uses PD values derived from Danske Bank's liquid CDS spread.

A fair value adjustment for derivatives to cover expected funding costs (FVA and ColVA) is calculated. FVA primarily arises from the cost of funding uncollateralised derivatives. The adjustment is a function of the unsecured funding curve and expected future exposures. ColVA takes into account the funding cost and benefit on collateralised derivatives. The ColVA adjustment is a function of expected collateral balances and cross-currency basis and repo spreads.

At the end of 2022, CVA, DVA, FVA and ColVA came to a net amount of DKK -94 million (2021: DKK 894 million), including the adjustment for credit risk on derivatives in stage 3.

Bid-offer spread

For portfolios of assets and liabilities with offsetting market risk, the Group bases its measurement of the portfolios on mid-market prices and makes fair value adjustments to recognise net assets at the bid price and net liabilities at the offer price (exit prices). At the end of 2022, these fair value adjustments totalled DKK 151 million (2021: DKK 106 million).

Model risk

To account for the uncertainty associated with measuring the value of derivatives on the basis of non-observable input (level 3 in the fair value hierarchy), the Group has established guidelines to quantify risk. The Group calculates and monitors the reserve on an ongoing basis. At the end of 2022, the reserve totalled DKK 0 million (2021: DKK 0 million).

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

Amortisation of initial margin

If, at the time of acquisition, a difference arises between the model value of a financial instrument, calculated on the basis of non-observable input and actual cost (day-one profit or loss), and the difference is not the result of transaction costs, the Group adjusts model parameters to actual cost to take the initial margin into account. Accordingly, 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 the above CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. At 31 December 2022, the value of unamortised initial margins was DKK 1,101 million (2021: DKK 1,381 million).

(DKK millions)	2022	2021
Unamortised initial margins at 1 January	1,381	1,407
Amortised to the income statement during the year	-592	-370
Initial margins on new derivatives contracts	530	449
Terminated derivatives contracts	-218	-105
Unamortised initial margins as at 31 December	**1,101**	**1,381**

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2022				
Financial assets				
Due from credit institutions and central banks	-	38,147	-	38,147
Derivatives	6,942	421,917	1,263	430,123
Interest rate contracts	6,942	298,988	317	306,248
Currency contracts etc.	-	122,929	946	123,875
Trading portfolio bonds	183,205	17,190	-	200,395
Trading portfolio shares	8,198	-	83	8,281
Investment securities, bonds	112,744	37,454	-	150,198
Investment securities, shares	-	-	1,187	1,187
Loans at fair value	-	932,677	-	932,677
Assets under pooled schemes and unit-linked investment contracts	66,499	-	-	66,499
Assets under insurance contracts, bonds	152,084	17,940	3,369	173,393
Danish mortgage bonds	48,867	7,414	327	56,608
Other covered bonds	103,217	10,526	3,042	116,785
Assets under insurance contracts, shares	123,565	4,788	47,045	175,398
Assets under insurance contracts, derivatives	817	72,406	863	74,086
Total	**654,054**	**1,542,519**	**53,810**	**2,250,384**
Financial liabilities				
Due to credit institutions and central banks	-	52,252	-	52,252
Derivatives	4,967	429,138	1,036	435,141
Interest rate contracts	4,967	292,553	332	297,852
Currency contracts etc.	-	136,585	704	137,289
Obligations to repurchase securities	113,830	5,327	23	119,180
Deposits	-	97,917	-	97,917
Issued bonds at fair value	697,389	-	-	697,389
Deposits under pooled schemes and unit-linked investment contracts	-	66,725	-	66,725
Total	**816,186**	**651,359**	**1,059**	**1,468,604**

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2021				
Financial assets				
Due from credit institutions and central banks	-	39,462	-	39,462
Derivatives	3,925	254,193	2,106	260,224
Interest rate contracts	3,819	181,799	1,557	187,176
Currency contracts etc.	106	72,393	549	73,048
Trading portfolio bonds	226,350	10,933	-	237,283
Trading portfolio shares	11,977	-	106	12,083
Investment securities, bonds	132,415	23,411	-	155,826
Investment securities, shares	-	-	1,230	1,230
Loans at fair value	-	1,024,461	-	1,024,461
Assets under pooled schemes and unit-linked investment contracts	76,654	-	-	76,654
Assets under insurance contracts, bonds	176,479	23,610	5,300	205,389
Danish mortgage bonds	63,737	10,530	434	74,701
Other covered bonds	112,742	13,080	4,866	130,688
Assets under insurance contracts, shares	156,574	4,998	45,353	206,925
Assets under insurance contracts, derivatives	-	107,636	2,234	109,870
Total	**784,374**	**1,488,704**	**56,329**	**2,329,407**
Financial liabilities				
Due to credit institutions and central banks	-	84,763	-	84,763
Derivatives	3,929	236,240	1,835	242,004
Interest rate contracts	3,819	160,810	722	165,351
Currency contracts etc.	110	75,430	1,113	76,653
Obligations to repurchase securities	130,396	2,443	116	132,955
Deposits	-	134,332	-	134,332
Issued bonds at fair value	794,909	-	-	794,909
Deposits under pooled schemes and unit-linked investment contracts	-	76,982	-	76,982
Total	**929,234**	**534,760**	**1,951**	**1,465,945**

Financial instruments valued on the basis of non-observable input

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

		Sensitivity (change in fair value)		Gains/losses for the period	
(DKK millions)	Carrying amount	Increase	Decrease	Realised	Unrealised
31 December 2022					
Unlisted shares					
allocated to insurance contract policyholders	47,045	-	-	6,423	-706
other	1,247	125	125	175	-31
Illiquid bonds	3,369	67	67	-128	-61
Derivatives, net fair value	1,090	-	-	-	-420
31 December 2021					
Unlisted shares					
allocated to insurance contract policyholders	45,353	-	-	3,950	7,802
other	1,220	122	122	125	-12
Illiquid bonds	5,300	101	101	120	117
Derivatives, net fair value	2,504	-	-	-	-909

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

For unlisted shares allocated to insurance contract policyholders, the policyholders assume most of the risk on the shares. Therefore, changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The Group's remaining portfolio of unlisted shares consists primarily of banking-related investments and holdings in private equity funds. The sensitivity of the fair value measurement to changes in the unobservable input disclosed in the table is calculated as a 10% increase or 10 % decrease in fair value. Under current market conditions, a 10 % decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. The unrealised adjustments in 2022 were attributable to various unlisted shares.

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

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

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

Reconciliation from beginning to end of period	2022			2021		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	46,573	5,300	2,504	36,028	7,438	3,083
Value adjustment through profit or loss	5,861	-189	-420	11,865	237	-909
Acquisitions	20,800	107	186	9,556	122	-191
Sale and redemption	-24,942	-1,849	-42	-10,611	-2,497	161
Transferred from quoted prices and observable input	-	-	-	-	-	-2
Transferred to quoted prices and observable input	-	-	-1,136	-265	-	363
Fair value end of period	**48,292**	**3,369**	**1,090**	**46,573**	**5,300**	**2,504**

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

(b) Financial instruments at amortised cost

In this section, the fair value of financial instruments recognised at amortised cost is presented. The fair value is based on quoted market prices, if available. If quoted prices are not available, the value is approximated to reflect the price that would have been fixed had the terms been agreed at the balance sheet date.

The fair values disclosed below are determined on the basis of the following principles:

Investment securities (bonds classified as held-to-collect), other issued bonds and subordinated debt

Quoted prices in an active market exist for a significant part of these financial instruments. If quoted prices in an active market do not exist, the Group uses an estimate of the current return required by the market to estimate the fair value.

Other financial instruments

The determination of the fair value of financial instruments recognised at amortised cost is based on the following preconditions relating to interest rate risk:

- For a significant number of the Group's deposits and loans, the interest rate depends on the standard variable rate fixed by the Group. The rate is adjusted only upon certain changes in market conditions. Such deposits and loans are considered to carry interest at a variable rate, as the standard variable rate fixed by the Group at any time applies to both new and existing arrangements.
- The interest rate risk on some fixed-rate loans extended by the Group is designated as a hedge of the interest rate risk on liabilities. Interest rate risk not hedging the interest rate risk on liabilities is hedged by derivatives. Such hedges are accounted for as fair value hedges, and the fair value of the hedged interest risk is adjusted in the carrying amount of the hedged financial instruments. Consequently, only fair value changes related to fixed-rate loans not hedged by derivatives are adjusted in the fair values presented in the table below.

For financial instruments that are only to a limited extent influenced by changes in credit risk, the amortised cost, including the adjustment for the fair value hedge accounting of the interest rate risk, is a reasonable approximation of fair value. This is the case for Due from/to credit institutions and central banks and Deposits.

It is assessed that the expected credit loss impairment model used for loans measured at amortised cost is a reasonable proxy for the fair value of the credit risk.

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

In the table below, fair value is presented for classes of financial instruments for which the carrying amount is not a reasonable approximation of fair value.

2022 (DKK millions)	Carring amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	151,573	139,815	128,391	11,424	-
Loans at amortised cost	1,082,818	1,075,778	-	7,972	1,067,807
Financial liabilities					
Issued bonds, including non-preferred senior bonds	285,918	285,755	259,335	8,230	18,189
Subordinated debt	38,350	36,579	37,091	-512	-

2021 (DKK millions)					
Financial assets					
Investment securities	146,721	146,286	132,476	13,810	-
Loans at amortised cost	1,027,442	1,026,701	-	8,035	1,018,666
Financial liabilities					
Issued bonds, including non-preferred senior bonds	331,508	334,761	274,019	32,913	27,830
Subordinated debt	39,321	40,835	40,427	408	-

(c) Impact of IBOR Reform on financial instruments

The Interest Rate Benchmark Reform is replacing existing benchmark inter-bank offered rates (IBORs) with alternative risk-free rates. At the beginning of 2019, the Group formally established an IBOR Transition Programme, the main objectives being to identify how the IBOR transition will affect the Group financially and operationally, and identify how cessation of IBOR publications would affect the Group's ability to service its customer base. The programme has looked at both the financial and operational impact of the transition towards risk free rates and how to engage with customers that have been affected. The programme will continue into 2023 as attention turns to the USD LIBOR contracts and the transition of these ahead of the 30 June 2023 deadline. In addition, the programme will also undertake implementation of DESTR, SWESTR and NOVA indexes into its core Nordic base.

Under IFRS 9, a change to the determination of the contractual cash flows of financial assets and financial liabilities at the date on which interest rate benchmarks are altered or replaced is applied prospectively by altering the effective interest rate to reflect, for example, the change in interest rate benchmark from IBOR to an alternative benchmark rate. This therefore does not lead to a modification gain or loss recognised in the income statement. A change must meet two conditions: (a) the change is necessary as a direct consequence of the reform, and (b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The table below shows the nominal contract amount of all non-derivative financial assets and non-derivative financial liabilities that are yet to transition to alternative rates, by the major reference rates. These exposures are segregated across a number of components parts: principally, USD LIBOR contracts that will be actively transitioned during 2023 before this benchmark ceases to be published after 30 June 2023; customer contracts that had an interest rate period that straddled the year-end and which will repay or be transitioned at the next interest rate reset, and legacy GBP contracts that continue to use Synthetic LIBOR until they can be re-negotiated. The financial instruments that are reported at amortised cost are disclosed at their gross carrying value and do not include any expected credit losses that are held against them. Balances held at fair value are reported at their fair value as at 31 December 2022. The nominal amount of derivatives that are yet to transition to alternative benchmarks is disclosed in G12(d).

Non-derivative financial instruments yet to transition to alternative benchmark rates

(DKK millions)	2022	2021
Financial assets		
USD LIBOR	3,994	21,144
GBP LIBOR	2	2,878
Other	1,195	461
Total	**5,191**	**24,483**
Financial liabilities		
USD LIBOR	1,954	4,288
GBP LIBOR	-	3,574
Other	654	43
Total	**2,608**	**7,905**

The amendments further introduce reliefs from existing hedge accounting requirements, which are detailed in G12(d).

Notes – Danske Bank Group

G34. Non-financial assets recognised at fair value

Non-financial assets are recognised at fair value on a recurring or non-recurring basis after initial recognition. Investment property is measured at fair value on a recurring basis, and assets that are marketed for sale and expected to be sold within one year are written down to fair value less expected costs to sell, i.e. measured at fair value on a non-recurring basis.

Accounting policy

Investment property (fair value on recurring basis)

Investment property is recognised at fair value through profit or loss. Property investments are made for own investment purposes and recognised under Other assets, or on behalf of insurance customers and recognised under Assets under insurance contracts and Assets under pooled schemes and unit-linked investment contracts. Value adjustments of investment property are recognised under Other income.

The fair value is assessed by the Group's valuers at least once a year on the basis of a discounted cash flow model.

Assets held for sale (fair value on non-recurring basis)

Assets held for sale are measured at the lower of their carrying amount and fair value less expected costs to sell and are no longer depreciated.

(a) Investment property (DKK millions)	2022	2021
Fair value as at 1 January	2,263	2,256
Value adjustment through profit or loss	-17	-35
Acquisitions and improvements	-114	279
Sale	289	237
Fair value as at 31 December	**1,843**	**2,263**

The investment properties included in the table above consist of investments made for own investment purposes. The valuations rely substantially on non-observable input. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of lessees. The required rate of return ranged between 2.5–8.0% (2021: 2.5-8.0%) and averaged 4.8% (2021: 4.9%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2022 by DKK 263 million (2021: DKK 276 million).

Investment properties held on behalf of insurance customers amount to DKK 24,815 million (2021: DKK 24,041 million), including DKK 8,218 million (2021: DKK 7,028 million) related to unit-linked investment contracts. Changes in the fair value of these will only to a limited extent affect the Group's net profit. The valuation is based on the same principles as investments made for own investment purposes. The required rate of return ranged between 2.5-7.5% (2021: 2.5-8.0%) and averaged 4.5% (2021: 4.6%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2022 by DKK 4,112 million (2021: DKK 3,645 million).

(b) Assets held for sale

Non-financial assets held for sale are measured at the lower of carrying value and fair value less expected costs to sell and include lease assets (where the Group act as lessor) put up for sale, and properties taken over by the Group under non-performing loan agreements. Note G23 provides more information. No significant changes in the fair value of non-financial assets held for sale occurred during 2022.

Notes – Danske Bank Group

G35. Related parties

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing of surplus liquidity and provision of short- and long-term financing are the primary services provided by Danske Bank A/S.

Danica Pension manages the pension plans of a number of related parties, and Danske Bank manages the assets of a number of the Group's pension funds.

Accounting policy

A related party to the Group is either a party over which the Group has control or significant influence or a party that has control or significant influence over the Group. All entities over which the Group has control are consolidated and are therefore not considered a related party to the Group.

Entities that are related parties to the Group comprise shareholders that have a significant holding of shares (significant influence over the Group), associates, joint venture partners or defined benefit pension plan providers (the Group has significant influence over the entity). Further, key management personnel, defined as members of the Board of Directors and the Executive Leadership Team, are related parties to the Group.

Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

(a) Related parties (DKK millions)	Parties with significant influence 2022	Parties with significant influence 2021	Associates 2022	Associates 2021	Board of Directors 2022	Board of Directors 2021	Executive Leadership Team 2022	Executive Leadership Team 2021
Loans and loan commitments	7,544	4,045	2,644	2,029	47	52	28	43
Securities and derivatives	1,035	2,667	11,698	11,736	-	-	-	-
Deposits	9,889	7,620	1,218	1,020	29	24	12	15
Derivatives	387	64	34	6	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-
Guarantees issued	166	127	6	6	-	-	-	-
Guarantees and collateral received	288	221	192	419	31	49	16	31
Interest income	121	58	77	56	1	1	-	-
Interest expense	19	4	15	1	-	-	-	-
Fee income	15	11	84	3	-	-	-	-
Dividend income	125	21	-	-	-	-	-	-
Other income	1	6	1	-	-	-	-	-
Loan impairment charges*	1	1	-	11	-	-	-	-
Trade in Danske Bank shares								
Acquisitions	-	-	-	-	2	-	6	-
Sales	-	-	-	-	-	-	-	-

* For parties with signifiant influence, all exposures are in stage 1

The Group is a listed company, with no shareholder having control over the Group. Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller Holding Group, Copenhagen, hold 21.3% of the share capital. Note G39 lists significant holdings in associates. The Board of Directors and Executive Leadership Team columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Leadership Team and their dependants, and facilities with businesses in which these parties have control, joint control or significant influence.

In 2022, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Leadership Team were 1.2% (2021: 1.3%) and 1.7% (2021: 1.6%), respectively. Notes G36 and G37 specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of the Danske Bank Group are also considered related parties. The Danske Bank Group has entered into transactions with these funds. Such transactions are not eliminated in the consolidated financial statements. Transactions with pension funds comprised loans in the amount of DKK 6 million (2021: DKK 6 million), deposits amounting to DKK 79 million (2021: DKK 102 million), DKK 10 million worth of bonds issued (2021: DKK 10 million), derivatives with a positive fair value of DKK 0 million (2021: DKK 0 million), derivatives with a negative fair value of DKK 404 million (2021: DKK 382 million), interest expenses of DKK 2 million (2021: DKK 2 million), fee income of DKK 0 million (2021: DKK 0 million) and pension contributions of DKK 12 million (2021: DKK 13 million).

The figures above do not include debt to related parties in the form of issued notes or bonds. Such notes or bonds are bearer securities, which means that Danske Bank does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers

This note gives information on the total remuneration of the Group's management in the form of the Board of Directors and the Executive Leadership Team, and remuneration of other material risk takers. This note further includes information on the Group's share-based payment. Remuneration Report 2021 available at danskebank.com/remuneration provides a detailed description of remuneration paid to the Board of Directors and the Executive Leadership team.

(a) Remuneration of the Board of Directors

Danske Bank's directors receive fixed remuneration only and are not covered by incentive programmes. Directors also receive a fee for board committee membership. The Board of Directors is remunerated by the parent company, Danske Bank A/S. No director has received remuneration for membership of the executive management or the Board of Directors in any of the Group's subsidiaries. The Group has no pension obligations towards the directors. At the end of 2022 there were 13 members of the Board (2021: 11 members).

Remuneration of the Board of Directors (DDK thousands)	2022	2021
Directors' remuneration	11,156	11,018
Remuneration for committee work	4,350	4,518
Total	**15,506**	**15,536**

* The presentation of the table above has been changed to separately disclose Directors' remuneration and Reumeration for committee work.However there is no change to total Remuneration of the Board of Directors in 2021.

(b) Remuneration of the Executive Leadership Team

For the Executive Leadership Team, a total remuneration of DKK 95.1 million for 2022 (2021: DKK 95.2 million) has been expensed,

Remuneration of the Executive Leadership Team (DKK millions)	2022	2021
Fixed remuneration	84	77
Variable remuneration	11	18
Total	**95**	**95**

Part of the variable remuneration of the Executive Leadership Team is provided as a share-based Long-term Incentive Programme as described in section (d). The variable share-based payment for 2022 includes deferred variable payments from the Short-term Incentive Programme to be paid in future financial years, in accordance with EBA regulations, and prorated provisions for the Long-term Incentive Programme. In the Remuneration Report, the value of the Long-term Incentive Programme grant is the grant value of the award for the 2022-2024 performance period, whereas just one third of the award granted is included within total variable remuneration here of DKK 11.4 million. Danske Bank Group's Remuneration Policy, February 2022 provides more information on the Group's remuneration policy. The policy is available at danskebank.com/remuneration-policy. Membership of the Board of Directors in one or more of the Group's subsidiaries is not remunerated separately but considered part of the Executive Leadership Team's responsibilities and as such part of the remuneration of the Executive Leadership Team.

At the end of 2022, the Executive Leadership Team had 8 members (2021: 8 members). Changes in the Executive Leadership Team during 2022 are detailed in the Management Report.

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

(c) Remuneration of other material risk takers

Danske Bank Group is required to identify all employees whose professional activities could have a material impact on the risk profile of Danske Bank in accordance with current legislation. Other material risk takers do not include members of the Board of Directors or the Executive Leadership Team.

At the end of 2022, 429 other material risk takers were designated (end of 2021: 482 other material risk takers). During 2022, 451 full-time-equivalents (FTEs) were designated as other material risk takers (2021: 469 FTEs). The 451 FTEs designated as other material risk takers earned remuneration of DKK 1,088 million (2021: 469 FTEs earned remuneration of DKK 994 million), with fixed remuneration amounting to DKK 864 million and variable remuneration amounting to DKK 224 million (2021: DKK 824 million and DKK 170 million, respectively). Variable pay for 2022 is estimated and the final figure is determined at the end of February 2023. The final variable pay for material risk takes will be published in the quantitative disclosure on material risk takers' remuneration, compliant with the Danish FSA and EBA requirements. The disclosure will be available at danskebank.com/remuneration in May 2023.

Of the above remuneration for 2022, 299 FTEs designated as other material risk takers at the parent company, Danske Bank A/S, earned remuneration of DKK 830 million (2021: DKK 762 million to 304 FTEs), with fixed remuneration amounting to DKK 650 million and variable remuneration amounting to DKK 180 million (2021: DKK 617 million and DKK 145 million, respectively).

The Group's pension obligations towards other material risk takers amounted to DKK 139 million to 62 employees at year-end 2022 (2021: DKK 264 million and 61 employees). Variable payment for other material risk takers is split into cash and equity shares according to EBA regulations. Further, 40-60% of variable payments are deferred for a minimum of three years. All variable payments are subject to back testing and claw-back if granted on the basis of results which has subsequently proven to not be sustainable or accurate.

(d) Share-based payment

The total expense recognised as Operating expenses in 2022 arising from share-based payments was DKK 57 million (2021: DKK 148 million). All share-based payments are equity-settled. The exact number of shares granted for 2022 will be determined at the end of March 2023.

The Group has granted rights to conditional shares under the bonus structure for material risk takers and other employees as part of their variable remuneration. Such employees have a performance agreement based on the performance of the Group, the business unit and the individual employee. Part of the Danske Bank shares granted to material risk takers are, as required by the EBA, deferred (see section (c) above on variable payment). The fair value at the grant date is measured at the expected monetary value of the underlying agreement.

The variable remuneration of the Executive Leadership Team is provided as part of a Short-term Incentive Programme and a Long-term Incentive Programme. The Short-term Incentive Programme is structured as the programme for other material risk takers, as described above. However, the rights to Danske Bank shares are deferred for five years, followed by a one year retention period before shares are available to trade. The Long-term Incentive Programme is based on total shareholder return performance relative to peers over a three-year performance period. In 2022, there were three Long-term Incentive Programmes running and the programmes have a vesting period of three years. The programmes running during 2022 were the 2020-2022, the 2021-2023 and the 2022-2024. Long-term Incentive Programmes. After the vesting period, part of the shares will be paid out. The remaining shares are deferred for five years from grant date followed by a one year retention period before shares are available to trade. The remuneration is subject to back-testing and claw-back. The fair value of the Long-term Incentive programmes at the grant date was DKK 5.6 million for the 2022-2024 programme and DKK 5.4 million for the 2021-2023 programme. The fair value of the shares is calculated at the grant date, which includes valuing market conditions. The estimated fair value is based on relevant assumptions, which relate to the expected return on equity and volatility relative to peers. The fair value at grant date is expensed over the three-year vesting period.

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

Conditional shares	Number				Fair value (FV)	Fair value
	Executive Leadership Team	Other staff	Total	Employee payment price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2016						
1 January 2021	-	4,094	4,094	-	0.7	0.6
Vested 2021	-	-98	-98	-		
Forfeited 2021	-	-3,757	-3,757	-		
Other changes 2021	-	-	-	-		
31 December 2021	-	239	239	-	0.0	0.0
Vested 2022	-	-	-	-		
Forfeited 2022	-	-	-	-		
Other changes 2022	-	-	-	-		
31 December 2022	-	239	239	-	-	0.0
Granted in 2017						
1 January 2021	3,291	28,698	31,989	-	7.6	4.4
Vested 2021	-3,291	-16,584	-19,875	-		
Forfeited 2021	-	-8,366	-8,366	-		
Other changes 2021	-	1,630	1,630	-		
31 December 2021	-	5,378	5,378	-	1.3	0.7
Vested 2022	-	-	-	-		
Forfeited 2022	-	-	-	-		
Other changes 2022	-	-	-	-		
31 December 2022	-	5,378	5,378	-	1.3	0.7
Granted in 2018						
1 January 2021	21,213	454,653	475,866	-	111.5	65.3
Vested 2021	-2,409	-397,696	-400,105	-		
Forfeited 2021	-	-343	-343	-		
Other changes 2021	-11,733	-24,820	-36,553	-		
31 December 2021	7,071	31,794	38,865	-	9.1	5.3
Vested 2022	-	-3,517	-3,517	-		
Forfeited 2022	-	-	-	-		
Other changes 2022	-6,009	-14,253	-20,262	-		
31 December 2022	1,062	14,024	15,086	-	3.5	2.1
Granted in 2019						
1 January 2021	56,493	456,053	512,546	-	63.7	70.4
Vested 2021	-	-1,122	-1,122	-		
Forfeited 2021	-	-11,420	-11,420	-		
Other changes 2021	-15,619	20,656	5,037	-		
31 December 2021	40,874	464,167	505,041	-	62.7	69.3
Vested 2022	-837	-357,950	-358,787	-		
Forfeited 2022	-	-13,588	-13,588	-		
Other changes 2022	-40,037	-61,507	-101,544	-		
31 December 2022	-	31,122	31,122	-	3.9	4.3
Granted in 2020						
1 January 2021	158,140	671,134	829,274	-	80.1	113.9
Vested 2021	-	-844	-844	-		
Forfeited 2021	-	-24,420	-24,420	-		
Other changes 2021	-39,288	46,719	7,431	-		
31 December 2021	118,852	692,589	811,441	-	78.4	111.4
Vested 2022	-	-844	-844	-		
Forfeited 2022	-	-13,579	-13,579	-		
Other changes 2022	-38,632	38,632	-	-		
31 December 2022	80,220	716,798	797,018	-	77.0	109.4

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

Conditional shares	Number				Fair value (FV)	Fair value
	Executive Leadership Team	Other staff	Total	Employee payment price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2021						
1 January 2021	208,049	1,047,538	1,255,587	-	148.4	172.4
Vested 2021	-1,385	-357,270	-358,655	-		
Forfeited 2021	-	-26,203	-26,203	-		
Other changes 2021	-45,042	49,451	4,409	-		
31 December 2021	161,622	713,516	875,138	-	103.2	120.2
Vested 2022	-	-	-	-		
Forfeited 2022	-	-36,838	-36,838	-		
Other changes 2022	-48,001	42,061	-5,940	-		
31 December 2022	113,621	718,739	832,360	-	98.7	114.3
Granted in 2022						
Granted in 2022	201,501	1,491,389	1,692,890	-	194.3	232.4
Vested 2022	-	-443,007	-443,007	-		
Forfeited 2022	-	-23,465	-23,465	-		
Other changes 2022	-28,873	28,873	-	-		
31 December 2022	172,628	1,053,790	1,226,418	-	140.7	168.4

Other staff includes material risk takers and other employees eligible for share-based payment.

At the end of 2022, the Executive Leadership Team held a total of 367,531 conditional shares with fair value of DKK 50.5 million (2021: 328,419 conditional shares with fair value of DKK 37.1 million). See Remuneration Report 2022 for further details of the Executive Leadership Team's holdings.

In 2022, the average price at the vesting date for rights to conditional shares was DKK 113.3 (2021: DKK 109.6).

Notes – Danske Bank Group

G37. Danske Bank shares held by the Board of Directors and the Executive Leadership Team

(Number)	Beginning of 2022	Upon appointment/ retirement	Additions	Disposals	End of 2022
Board of Directors					
Martin Blessing	-	-	15,000	-	15,000
Jan Thorsgaard Nielsen	20,000	-	-	-	20,000
Carol Sergeant	7,023	-	-	-	7,023
Lars-Erik Brenøe	29,305	-	-	-10*	29,295
Jacob Dahl	-	-	-	-	-
Raija-Leena Hankonen-Nybom	2,890	-	3,000	-	5,890
Bente Avnung Landsnes	8,000	-	-	-	8,000
Allan Polack	-	3,800	-	-	3,800
Helle Valentin	-	600	-	-	600
Bente Bang	882	-	380	-	1,262
Kirsten Ebbe Brich	3,796	-	-	-	3,796
Aleksandras Cicasovas	-	-	-	-	-
Louise Aggerstrøm Hansen	-	676	-	-	676
Karsten Dybvad	10,958	-10,958	-	-	-
Thorbjørn Lundholm Dahl	2,724	-2,724	-	-	-
Charlotte Hoffmann	6,000	-6,000	-	-	-
Total	**91,578**	**-14,606**	**18,380**	**-10**	**95,342**
Executive Leadership Team					
Carsten Rasch Egeriis	1,334	-	23,140	-	24,474
Magnus Agustsson	-	-	-	-	-
Berit Behring	19,129	-	837	-	19,966
Christian Bornfeld	-	-	8,000	-	8,000
Karsten Breum	62,013**	-	-	-	62,013
Stephan Engels	15,000	-	8,000	-	23,000
Johanna Norberg	-	10,480	5,827	-	16,307
Frans Woelders	-	-	5,000	-	5,000
Glenn Söderholm	40,752	-40,752	-	-	-
Philippe Vollot	-	-	-	-	-
Total	**138,228**	**-30,272**	**50,804**	**-**	**158,760**

* This disposal is not a sale, but is due to a change in the immediate household.

** Beginning of 2022 balance has been adjusted from 66,936 to 62,013 shares.

Danske Bank discloses all additions, disposals and total holdings of members of the Board of Directors and the Executive Leadership Team and their immediate family. The total holdings of conditional shares of the members of the Executive Leadership Team is disclosed in note G36.

Notes – Danske Bank Group

G38. Group holdings and undertakings

This note provides information on subsidiaries.

Accounting policy

The financial statements consolidate Danske Bank A/S and group undertakings in which the Group has control over financial and operating policy decisions. Control is said to exist if Danske Bank A/S, directly or indirectly, is exposed, or has rights, to variable returns from the involvement with the entity and has the ability to affect these returns through the power over the entity. Power exists if Danske Bank A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Operating policy control may be exercised through agreements about the undertaking's activities. In the rare situations where potential voting rights exist, these are taken into account if Danske Bank has the practical ability to exercise these rights.

When assessing whether to consolidate investment funds, the Group reviews all facts and circumstances to determine whether the Group, as fund manager, is acting as agent or principal. The Group is deemed to be a principal, and the Group controls and consolidates a fund when it acts as fund manager and cannot be removed without cause (i.e. when kick-out rights are weak), has variable returns through significant holdings, and is able to influence the returns of the funds by exercising its power. Holdings where all returns belong to customers (pooled schemes and unit-linked investment contracts) are not considered as exposure to variable returns, whereas holdings where the majority of the returns belong to customers (holdings related to insurance contracts) are considered only limited exposure to variable returns.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intra-group transactions, balances and trading profits and losses.

Undertakings acquired are included in the financial statements at the time of acquisition. The net assets of such undertakings (assets, including identifiable intangible assets, less liabilities and contingent liabilities) are measured at fair value at the date of acquisition according to the acquisition method.

If the cost of acquisition (until 1 January 2010 including direct transaction costs) exceeds the fair value of the net assets acquired, the excess amount is recognised as goodwill. Goodwill is recognised in the functional currency of the undertaking acquired. The portion of the acquisition that is attributable to non-controlling interests does not include goodwill.

Divested undertakings are included in the financial statements until the transfer date. Changes in the ownership share in a subsidiary that do not result in loss of control are accounted for as equity transactions. This implies that the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interest in the subsidiary, and any difference between the fair value of the consideration paid/received and the adjustment made to non-controlling interests is attributed to the shareholders of Danske Bank A/S. If changes in the ownership share in a subsidiary result in the loss of control, any investment retained in the former subsidiary is recognised at fair value, and amounts recognised under Other comprehensive income are reclassified to the income statement or transferred directly to retained earnings if so required by other IFRSs. The difference between the fair value of the consideration received plus any investment retained in the former subsidiary and the carrying amount of the net assets in the subsidiary less the carrying amounts of any non-controlling interests is recognised in the income statement.

Held-for-sale group undertakings

Companies taken over by the Group under non-performing loan agreements and actively marketed for sale and expected to be sold within 12 months of classification are recognised as held-for-sale. Assets and liabilities in such companies are presented under Other assets and Other liabilities. The assets are recognised at the lower of cost and fair value less expected costs to sell.

(a) Further explanation

All credit institutions and insurance companies supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities and dividend payouts.

Danica Pension has an obligation to allocate part of the margin by which Danica Pension's equity exceeds the statutory solvency requirement to certain policyholders who were previously policyholders of Statsanstalten for Livsforsikring (now part of Danica Pension). This applies only if the margin exceeds the margin in Statsanstalten for Livsforsikring before the privatisation in 1990 and relates to any excess included in the shareholders' equity or paid out as dividend. Such special allotments are expensed and recognised under Net insurance benefits.

Restrictions impacting the Group's ability to use assets are disclosed in note G31 and include, among others, assets pledged as collateral under repo transactions funded by covered bonds and assets held by insurance subsidiaries that are primarily held to satisfy obligations to policyholders' savings.

The Group has established a number of investment funds in which the Group acts as fund manager. The Group has consolidated investment funds of DKK 6,033 million (2021: DKK 11,814 million), as the Group is deemed to be acting as principal rather than agent in its role as fund manager and as the Group is the sole investor. The investments are held to satisfy obligations towards insurance policyholders and are recognised under Assets under insurance contracts. The Group does not have consolidated structured entities in the form of securitisation vehicles or asset-backed financing vehicles.

(b) Acquisition of subsidiary undertakings

The Group did not make any acquisitions of undertakings in 2022 or 2021.

Notes – Danske Bank Group

G38. Group holdings and undertakings continued

(c) List of significant subsidiaries

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	8,621,846	-5,068	160,318	
Credit institutions					
Danske Bank International S.A., Luxembourg	EUR	9,000	302	558	100
Danske Hypotek AB (publ), Stockholm	SEK	50,000	454	4,825	100
Danske Mortgage Bank Plc, Helsinki	EUR	70,000	97	2,624	100
Northern Bank Limited, Belfast	GBP	218,170	555	4,825	100
Realkredit Danmark A/S, Copenhagen	DKK	630,000	3,629	49,477	100
Insurance operations					
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	DKK	1,101,000	-1,574	20,279	100
Investment and real estate operations etc.					
Danica Ejendomsselskab ApS, Copenhagen	DKK	4,410,000	1,061	36,074	100
Danica Kapitalforvaltning K/S, Copenhagen	DKK	10,000	619	629	100
Danske Invest Asset Management AS, Trondheim	NOK	6,000	36	92	100
Danske Invest Management A/S, Copenhagen	DKK	120,000	131	398	100
Danske IT and Support services India Private Limited, Bangalore	INR	3,228	99	207	100
Danske Leasing A/S, Birkerød	DKK	10,000	444	4,012	100
Danske Markets Inc., Delaware	USD	2,000	5	350	100
Danske Private Equity A/S, Copenhagen	DKK	6,000	66	121	100
DDB Invest AB, Stockholm	SEK	100,000	-	156	100
home a/s, Åbyhøj	DKK	15,000	64	166	100

The list above includes significant active subsidiary operations only.

MobilePay A/S and Danica Pensjonforsikring AS (Danica Pension business segment in Norway) were sold in 2022. See note G23 for details.

The Group´s ownership share of the other subsidiaries is unchanged from 2021 to 2022. The financial information above is extracted from the companies´ most recent annual reports prior to 2 February 2023.

Notes – Danske Bank Group

G39. Interests in associates and joint arrangements

This note provides information about the Group's interests in associates and joint arrangements.

Accounting policy

Joint ventures and associates are entities other than group undertakings in which the Group has holdings and joint control with one or more parties or significant but not controlling influence, respectively. The Group generally classifies entities as joint ventures/associates if Danske Bank A/S, directly or indirectly, holds 20-50% of the share capital and has influence over management and operating policy decisions. Holdings in joint ventures and associates are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate share of the net profit or loss of the individual entity is included under Income from holdings in associates. The share is calculated on the basis of data from financial statements with balance sheet dates no earlier than three months before the Group's balance sheet date. If objective evidence of impairment exists, the investment is recognised at the lower of carrying amount and the present value of future cash flows.

The proportionate share of the profit or loss on transactions between associates/joint ventures and group undertakings is eliminated.

Ownership shares held by the Group's insurance business are treated as held by a venture capital organisation and are measured at fair value.

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Vipps AS, Oslo	NOK	23,123	-84	1,834	27.8

The financial information above is extracted from the most recent annual reports prior to 2 February 2023.

The total carrying amount of holdings in associates amounted to DKK 536 million (2021: DKK 206 million) and is presented under Other assets in note G24. The list above includes significant associates held at end 2022.

In June 2021, Danske Bank entered into an agreement with OP Financial Group in Finland and the consortium of banks behind Vipps in Norway to merge the three mobile payment providers MobilePay, Vipps and Pivo into one comprehensive digital wallet serving 11 million users and over 400,000 shops and web shops. Following dialogue with the EU's Directorate-General for Competition, it was decided that OP Financial Group (in Finland) would no longer be a co-owner, and hence Pivo would not be part of the merger.

In October 2022, the agreement between Danske Bank and the consortium of banks behind Vipps to merge MobilePay and Vipps was approved by all relevant authorities, including the EU Commission. The parties completed the transaction during the fourth quarter of 2022, resulting in a gain DKK 415 million for Danske Bank. Danske Bank now owns 27.8% of the new parent company, Vipps AS, which is classified as a joint venture.

Sanistål, which was taken over by the Group under a non-performing loan agreement, is a listed company. During 2022, the Group, together with the other owners, entered into an agreement to sell the shares in the associate undertaking Sanistål A/S. The sale settled in December 2022, resulting in a gain of DKK 170 million for Danske Bank.

The Group does not have any other significant holdings in joint ventures or joint operations.

There are no other significant restrictions on the ability of associates to transfer funds to Danske Bank Group in the form of dividends or to repay loans granted.

Notes – Danske Bank Group

G40. Interests in unconsolidated structured entities

The Group has established a number of investment funds in which the Group acts as fund manager. The Group is entitled to receive management fees based on the assets under management. The Group may also retain units in these funds. The assets in unconsolidated investment funds managed by the Group totalled DKK 660.8 billion (2021: DKK 858.7 billion). The Group retained holdings of DKK 64.6 billion (2021: DKK 151.6 billion) in these funds. Substantially all of these holdings are related to pooled schemes, unit-linked investment contracts and insurance contracts. Income generated to the Group in the form of management fees amounted to DKK 3.7 billion (2021: DKK 4.0 billion). In addition, the Group has holdings in private equity investment funds of DKK 0.1 billion (2021: DKK 0.1 billion).

The Group has limited exposure to structured securitisation entities. The exposure dates back to the period between 2001-2007 when the Group acted as an investor. This involved the purchase of bonds and entering into facilities for securitisation assets that were either structurally senior or triple A-rated by at least one of the major rating agencies. The Group has not acted as a sponsor or an orginator, and none of the assets of the structured entities were previously held on the Group's balance sheet. The remaining exposure consists mainly of liquidity facilities and is reported as part of the credit exposure in the Non-core segment. At end-2022, the gross exposure amounted to DKK 2.4 billion (2021: DKK 3.6 billion). During the year, the Group did not provide any non-contractual financial or other support to any of the structural entities. The key risk on the portfolio relates to the underlying securitisation transactions, which consist mainly of commercial and residential mortgage loans originated in the UK and Germany.

Notes – Danske Bank Group – Risk management

G41. Risk management notes

The Danske Bank Group assumes risks to support the activities of the Group's customers, while ensuring stability of the Group's financial position to the benefit of a shareholders, society, customers and employees. The Group applies an enterprise risk management (ERM) framework that sets common standards for how the Group manages risk across all risk types and organisational entities. The framework defines the Group's risk taxonomy, risk roles and responsibilities, risk governance, approach to risk appetite, and risk culture. The framework is supported by policies approved by the Board of Directors.

The Group's risk management practices are organised in line with the principles of the three-lines-of-defence model. The three lines of defence segregate duties between 1) units that enter into business transactions with customers or otherwise expose the Group to risk (risk ownership), 2) units in charge of risk oversight and challenge in respect of risk owners (risk oversight), and 3) Group Internal Audit (risk assurance).

The Management's report and Risk Management 2022 provide a detailed description of Danske Bank Group's risk management practices, including on life insurance and non-financial risk. Risk Management 2022 is available at danskebank.com/ir. The publication is not covered by the statutory audit.

Risk exposure

The risk taxonomy organises and visualises the most material risk types applicable to the Group and is intended to ensure adequate risk identification and ownership across the Group. The risk types cover both financial and non-financial risks, and roles and responsibilities are defined for each identified risk type to ensure continued risk assessment and monitoring. The taxonomy is reviewed on an annual basis to ensure its relevance.

The main categories of risks are the following:

- Credit risk: The risk of losses because debtors or counterparties fail to meet all or part of their payment obligations to the Group.
- Market risk: The risk of losses because the fair value of the Group's assets, liabilities and off-balance-sheet items varies with changes in market conditions.
- Liquidity risk: The risk that a lack of funding leads to excessive costs or prevents the Group from maintaining its business model, or from fulfilling its payment obligations.
- Life insurance risk: All types of risk at Danica Pension, including pension-related market risk, insurance risk and operational risk and ESG risk.
- Non-financial risk. The risk of financial losses or gains, regulatory impact, reputational impact or customer impact resulting from inadequate or failed internal processes, people ord systems or from external events, including legal and compliance risks.

Cross-taxonomy risk are elements that can impact all the risk types listed in the ERM Risk Taxonomy. These must be considered as part of the risk assessment process, as they can affect the size of the risk. Cross-taxonomy risks include Conduct risk, Reputational risk and Sustainability risk. As an example, the Group defines sustainability risk as the risk of a significant negative impact on the Group's performance – including financial and reputational impacts – as a result of current or future environmental, social and governance (ESG) events or conditions.

Danica Pension is a wholly-owned subsidiary of Danske Bank A/S. As required by Danish law and the Danish Executive Order on the Contribution Principle, Danica Pension has notified the Danish Financial Supervisory Authority (the Danish FSA) of its profit policy. The contribution principle and the profit policy mean that policyholders assume risks and receive the returns on assets allocated to them. Assets are allocated to policyholders to secure their guaranteed benefits. Market risk and other risks on assets and liabilities allocated to policyholders are therefore not consolidated in the tables of this section, but are treated in the section on life insurance risk.

Notes – Danske Bank Group – Risk management

Total capital

Capital risk is the risk of not having enough capital to cover all material risks arising from the Group's chosen business strategy.

The Danske Bank Group (the Group) has licences to provide financial services and must therefore comply with the capital requirements of the Capital Requirements Regulation (CRR) and the Danish Financial Business Act. The Danish rules are based on the EU Capital Requirements Directive (CRD) and apply to both Danske Bank A/S (the Parent Company) and the Group. Similarly, the Group's financial subsidiaries in and outside Denmark must comply with local capital requirements. The regulatory requirements stipulate a minimum capital level of 8% of the total risk exposure amount (REA) under Pillar I (including risk exposure amounts for credit risk, counterparty credit risk, market risk and operational risk). In addition, financial institutions are required to calculate their solvency need under Pillar II to reflect all relevant risks. Danske Bank A/S is designated a systemically important financial institution (SIFI) in Denmark. This means that the Group is subject to stricter requirements than non-SIFIs. The Group's SIFI buffer requirement is set at an additional 3% above the regulatory requirements and must be funded with common equity tier 1 (CET1) capital.

The Group's total capital consists of tier 1 capital (share capital and additional tier 1 capital after deductions) and tier 2 capital (subordinated loan capital after deductions).

The Group's CET1 capital is based on the carrying amount of shareholders' equity and adjusted with the following main deductions.

- Adjustments to eligible capital instruments
- Deferred tax assets that rely on future profitability
- Defined benefit pension fund assets
- Intangible assets of banking operations, including goodwill
- Minimum loss coverage for non-performing exposures
- Expected/proposed dividends
- Prudent valuation
- Prudential filters
- Reversal of the effect of IFRS 9 (expected credit losses) implementation due to transitional rules
- Statutory deductions for insurance subsidiaries

The presentation of the Group's total capital in the statement of capital shows the difference between the carrying amount of shareholders' equity and CET1 capital. At the end of 2022, the Group's CET1 capital amounted to DKK 149.2 billion (2021: DKK 151.9 billion), and its CET1 capital ratio was 17.8% (2021: 17.7%)

The Group's additional tier 1 capital and tier 2 capital may, subject to certain conditions, be included in total capital. The conditions are described in the CRR. Notes G22 and G25 show additional tier 1 capital and tier 2 capital. At the end of 2022, the Group's total capital was DKK 185.3 billion (2021: DKK 192.8 billion), and its total capital ratio was 22.1% (2021: 22.4%). The Group's tier 1 capital was DKK 164.5 billion (2021: DKK 171.9 billion), and its tier 1 capital ratio was 19.6% (2021: 20.0%).

Risk Management 2022 provides a description of the Group's solvency need.

The target for the CET1 capital ratio was kept at above 16% in the short term to ensure a sufficiently prudent buffer in relation to the capital requirement. This implies a management buffer of at least 2.4% in relation to the fully phased-in CET1 capital requirement. The target for the total capital ratio was kept at above 20%.

The Group aspires to improve its credit ratings, which are important for its access to liquidity and for the pricing of its long-term funding. The Group therefore includes rating targets in its capital considerations.

Notes – Danske Bank Group – Risk management

Credit risk

The Group offers loans, credits, guarantees and other products as part of its business model and thus takes on credit risk.

Credit risk is the risk of losses because debtors or counterparties fail to meet all or part of their payment obligations to the Group.

In accordance with the Group's Credit Policy, the Group carefully assesses the financial situation of customers to ensure that loans granted are suited to their needs and financial capacity and that customers understand their financial obligations.

In order to mitigate credit risk, the Group uses a number of measures, including collateral, guarantees and covenants.

Further information on the Group's risk management practices related to credit risk can be found in the report Risk Management 2022.

Sustainability risk

The Group may be exposed to sustainability drivers. Credit risk is deemed to be the risk type most materially affected by sustainability drivers. Sustainability and ESG considerations are integrated into the Group's lending practices.

The Group publishes its viewpoints on a number of sustainability themes in position statements that outline the Group's expectations and, in some cases, list restrictions on loans granted to businesses that are particularly exposed to sustainability risks. Restrictions are integrated into the Group's Credit Risk Policy and underlying instructions, which further specify due diligence requirements to identify, assess and manage the relevant risks in credit processes at both the customer and portfolio levels. At a customer level relationship managers use a digital system to identify and assess each customer's sustainability risk level through a set of sector-specific environmental, social and governance questions for both new and existing business customers. The customer-level sustainability risk assessments serve as input factors in the overall credit decision process. At a portfolio level, sustainability risks are identified, assessed and monitored as part of the annual industry reviews, which includes an in-depth assessment of sub-industries and the largest customers. When deemed necessary, the sustainability risk findings are integrated into the credit risk appetite to allow for portfolio steering.

Climate risk is currently the most urgent of all ESG-related drivers capable of affecting the Group's credit risk. From a financial materiality perspective, climate-related risks have been deemed most relevant for the Group's lending activities. Climate risk pertains to transition risks, which are the risks associated with shifting to a low-carbon economy, and to physical risks arising from projected climate changes such as weather-related hazards.

The Group takes a risk-based approach in prioritising risk management efforts for credit portfolios that are likely to be most exposed to transition and physical risks. For that purpose, the Group's climate risk heat map is based on a mix of qualitative and quantitative input to define the credit exposures most exposed to transition and physical risks. The lending activities most likely to be exposed to future transition risks relate primarily to heavy-emitting sectors. These sectors are estimated to account for around 14%[1] (2021: 15%) of the Group's total lending activities, with the risk concentrated to a few portfolios. For example, emissions can predominantly be attributed to sectors such as Shipping, oil and gas. Transition risk is managed at the portfolio-level through long-term targets for sectors with high financed emissions and risk appetite limits as well as at a customer-level by differentiating between customers who are preparing for and undertaking the necessary transition and customers not accelerating fast enough on their transition plans. Physical risks are identified mainly for collateral-related exposure (flooding risk, in particular) by using data on historically worst flood events and most extreme climate projections. As a result, assessments are considered to be conservative. Flooding risk is the primary physical risk hazard to be taken into consideration in the Nordic countries, with identified risk exposures amounting to around 3.6%[1] (2021: 6%) of the Group's total lending activities. The Group's risks associated with flooding risk are managed primarily at the portfolio level. The exposure related to high physical risks includes non-collateralised exposure only to a limited extent.

The climate heat map gives an indication of the size of the exposure at risk and not the expected stress impacts such as impact on expected stress effects such as impairment charges. Such quantitative measures are to be assessed through scenario analysis and future stress testing. Climate scenario analysis is already being performed - following the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) for key sectors for both transition risk and physical risk such as for the oil and gas, agriculture and property portfolios. The Group will continue to refine the climate risk heat map as more climate risk data becomes available to support the identification of both transition and physical risks for the purpose of determining financial materiality, however conclusions have not led to adjustments to staging or expected credit losses, as the impacts either manifest over a longer time period than loan maturities, or as transition risks are concentrated on sectors with downside risks already recognised in the bank's expected credit losses, for instance in the agriculture and oil and gas portfolios.

See the Group's risk management report; Risk Management 2022 for more information on Sustainability risk and the Group's additional Pillar III Disclosures for more information on Climate risk. The publicaitons are available at danskebank.com/ir. The publications are not covered by the statutory audit.

[1] Year-on-year decrease in exposure at risk for both transition and physical risk is due to updates to the methodology related to EPC labels and flood risk maps in Denmark, lowering the exposure at risk for the property-related portfolios. The overall risk profile is considered to be stable compared to 2021. The Group will continue to refine the climate risk heat map and will be subject to change.

Notes – Danske Bank Group – Risk management

Credit exposure continued

Credit exposure

Credit exposure consists of balance sheet items and off-balance-sheet items that carry credit risk. Most of the exposure derives from lending activities in the form of secured and unsecured loans. The Non-core business unit is not considered part of Danske Bank's core activities and is stated separately. Securities positions taken by the Group's trading and investment units also entail credit risk and are presented as credit exposure from trading and investment securities as well as derivatives and loans at the Group's trading units.

The overall management of credit risk thus covers credit risk from direct lending activities, counterparty credit risk on derivatives and loans at the Group's trading units and credit risk from securities positions.

The Group's exposure to the risk on some balance sheet items is limited. This is the case for assets under customer-funded investment pools, unit-linked investment contracts and insurance contracts. The risk on assets under pooled schemes and unit-linked investment contracts is assumed solely by the customers, while the risk on assets under insurance contracts is assumed primarily by the customers. The section on life insurance risk describes the Group's credit risk on insurance contracts.

Breakdown of credit exposure

(DKK billions) 31 December 2022	Total	Lending activities Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	168.4	168.4	-	-	-	-
Due from credit institutions and central banks	60.8	22.7	-	38.1	-	-
Trading portfolio assets	638.8	-	-	430.1	208.7	-
Investment securities	303.0	-	-	-	303.0	-
Loans at amortised cost	1,082.8	1,081.7	1.2	-	-	-
Loans at fair value	932.7	724.1	-	208.6	-	-
Assets under pooled schemes and unit-linked investment contracts	66.5	-	-	-	-	66.5
Assets under insurance contracts	455.4	-	-	-	-	455.4
Assets held for sale	-	-	-	-	-	-
Off-balance-sheet items						
Guarantees	81.4	81.4	-	-	-	-
Loan commitments shorter than 1 year	236.1	234.8	1.3	-	-	-
Loan commitments longer than 1 year	199.9	199.9	-	-	-	-
Other unutilised commitments	15.2	-	-	-	0.1	15.1
Total	**4,240.9**	**2,512.8**	**2.5**	**676.9**	**511.7**	**537.0**
31 December 2021						
Balance sheet items						
Demand deposits with central banks	286.6	286.6	-	-	-	-
Due from credit institutions and central banks	71.2	31.7	-	39.5	-	-
Trading portfolio assets	509.6	-	-	260.2	249.4	-
Investment securities	303.8	-	-	-	303.8	-
Loans at amortised cost	1,027.4	1,026.1	1.3	-	-	-
Loans at fair value	1,024.5	809.9	-	214.6	-	-
Assets under pooled schemes and unit-linked investment contracts	76.7	-	-	-	-	76.7
Assets under insurance contracts	547.8	-	-	-	-	547.8
Assets held for sale	28.5	4.5	-	-	-	24.0
Off-balance-sheet items						
Guarantees	81.0	81.0	-	-	-	-
Loan commitments shorter than 1 year	271.9	270.3	1.6	-	-	-
Loan commitments longer than 1 year	205.5	205.5	-	-	-	-
Other unutilised commitments	16.2	-	-	-	0.1	16.0
Total	**4,450.5**	**2,715.6**	**2.9**	**514.3**	**553.3**	**664.5**

In addition to credit exposure from lending activities, the Group had made uncommitted loan offers and granted uncommitted lines of credit of DKK 216 billion at 31 December 2022 (2021: DKK 194 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

The Group's direct exposure to Russia and Ukraine amounted to less than DKK 0.1 billion at 31 December 2022.

Notes – Danske Bank Group – Risk management

Credit exposure continued

Credit exposure from core lending activities

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

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

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. While all large customers are rated, the Group uses fully automated and statistically-based scoring models for small customers such as personal customers and small businesses. Credit scores are updated monthly in a process subject to automated controls.

The Group has developed a number of classification models to assess customer PD and to classify customers in various segments.

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 losses 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. 30 days past due is considered a backstop. 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.

Management applies judgement and recognises post-model adjustments to cover risks that are not reflected sufficiently in the Group's expected credit loss model. Besides increasing the expected credit losses, the post-model adjustments may lead to the transfer of part of the gross exposure covered by the post-model adjustments from stage 1 to stage 2 through targeted PD pushes to the current point in time estimates of PD (i.e. increases in the PD for the underlying customers in the selected portfolios covered by the post-model adjustments) to ensure consistency between the methods used for disclosing information about expected credit losses and exposures subject to significant increase in credit risk. While the distribution of customers between the Group's 11 rating categories is unchanged and reflects the current point-in-time estimate of the underlying customers' PDs, the PD pushes may lead to the transfer of gross exposures to stage 2 as the assessment of the increase in credit risk is performed by comparing the initial PD with the current PD (after the adjustment for the targeted PD pushes).

Notes – Danske Bank Group – Risk management

Credit exposure continued

Expected credit losses

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). For exposures in stage 1, 12- month expected credit losses are recognised, while lifetime expected credit losses are recognised for exposures in stage 2-3. For further information see note G15.

Credit portfolio in core activities broken down by rating category

The Group implemented a new Definition of Default in January 2022 in order to align the existing definition of default for accounting with the regulatory purposes. According to the new definition of default, all exposures in stage 3 are considered default. As a result, all non-performing loans are now considered default, and hence equal to the total of stage 3 exposures.

Although Stage 3 and default (rating 11) are generally aligned, a small amount of credit exposure in stage 3 can be found outside default. This is due to impairment staging being updated monthly (after each month-end), whereas default is updated daily. For the same reason, some credit exposure in default is outside stage 3. Total gross exposure in stage 2 increased by DKK 45 billion since end of 2021 primarily in commercial property due to changes in macroeconomic scenarios and (forward-looking) post-model adjustments.

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

The table below breaks down the credit exposure by rating categories and stages.

31 December 2022	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	135.9	0.1	-	-	-	-	135.9	0.1	-	115.2	-	-
2	0.01	0.03	233.5	0.2	-	-	-	-	233.5	0.2	-	116.8	0.1	-
3	0.03	0.06	540.9	0.8	-	0.1	-	-	540.8	0.8	-	264.1	0.3	-
4	0.06	0.14	630.6	1.9	-	0.6	-	-	630.0	1.9	-	301.0	0.9	-
5	0.14	0.31	463.1	14.0	-	0.4	0.1	-	462.7	13.9	-	155.1	7.7	-
6	0.31	0.63	235.8	54.3	-	0.5	0.9	0.1	235.3	53.3	-	74.9	23.8	-
7	0.63	1.90	75.5	59.5	-	0.9	2.6	-	74.6	56.9	-	24.5	21.3	-
8	1.90	7.98	7.3	29.9	-	0.4	2.8	-	6.8	27.0	-	1.7	4.3	-
9	7.98	25.70	0.9	3.1	0.1	-	0.7	-	0.9	2.4	0.1	0.2	0.2	0.1
10	25.70	99.99	0.6	12.0	0.2	-	0.9	0.1	0.6	11.1	0.1	0.1	2.1	-
11 (default)	100.00	100.00	0.2	0.4	31.6	0.3	-	8.1	-	0.4	23.5	-	0.1	3.0
Total			**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.8**	**1,053.6**	**61.0**	**3.1**

31 December 2021	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	264.7	0.1	-	-	-	-	264.7	0.1	-	245.1	-	-
2	0.01	0.03	207.3	0.6	0.4	-	-	-	207.3	0.6	0.4	80.6	0.2	-
3	0.03	0.06	570.6	1.9	1.5	0.1	-	-	570.6	1.9	1.4	264.9	0.9	-
4	0.06	0.14	637.2	2.5	2.3	0.1	-	-	637.0	2.5	2.2	287.3	0.8	0.1
5	0.14	0.31	485.0	4.0	2.1	0.3	-	-	484.7	4.0	2.1	150.3	0.9	0.1
6	0.31	0.63	275.7	17.1	1.1	0.5	0.2	-	275.1	16.9	1.1	94.6	5.9	-
7	0.63	1.90	103.0	46.6	1.0	0.9	1.4	-	102.1	45.2	1.0	30.1	13.8	-
8	1.90	7.98	16.5	40.0	0.3	0.6	2.9	0.1	16.0	37.1	0.2	3.8	11.0	-
9	7.98	25.70	0.6	5.1	0.1	0.1	1.1	-	0.5	4.0	0.1	0.1	0.5	-
10	25.70	99.99	0.4	12.6	22.5	-	1.2	4.9	0.4	11.4	17.7	0.1	3.4	3.0
11 (default)	100.00	100.00	-	0.2	14.6	0.1	-	7.3	-0.1	0.2	7.3	-0.1	-	0.2
Total			**2,560.9**	**130.6**	**46.0**	**2.7**	**6.8**	**12.4**	**2,558.2**	**123.8**	**33.6**	**1,156.8**	**37.5**	**3.5**

Exposures, expected credit losses and collateral in default have increased compared to the end of 2021 due to the implementation of the new definition of default in January 2022. At the same time, stage 3 decreased primarily due to 1) final adjustments of staging during the implementation of new definition of default that is now aligned to European Banking Authority requirements and 2) write-offs. The stage 3 coverage ratio is 73% (31 December 2021: 78%).

Notes – Danske Bank Group – Risk management

Credit exposure continued

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

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

31 December 2022	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	225.8	1.3	-	-	-	-	225.8	1.3	-	223.1	-	-
Financials	116.6	3.9	0.3	0.1	0.2	0.1	116.5	3.7	0.2	104.7	2.7	0.2
Agriculture	54.9	5.9	2.9	0.2	0.9	0.8	54.6	5.1	2.1	14.0	0.7	-
Automotive	25.4	2.3	0.2	-	0.1	0.1	25.4	2.2	0.1	20.8	0.9	-
Capital goods	87.3	9.2	1.3	0.1	0.3	0.7	87.2	8.9	0.7	79.0	7.3	0.3
Commercial property	250.6	46.9	3.6	0.4	2.2	0.7	250.3	44.7	2.9	45.8	10.5	0.5
Construction and building materials	43.6	8.6	1.2	0.1	0.5	0.5	43.5	8.1	0.7	32.7	4.6	0.2
Consumer goods	72.4	7.6	0.9	0.1	0.4	0.2	72.3	7.2	0.6	57.3	5.2	0.3
Hotels, restaurants and leisure	10.3	4.2	1.0	-	0.1	0.3	10.3	4.0	0.8	5.1	0.8	0.1
Metals and mining	13.9	1.1	-	-	-	-	13.9	1.1	-	12.0	0.8	-
Other commercials	15.4	0.8	0.2	0.3	-	0.1	15.1	0.8	0.2	11.9	0.3	-
Pharma and medical devices	42.3	3.7	-	-	0.1	-	42.2	3.6	-	39.8	3.2	-
Private housing co-ops and non-profit associations	187.4	3.8	0.6	0.1	0.1	0.1	187.3	3.7	0.5	26.6	0.8	-
Pulp, paper and chemicals	47.5	3.9	0.3	-	0.1	0.1	47.5	3.8	0.1	37.0	2.7	-
Retailing	30.3	3.1	1.7	0.1	0.1	0.6	30.2	3.0	1.1	19.4	2.2	0.4
Services	59.7	6.8	0.8	0.3	0.2	0.3	59.4	6.6	0.4	49.8	4.8	0.1
Shipping, oil and gas	34.6	1.2	5.4	-	-	1.0	34.6	1.2	4.4	24.3	1.0	0.3
Social services	26.9	0.8	0.7	-	0.1	0.1	26.8	0.7	0.6	13.0	0.3	0.4
Telecom and media	23.1	1.0	0.2	-	-	0.1	23.1	0.9	0.1	17.9	0.6	-
Transportation	13.7	2.6	0.5	-	0.1	0.1	13.6	2.4	0.3	6.3	0.9	0.1
Utilities and infrastructure	103.4	4.3	-	0.1	0.2	-	103.2	4.1	-	83.8	3.6	-
Personal customers	839.3	52.8	10.3	1.2	2.0	2.3	838.1	50.8	8.0	129.2	7.0	-
Total	**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,053.6**	**61.0**	**3.1**

As at 31 December 2022, oil and gas exposures (within the Shipping, oil and gas industry) represent a gross exposure of DKK 19.3 billion (31 December 2021: DKK 18.3 billion) and expected credit losses of DKK 1.0 billion (31 December 2021: DKK 1.8 billion). Those exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of 2022.

Notes – Danske Bank Group – Risk management

Credit exposure continued

31 December 2021	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	332.8	1.4	-	-	-	-	332.8	1.4	-	330.1	0.1	-
Financials	122.0	2.8	0.4	0.1	0.2	0.2	122.0	2.5	0.2	107.9	1.4	-
Agriculture	57.6	5.6	4.8	0.3	0.9	1.2	57.3	4.7	3.6	12.2	0.8	0.1
Automotive	25.3	1.6	0.3	-	0.1	0.1	25.3	1.5	0.2	19.9	0.7	0.1
Capital goods	71.4	6.9	1.6	-	0.3	0.6	71.3	6.7	1.0	62.6	5.7	0.5
Commercial property	291.2	19.6	5.5	0.5	1.5	1.2	290.7	18.1	4.3	59.3	1.9	0.6
Construction and building materials	46.1	4.5	1.9	-	0.4	0.7	46.1	4.1	1.2	32.8	1.9	0.5
Consumer goods	71.1	4.3	1.0	-	0.3	0.3	71.0	4.0	0.7	53.0	2.6	-
Hotels, restaurants and leisure	8.5	5.4	1.9	-	0.2	0.4	8.5	5.2	1.4	3.0	0.8	0.2
Metals and mining	12.6	0.4	0.1	-	-	-	12.6	0.4	-	10.0	0.1	-
Other commercials	13.3	1.1	0.1	0.2	-	-	13.1	1.1	0.1	9.1	0.2	-
Pharma and medical devices	53.1	5.5	-	-	0.1	-	53.1	5.5	-	50.7	4.5	-
Private housing co-ops and non-profit associations	207.4	4.2	0.9	0.1	0.2	0.2	207.3	4.0	0.7	34.1	0.5	0.1
Pulp, paper and chemicals	39.0	1.5	0.2	-	-	0.1	39.0	1.5	0.1	27.8	0.3	-
Retailing	28.4	1.7	2.4	-	0.1	1.0	28.4	1.6	1.4	18.1	1.0	0.2
Services	57.9	3.3	0.8	0.2	0.2	0.4	57.7	3.2	0.5	46.9	1.9	0.1
Shipping, oil and gas	31.3	3.2	6.6	0.1	0.3	2.4	31.2	2.9	4.2	16.8	1.4	-
Social services	25.5	0.9	1.0	-	0.1	0.3	25.4	0.8	0.7	9.3	0.4	0.4
Telecom and media	22.2	0.5	0.2	-	-	0.1	22.2	0.5	0.1	20.3	0.3	-
Transportation	14.3	2.0	0.5	-	0.2	0.1	14.3	1.8	0.4	6.5	0.8	0.1
Utilities and infrastructure	76.1	4.6	0.0	-	0.1	-	76.0	4.4	-	56.4	4.2	-
Personal customers	953.9	49.6	15.9	1.1	1.6	3.1	952.8	48.0	12.8	170.1	5.8	0.5
Total	**2,560.9**	**130.6**	**46.0**	**2.7**	**6.8**	**12.4**	**2,558.2**	**123.8**	**33.6**	**1,156.8**	**37.5**	**3.5**

Notes – Danske Bank Group – Risk management

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

31 December 2022	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Personal Customers												
Personal Customers Denmark	466.0	30.8	6.6	1.0	1.7	1.4	464.9	29.1	5.2	57.7	4.4	-
Personal Customers Nordic	363.8	17.7	3.3	0.2	0.3	0.8	363.6	17.3	2.5	76.3	2.7	-
Personal Customers Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Personal Customers	**829.8**	**48.5**	**9.9**	**1.3**	**2.0**	**2.2**	**828.5**	**46.5**	**7.7**	**134.1**	**7.1**	**-**
Business Customers												
Asset Finance	47.6	12.9	1.2	0.1	0.5	0.3	47.4	12.4	0.8	18.6	2.4	-
Business Customers	324.0	56.4	11.1	0.9	3.9	3.5	323.1	52.5	7.5	120.0	17.9	1.5
Commercial Real Estate	279.1	22.1	1.3	0.2	0.6	0.3	278.9	21.5	1.0	43.6	6.5	0.3
Business Customers Other	0.1	-	-	-	-	-	0.1	-	-	0.1	-	-
Total Business Customers	**650.7**	**91.4**	**13.6**	**1.2**	**4.9**	**4.2**	**649.5**	**86.4**	**9.4**	**182.3**	**26.8**	**1.8**
Large Corporates & Institutions	**615.2**	**29.1**	**7.0**	**0.5**	**1.0**	**1.5**	**614.7**	**28.1**	**5.5**	**545.1**	**25.8**	**1.2**
Northern Ireland	**81.4**	**6.9**	**1.7**	**0.3**	**0.2**	**0.4**	**81.1**	**6.7**	**1.2**	**45.1**	**1.1**	**-**
Group Functions	**147.1**	**0.2**	**-**	**-**	**-**	**-**	**147.1**	**0.2**	**-**	**146.9**	**0.2**	**-**
Total	**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,053.6**	**61.0**	**3.1**

31 December 2021	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Personal Customers*												
Personal Customers DK	532.7	23.4	12.0	0.9	1.2	2.3	531.8	22.2	9.8	63.9	2.3	0.3
Personal Customers Nordic	400.8	20.1	3.2	0.2	0.3	0.6	400.6	19.8	2.6	103.8	2.9	0.2
Personal Customers Other	4.0	0.2	0.1	-	-	-	4.0	0.2	0.1	0.9	0.1	-
Total Personal Customers	**937.5**	**43.7**	**15.3**	**1.1**	**1.5**	**2.9**	**936.4**	**42.2**	**12.5**	**168.6**	**5.3**	**0.5**
Business Customers*												
Asset Finance	48.8	10.7	0.9	0.1	0.4	0.2	48.8	10.3	0.7	17.5	2.0	0.1
Business Customers	349.8	35.5	15.9	0.9	3.5	4.5	348.9	32.0	11.4	122.0	9.7	1.8
Commercial Real Esate	313.8	9.8	1.8	0.1	0.2	0.4	313.7	9.6	1.4	54.3	1.3	0.1
Business Customers Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Business Customers	**712.5**	**56.0**	**18.6**	**1.1**	**4.1**	**5.1**	**711.4**	**52.0**	**13.4**	**193.9**	**13.0**	**1.9**
Large Corporates & Institutions	**560.5**	**25.4**	**10.1**	**0.3**	**1.1**	**3.8**	**560.2**	**24.2**	**6.3**	**482.2**	**18.4**	**0.9**
Northern Ireland	**93.7**	**5.4**	**2.0**	**0.1**	**0.1**	**0.6**	**93.6**	**5.3**	**1.4**	**55.9**	**0.7**	**0.1**
Group Functions	**256.7**	**0.1**	**-**	**-**	**-**	**-**	**256.7**	**0.1**	**-**	**256.3**	**0.1**	**-**
Total	**2,560.9**	**130.6**	**46.0**	**2.7**	**6.8**	**12.4**	**2,558.2**	**123.8**	**33.6**	**1,156.8**	**37.5**	**3.5**

* Comparative information has been restated, as described in note G3(a).

Notes – Danske Bank Group – Risk management

Concentration risk

The Group has implemented a set of frameworks to manage the concentration risk to which the Group is exposed. These frameworks cover single-name concentrations, industry concentrations and geographical concentrations.

Industry concentrations

The Group manages industry concentrations as part of its credit risk appetite framework by setting exposure limits on selected industries. For commercial property, this also includes reducing the number of low-quality customers in order to ensure creditworthiness within the concentration limits. The industry concentrations are updated on an ongoing basis and at least once a year. The Group accepts the risks on material concentrations in accordance with the industry-specific guidelines that outline the use of credit policies within the industry. For personal customers, the Group also manages key concentrations in relation to high LTV ratios and short-term interest loans, for example.

Geographical concentrations

Credit reporting includes a breakdown by country. For selected countries, exposures to sovereigns, financial institutions and counterparties in derivatives trading are managed within country limits.

Single-name concentrations

Single-name concentrations are managed according to two frameworks:

- Large exposures: This framework is based on the regulatory definition of large exposures in the applicable Capital Requirements Regulation (CRR). The Group has also defined stricter internal limits for managing single-name concentrations within the large exposure framework, including the following:
  - Absolute limit on single-name exposures
  - Limit for the 20 largest exposures

- Single-name concentration: The Group has also implemented a risk-sensitive internal framework In order to limit potential losses on single names, the framework set limits on the following:
  - Exposure
  - Loss given default
  - Expected loss

Notes – Danske Bank Group – Risk management

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral.

The value of collateral is monitored and reassessed by advisers, internal or external assessors, and automatic valuation models to ensure it reflects current market prices. The Groups Collateral System supports this process by only accepting up-to-date values, thus ensuring that the Group complies with regulatory requirements.

The validity of the internal and external inputs on which the valuation models depend is assessed regularly and the performance of the models themselves is validated annually by an independent unit, to assess their performance and highlight any deficiencies that need to be addressed.

The market value of collateral is subject to a haircut to reflect the fact that the Group may not be able to obtain the estimated market value upon the sale of the individual asset in a distressed situation. Hence, the haircut includes a forced sale reduction, price volatility during the sales period, realisation costs and maintenance costs. The haircut applied depends on the type of collateral. For regulatory purposes, the Group also applies more conservative haircuts in order to capture the risk of an economic downturn.

The Group uses guarantee schemes offered by the governments in our markets to mitigate the economic consequences of the corona crisis.

Type of collateral in core activities (after haircuts)

	Personal Customers		Business Customers		Large Corporates & Institutions		Northern Ireland		Other areas (ex Group Functions)		Total	
(DKK billions)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Real property	730.4	800.2	458.1	495.5	38.0	41.0	36.5	35.8	0.2	0.5	1,263.2	1,372.9
- Personal	717.4	789.1	1.8	5.0	-	-	24.7	23.8	0.1	0.4	744.0	818.3
- Commercial	10.8	8.6	419.3	449.1	36.4	39.3	9.8	9.7	0.1	0.1	476.3	506.7
- Agricultural	2.2	2.6	37.0	41.3	1.6	1.7	2.1	2.3	-	-	42.9	47.9
Bank accounts	0.2	0.6	0.4	0.5	0.1	0.2	-	-	-	-	0.7	1.3
Custody account and securities	3.0	8.0	4.4	4.6	6.6	4.8	-	-	-	-	14.0	17.3
Vehicles	1.8	1.4	19.0	22.8	2.8	0.1	-	-	-	-	23.6	24.3
Equipment	-	0.1	11.7	10.6	3.3	3.5	2.5	2.9	-	-	17.5	17.1
Vessels	-	-	1.0	1.6	13.3	19.3	-	-	-	-	14.3	21.0
Guarantees	6.2	3.3	3.6	3.6	11.6	15.8	2.5	3.3	-	-	23.8	25.9
Amounts due	0.2	0.1	2.5	2.6	0.6	0.9	0.2	0.3	-	-	3.5	4.0
Other assets	-	-	29.8	29.0	3.4	3.8	1.3	1.2	-	-	34.4	34.0
Total collateral	**741.8**	**813.6**	**530.5**	**570.9**	**79.6**	**89.3**	**42.9**	**43.5**	**0.2**	**0.5**	**1,395.1**	**1,517.8**
Total unsecured credit exposure	**140.8**	**177.4**	**214.8**	**205.8**	**568.7**	**501.5**	**46.2**	**56.8**	**-**	**-**	**970.6**	**941.4**
Unsecured portion of credit exposure (%)	**16.0%**	**17.9%**	**28.8%**	**26.5%**	**87.7%**	**84.9%**	**51.8%**	**56.6%**	**-**	**-**	**41.0%**	**38.3%**

From May 2022, the business segmentation was changed. Further information can be found in note G3(a).

Notes – Danske Bank Group – Risk management

Past due amounts in core activities (excluding loans in rating category 10 and 11

Past due amounts

(DKK millions)	Personal Customers 2022	Personal Customers 2021	Business Customers 2022	Business Customers 2021	Large Corporates & Institutions 2022	Large Corporates & Institutions 2021	Northern Ireland 2022	Northern Ireland 2021	Other areas (ex Group Functions) 2022	Other areas (ex Group Functions) 2021	Total past due amount 2022	Total past due amount 2021	Total due under loans 2022	Total due under loans 2021
6-30 days	23	45	24	16	1	1	2	2	-	-	49	65	1,547	944
31-60 days	20	16	3	4	-	-	-	2	-	-	24	23	467	480
> 60 days	58	46	4	5	1	-	-	1	-	-	64	52	487	510
Total past due amounts	**101**	**107**	**31**	**25**	**2**	**2**	**2**	**6**	**-**	**-**	**136**	**140**	**-**	**-**
Total due under loans	**1,627**	**1,549**	**788**	**285**	**2**	**9**	**83**	**92**	**2**	**1**	**-**	**-**	**2,501**	**1,935**

From May 2022, the business segmentation was changed. Further information can be found in note G3(a).

For the past due amounts, the average unsecured portion of the claims recorded was 22.0% at the end of 2022 (2021: 19.7%). Real property accounted for 67.2% of collateral provided (2021: 83.5%).

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

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of 2022, the Group had recognised properties taken over in Denmark at a carrying amount of DKK 4 million (2021: DKK 7 million), and there were no properties taken over in other countries (2021: DKK 0 million). The properties are held for sale and included under Assets held for sale in the balance sheet.

The Group applies the European Banking Authority's (the EBA's) definition of loans subject to forbearance measures. The EBA definition states that a probation period of a minimum of two years must pass from the date when forborne exposures are considered to be performing again. Forbearance measures lead to changes in staging for impairment purposes, and impairments relating to forborne exposures are handled according to the principles described in note G15. During the corona crisis, the Group granted concessions to assist customers affected by the crisis. The level decreased during 2022 due to expiry of granted concessions and post-pandemic financial recoveries.

Exposures subject to forbearance measures

(DKK millions)	31 December 2022	31 December 2021
Stage 1	367	83
Stage 2	3,029	6,517
Stage 3	6,165	9,711
Total	**9,561**	**16,311**

The presentation of forbearance no longer includes facilities under probation without an active forbearance measure. With the implementation of the new definition of default, performing / non-performing status is replaced by impairment stages.

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). In general, the Group's IFRS 9 impairment models and parameters draw on the bank's internal models in order to ensure alignment of models across the Group. New models and calculations have been developed especially for IFRS 9 purposes, including models for lifetime PD, prepayment and forward-looking LGD. All expected credit loss impairments are allocated to individual exposures. For significant stage 3 exposures, the Group determines the expected credit losses individually.

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2021	2,263	7,438	12,853	22,554
Transferred to stage 1 during the period	1,843	-1,604	-239	-
Transferred to stage 2 during the period	-180	649	-469	-
Transferred to stage 3 during the period	-120	-864	984	-
ECL on new assets	646	1,282	1,839	3,767
ECL on assets derecognised	-629	-1,483	-4,377	-6,489
Impact of net remeasurement of ECL (incl. changes in models)	-923	1,172	1,011	1,259
Write-offs debited to the allowance account	-5	-	-	-5
Foreign exchange adjustments	21	54	268	343
Other changes	-182	160	527	505
ECL allowance account as at 31 December 2021	**2,733**	**6,804**	**12,397**	**21,935**
Transferred to stage 1 during the period	1,144	-1,062	-83	-
Transferred to stage 2 during the period	-405	834	-428	-
Transferred to stage 3 during the period	-26	-617	642	-
ECL on new assets	630	1,643	844	3,116
ECL on assets derecognised	-870	-1,487	-3,971	-6,329
Impact of net remeasurement of ECL (incl. changes in models)	120	2,101	1,032	3,253
Write-offs debited to the allowance account	-	-2	-2,195	-2,198
Foreign exchange adjustments	-51	-107	-15	-173
Other changes	-1	-26	27	1
ECL allowance account as at 31 December 2022	**3,273**	**8,082**	**8,251**	**19,605**

The stage 3 allowance account includes DKK 2.5 billion (2021: DKK 4.7 billion) relating to originated credit impaired financial assets. Originated credit impaired financial assets are granted as part of restructuring non-performing loan exposures, and are otherwise outside the Group's credit policy. The Group has not acquired any credit impaired financial assets.

Expected credit losses (allowance account) in core activities broken down by segment

(DKK millions)	Personal Customers*	Business Customers*	Large Corporates & Institutions	Northern Ireland	Group Functions	Allowance account Total
ECL allowance account as at 1 January 2021	5,814	9,959	5,777	990	15	22,554
ECL on new assets	524	1,768	1,215	259	2	3,767
ECL on assets derecognised	-864	-2,023	-3,333	-266	-3	-6,489
Impact on remeasurement of ECL (incl. change in models)	304	934	152	-135	4	1,259
Write-offs debited to allowance account	-	-	-	-5	-	-5
Foreign currency translation	12	2	257	71	-	343
Other changes	-136	-454	1,159	-63	-1	505
ECL allowance account as at 31 December 2021	**5,654**	**10,186**	**5,227**	**850**	**17**	**21,935**
ECL on new assets	606	2,107	330	67	6	3,116
ECL on assets derecognised	-713	-2,100	-3,383	-128	-4	-6,329
Impact on remeasurement of ECL (incl. change in models)	837	663	1,494	244	15	3,253
Write-offs debited to allowance account	-946	-438	-684	-129	-	-2,198
Foreign currency translation	-32	-166	67	-41	-1	-173
Other changes	22	-16	-2	-	-3	1
ECL allowance account as at 31 December 2022	**5,427**	**10,235**	**3,050**	**863**	**31**	**19,605**

* Comparative information has been restated, as described in note G3(a).

The method used for calculating expected credit losses is described in detail in note G15.

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

Gross credit exposure in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2021	2,560,227	141,445	48,786	2,750,458
Transferred to stage 1	37,850	-35,380	-2,470	-
Transferred to stage 2	-45,587	51,357	-5,770	-
Transferred to stage 3	-9,335	-6,871	16,207	-
New assets	761,770	30,523	9,291	801,585
Assets derecognised	-653,242	-43,844	-16,605	-713,691
Changes due to modifications that did not result in derecognition	-9	-4	-59	-73
Other changes	-90,729	-6,638	-3,367	-100,734
As at 31 December 2021	**2,560,945**	**130,588**	**46,012**	**2,737,545**
Transferred to stage 1	24,028	-21,990	-2,038	-
Transferred to stage 2	-67,270	72,996	-5,726	-
Transferred to stage 3	-1,991	-3,614	5,605	-
New assets	874,798	48,923	7,588	931,309
Assets derecognised	-938,904	-41,249	-15,928	-996,081
Changes due to modifications that did not result in derecognition	-3	-	-14	-17
Other changes	-127,364	-9,620	-3,366	-140,350
As at 31 December 2022	**2,324,240**	**176,034**	**32,132**	**2,532,406**

The Group continued the use of modification of the contractual terms in the form of concessions to assist customers affected by the corona crisis. Part of the concessions were short-term reliefs in the form of amortisation holidays. Such modifications led only to insignificant modification losses (changes in the net present value of the contractual cash flows). In the table above, 'Changes due to modifications that did not result in derecognition' includes partial forgiveness of debt assessed to be uncollectible. The modification loss is recognised within the income statement as part of Loan impairment charges. The contractual amount of loans written off in 2022 and for which the Group retains the right to enforce its claims amounted to DKK 3,300 million (2021: DKK 1,669 million).

Allowance account in core activities broken down by balance sheet item

(DKK millions)	2022	2021
Due from credit institutions and central banks	47	28
Loans at amortised cost	13,682	16,328
Loan commitments and guarantees	2,627	2,607
Total ECL Impairment	**16,356**	**18,964**
Fair value credit risk adjustment on loans at fair value	3,250	2,971
Total	**19,605**	**21,935**

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

Forward-looking information

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

Given the long-term nature of climate scenario analysis, it is not included in the three-year macroeconomic scenarios used to calculate expected credit loss. See Sustainability risk section of this note for further information.

Macroeconomic scenarios

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

The applied scenarios that drive the expected credit loss calculation in 2022 have been updated with the latest macroeconomic data. Compared to the end of 2021, all three scenarios have been revised to reflect expectations of higher inflation and interest rate hikes fuelled by the war in Ukraine. The scenario weighting remained unchanged from the end of 2021.

The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 December 2022, the base case scenario reflects an expectation of high inflation and interest rates fuelled by the war in Ukraine. This results in a weaker GDP growth due to soaring energy costs, skills shortages and wage pressures that affect consumers and businesses in the Nordic economies. House price have been revised downwards to larger decrease, which is a consequence of the increasing interest rates.

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters. In this scenario, the global inflation declines which allows the central banks to ease the tightening pace, which lowers bond yields and boosts equity markets. Consumer sentiment increases and consumers run down a large proportion of the savings accumulated during the crisis.

The Group's downside scenario is a stagflation scenario, calibrated to a level of severity resembling the recession in 2008-2009, however with high interest rates and high inflation. A trigger of the economic setback could be continued macroeconomic worsening and challenges linked to high business costs while inflation remain elevated. This adversely impacts the labour market, results in higher and more persistent unemployment. This would lead to a severe slowdown in the economies in which the Group is represented.

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

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

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

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

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

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

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

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

At 31 December 2021, the following base case and downside scenarios were used:

Denmark		Base-case			Downside			Upside	
2021	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP	3.0	2.0	2.0	-1.7	-	-	3.9	2.0	1.8
Unemployment	3.2	3.2	3.2	8.2	8.7	8.9	2.9	2.8	2.9
Inflation	1.3	1.5	1.5	-0.9	-0.3	-	2.2	1.8	1.7
Property prices - Residential	2.5	3.0	3.0	-8.0	-1.3	-	3.5	4.0	3.0
Interest rate - 3 month	-0.3	-0.3	-0.3	-0.7	-0.7	-0.7	-0.3	-0.3	0.2

Sweden		Base-case			Downside			Upside	
2021	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP	3.5	1.8	1.4	-1.5	0.4	0.2	4.5	1.7	1.2
Unemployment	7.5	7.0	6.9	12.3	12.8	13.0	7.3	6.7	6.7
Inflation	1.6	1.3	1.3	-0.8	-0.2	-0.1	2.1	1.6	1.5
Property prices - Residential	4.0	2.0	2.0	-8.0	-1.0	-	5.0	3.0	2.0
Interest rate - 3 month	-	-	0.2	-0.9	-0.9	-0.9	-	-	0.7

Norway		Base-case			Downside			Upside	
2021	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP	4.0	2.0	2.0	-1.1	0.7	0.5	5.1	1.6	1.8
Unemployment	2.3	2.3	2.2	8.2	8.5	8.7	1.9	2.0	1.9
Inflation	1.6	2.1	2.0	-0.4	0.1	0.2	2.1	2.3	2.2
Property prices - Residential	2.2	2.5	2.5	-8.0	-1.5	-	3.2	3.5	2.5
Interest rate - 3 month	1.7	1.9	2.1	-0.2	-0.2	-0.2	1.9	1.9	2.1

Finland		Base-case			Downside			Upside	
2021	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP	3.0	1.8	1.6	-1.6	0.2	0.1	4.4	1.6	1.4
Unemployment	7.1	7.0	6.9	11.0	11.4	11.6	6.8	6.7	6.7
Inflation	1.8	1.6	1.7	-0.6	0.1	0.1	2.7	1.9	1.9
Property prices - Residential	1.8	1.7	2.0	-9.0	-2.0	-1.0	2.8	2.7	2.0
Interest rate - 3 month	-0.5	-0.5	-0.5	-0.8	-0.8	-0.8	-0.5	-0.5	-

From 2022, the Group presents the scenarios by country rather than as an average. To ensure comparability, the 2021 scenarios are also split by country.

At 31 December 2022, the upside scenario represented a slightly better outlook than the base case scenario across the macroeconomic parameters.

The base case scenario enters with a probability of 70% (2021: 70%), the upside scenario with a probability of 10% (2021: 10%) and the downside scenario with a probability of 20% (2021: 20%). On the basis of these assessments, the allowance account as at 31 December 2022 amounted to DKK 19.6 billion (2021: DKK 21.9 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 2.1 billion (2021: DKK 1.7 billion). Compared to the base case scenario, the allowance account would increase DKK 10.9 billion (2021: DKK 8.5 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease by DKK 0.4 billion (2021: DKK 0.2 billion) compared to the base case scenario. It should be noted that the expected credit losses in the individual scenarios (i.e. without the weighting) do not represent forecasts of expected credit losses (ECL).

The applied scenarios in 2022 differ from those used at 31 December 2021. In Q4 2022 the downside scenario was changed to the severe recession with high interest rates scenario (reflecting a stagflation scenario) applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The severe recession scenario reflected negative growth, increasing interest rates, and falling property prices for a longer period. The change of the downside scenario was made to better capture the increasing risk from high interest rates and high inflation.

The scenario weightings were unchanged from 2021 and kept stable throughout 2022.

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

Post-model adjustments

Management applies judgement when determining the need for post-model adjustments. At 31 December 2022, the post-model adjustments amounted to DKK 6.6 billion (2021: DKK 6.3 billion). The post-model adjustments primarily relate to the following types of risks:

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

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

Post-model adjustments by type and mostly impacted industries

(DKK billions)	31 December 2022	31 December 2021*
Coverage of individual industries and types		
Agriculture	0.8	0.9
Commercial Property	1.8	1.5
Construction and building materials	0.5	0.2
Personal customers (including other retail exposures)	1.4	1.7
Others**	2.1	1.1
Coverage of individual industries and types	6.6	5.4
Model changes	-	0.9
Total	**6.6**	**6.3**

*DKK 2.2 billion of process related post-model adjustments as at 31 December 2021 have been redistributed between the individual industries. As such, 2021 post-model adjustments have been restated. There is no change to the total value of post-model adjustments at 31 December 2021.

** No individual industry included in Others exceeds DKK 0.3 billion at 31 December 2022 (2021: DKK 0.1 billion).

In 2022, the total balance of post-model adjustments has been increased by a net amount of DKK 0.3 billion compared to the end of 2021. This is despite a release of the DKK 0.9 billion post-model adjustment reserved to cover the model changes for the new Definition of Default that was implemented in January 2022.

The current macroeconomic uncertainties characterized by the supply chain disruptions, labour shortages and rising inflation have been exacerbated by the war in Ukraine giving rise to a new set of challenges that affect economic and business activity. In light of these developments, the Group has formulated a post-model adjustment of DKK 1.6 billion to address the uncertainties presented by the secondary effects from the economic sanctions affecting specific industries such as Construction and building materials, as well as industries sensitive to discretionary consumer spending, etc. The post-model adjustment cuts across industries that are sensitive to prices rising on e.g. energy, agriculture, and metals, which have been assessed for idiosyncratic risks to ensure a prudent coverage of expected credit loss in the Group's portfolios. Likewise, post-model adjustments associated with the property segment and for personal customers have been increased due to higher uncertainty related to inflation and increasing interest rates.

On the other hand, covid-related uncertainties have been reduced from the end of 2021, and the related post-model adjustments were fully released by September 2022, as the new virus variants has not resulted in prolonged lockdowns.

All in all, these movements contribute with an increase in post-model adjustments of DKK 1.2 billion when excluding model changes.

Notes – Danske Bank Group – Risk management

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 liquidity facilities for Special Purpose Vehicles (SPVs) and conduit structures.

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

31 December 2022	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	1	-	-	-	-	-	1	-	-	-	-	-
Personal customers	-	-	-	-	-	-	-	-	-	-	-	-
Commercial customers	1	-	-	-	-	-	1	-	-	-	-	-
Public Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Non-core conduits etc.	2,444	-	94	-	-	39	2,444	-	55	24	-	15
Total	**2,445**	**-**	**94**	**-**	**-**	**39**	**2,445**	**-**	**55**	**24**	**-**	**15**

31 December 2021	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	126	6	14	-	2	14	126	3	-	33	-	-
Personal customers	-	-	6	-	-	6	-	-	-	-	-	-
Commercial customers	121	5	9	-	2	9	120	3	-	27	-	-
Public Institutions	5	-	-	-	-	-	5	-	-	5	-	-
Non-core conduits etc.	2,771	-	817	-	-	795	2,771	-	22	122	-	19
Total	**2,897**	**6**	**831**	**-**	**2**	**809**	**2,897**	**3**	**22**	**154**	**-**	**19**

Notes – Danske Bank Group – Risk management

Credit exposure from Non-core lending activities continued

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

31 December 2022	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	817	-	-	-	-	-	817	-	-	-	-	-
2	0.01	0.03	1,163	-	-	-	-	-	1,163	-	-	24	-	-
3	0.03	0.06	453	-	-	-	-	-	453	-	-	-	-	-
4	0.06	0.14	-	-	-	-	-	-	-	-	-	-	-	-
5	0.14	0.31	-	-	-	-	-	-	-	-	-	-	-	-
6	0.31	0.63	12	-	-	-	-	-	12	-	-	-	-	-
7	0.63	1.90	-	-	-	-	-	-	-	-	-	-	-	-
8	1.90	7.98	-	-	-	-	-	-	-	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	-	-	-	-	-	-	-	-	-	-	-
11 (default)	100.00	100.00	-	-	94	-	-	39	-	-	55	-	-	15
Total			**2,445**	**-**	**94**	**-**	**-**	**39**	**2,445**	**-**	**55**	**24**	**-**	**15**

31 December 2021	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	587	-	-	-	-	-	587	-	-	122	-	-
2	0.01	0.03	1,026	-	2	-	-	-	1,026	-	2	14	-	2
3	0.03	0.06	1,086	-	-	-	-	-	1,085	-	-	3	-	-
4	0.06	0.14	127	-	-	-	-	-	127	-	-	1	-	-
5	0.14	0.31	2	-	-	-	-	-	2	-	-	-	-	-
6	0.31	0.63	48	2	2	-	-	-	48	2	2	-	-	-
7	0.63	1.90	20	-	-	-	-	-	20	-	-	15	-	-
8	1.90	7.98	-	2	-	-	2	-	-	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	-	18	-	-	5	-	-	13	-	-	13
11 (default)	100.00	100.00	1	-	809	-	-	804	1	-	5	-	-	4
Total			**2,897**	**6**	**831**	**-**	**2**	**809**	**2,897**	**3**	**22**	**154**	**-**	**19**

Notes – Danske Bank Group – Risk management

Counterparty credit risk

Exposure to counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	2022	2021
Counterparty credit risk		
Derivatives with positive fair value	430.1	260.2
Reverse transactions and other loans at fair value[1]	246.8	254.1
Credit exposure from other trading and investment securities		
Bonds	502.2	539.8
Shares	10.2	13.3
Other unutilised commitments[2]	0.1	0.1
Total	**1,189.3**	**1,067.6**

[1] Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of Large Corporates & Institutions. These loans consist of reverse transactions of DKK 246.0 billion (2021: DKK 252.3 billion), of which DKK 37.4 billion relates to credit institutions and central banks (2021: DKK 37.7 billion), and other primarily short-term loans of DKK 0.8 billion (2021: DKK 1.7 billion), of which DKK 0.8 billion (2021: DKK 1.7 billion) relates to credit institutions and central banks.

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

Counterparty credit risk (derivatives)

Counterparty credit risk is the risk that the counterparty to a transaction defaults before the final settlement of the transaction's cash flows. It is a combination of credit risk (a deterioration in the creditworthiness of a counterparty) and market risk (the potential value of derivatives contracts).

Derivatives are subject to credit risk. Positive and negative fair values of derivatives with the same counterparty are offset in the balance sheet if certain conditions are fulfilled.

Danske Bank Group takes on counterparty credit risk when it enters into over-the-counter (OTC) derivatives, securities financing transactions (SFTs), and/or exchange-traded derivatives (ETDs).

The Group mitigates counterparty credit risk through pre-deal controls, post-deal monitoring, clearing, close-out netting agreements and collateral agreements. Those agreements include rights to additional set-off in the event of default by a counterparty, they reduce the exposure further, but they do not qualify for offsetting under IFRSs. The net current exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 89.1 billion (2021: DKK 76.8 billion) (see note G32). The exposure is broken down by rating category in the table below.

Net current exposure broken down by category (DKK millions)	2022	2021
1	15,039	10,625
2	14,741	14,005
3	47,198	38,303
4	9,195	7,148
5	2,153	4,426
6	627	1,350
7	98	702
8	74	84
9	-	19
10	5	116
11	8	51
Total	**89,139**	**76,829**

The Group uses a range of measures to capture counterparty credit risk, including current exposure, potential future exposure (PFE) and exposure at default (EAD). Current exposure is a simple measure of counterparty credit risk exposure that takes into account only current mark-to-market values and collateral.

Customer-level counterparty risk is managed by means of PFE lines on a set of maturity buckets. It is measured at the 97.5% percentile for a set of future time horizons. PFE lines are approved by the relevant credit unit and all transactions are assumed to be held to contractual maturity. The Group carries out daily counterparty credit risk measurement and monitoring as well as intraday line utilisation monitoring.

The Danish FSA approved the Group's simulation model for calculating the regulatory capital requirement for counterparty credit risk in 2015. More advanced measures such as EAD, which is a regulatory measure, express potential future losses and are based on internal models for future scenarios of market data. EAD figures are provided in the Additional Pillar III Disclosures (accessible at danskebank.com/investor-relations).

An overview of counterparty credit risk exposures (at counterparty and portfolio levels) is reported to the Executive Leadership Team and other senior management on a monthly basis. The Group uses a simulation-based model to calculate counterparty credit risk exposure for the majority of its portfolio.

The Group makes fair value adjustments to cover the counterparty credit risk on derivatives with positive fair value (CVA) that are recognised in the financial statements. For more information, see note G33.

Notes – Danske Bank Group – Risk management

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 December 2022							
Held-for-trading (FVPL)	149,059	3,452	13,729	19,753	5,543	8,859	200,395
Managed at fair value (FVPL)	2,339	594	27,255	1,011	409	2,162	33,769
Held to collect and sell (FVOCI)	15,730	4,597	63,108	6,695	25,045	1,253	116,429
Held to collect (AMC)	53,681	9,292	81,991	5,599	1,011	-	151,573
Total	**220,809**	**17,935**	**186,083**	**33,057**	**32,007**	**12,274**	**502,166**
31 December 2021							
Held-for-trading (FVPL)	174,732	3,305	11,113	38,878	3,576	5,679	237,283
Managed at fair value (FVPL)	4,342	921	27,360	819	670	2,417	36,530
Held to collect and sell (FVOCI)	14,620	4,822	69,859	10,116	19,640	239	119,296
Held to collect (AMC)	50,051	5,307	82,903	6,694	1,766	-	146,721
Total	**243,744**	**14,356**	**191,236**	**56,507**	**25,652**	**8,335**	**539,830**

At 31 December 2022, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 173,393 million (2021: DKK 205,389 million) recognised as assets under insurance contracts and thus not included in the table above. The section on life insurance risk provides more information.

Notes – Danske Bank Group – Risk management

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 December 2022							
Denmark	46,390	-	186,083	-	-	6,056	238,530
Sweden	77,432	-	-	33,057	-	2,833	113,323
UK	6,795	-	-	-	2,680	897	10,371
Norway	3,902	-	-	-	28,163	-	32,065
USA	16,534	4,361	-	-	-	-	20,895
Spain	2,372	-	-	-	1	-	2,372
France	11,163	17	-	-	229	96	11,505
Luxembourg	-	6,123	-	-	-	82	6,205
Finland	8,293	4,637	-	-	362	1,421	14,713
Ireland	1,120	-	-	-	-	26	1,145
Italy	1,322	-	-	-	-	2	1,324
Portugal	14	-	-	-	-	-	14
Austria	4,393	-	-	-	13	61	4,467
Netherlands	3,261	2	-	-	16	512	3,791
Germany	37,142	-	-	-	290	288	37,719
Belgium	676	2,195	-	-	1	-	2,872
Other	-	600	-	-	253	-	853
Total	**220,809**	**17,935**	**186,083**	**33,057**	**32,007**	**12,274**	**502,166**
31 December 2021							
Denmark	79,233	-	191,236	-	-	2,498	272,967
Sweden	72,787	-	-	56,507	-	2,106	131,400
UK	4,300	-	-	-	2,128	274	6,701
Norway	5,249	-	-	-	21,612	1,737	28,599
USA	16,581	3,628	-	-	-	6	20,215
Spain	2,627	-	-	-	1	-	2,628
France	12,939	15	-	-	159	112	13,226
Luxembourg	-	5,982	-	-	-	66	6,048
Finland	6,684	1,908	-	-	766	760	10,119
Ireland	2,100	-	-	-	3	17	2,120
Italy	2,475	-	-	-	-	4	2,479
Portugal	46	-	-	-	-	-	46
Austria	4,674	-	-	-	-	57	4,731
Netherlands	5,526	6	-	-	27	489	6,047
Germany	27,564	-	-	-	687	38	28,289
Belgium	655	2,265	-	-	1	-	2,921
Other	304	551	-	-	268	168	1,291
Total	**243,744**	**14,356**	**191,236**	**56,507**	**25,652**	**8,335**	**539,830**

The Group has no exposure to government bonds issued by Russia or Ukraine at 31 December 2022.

Risk Management 2022 provides additional details about the risk on the Group's bond portfolio. The publication is not covered by the statutory audit.

Notes – Danske Bank Group – Risk management

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*
31 December 2022							
AAA	180,479	15,513	185,223	33,048	31,728	1,521	447,511
AA+	9,542	2,207	-	-	64	222	12,035
AA	19,234	215	-	10	117	1,329	20,904
AA-	6,727	-	-	-	-	27	6,754
A+	1,120	-	-	-	-	267	1,387
A	2,204	-	855	-	98	2,613	5,771
A-	-	-	-	-	-	1,194	1,194
BBB+	167	-	-	-	-	1,428	1,595
BBB	230	-	5	-	-	2,266	2,500
BBB-	1,106	-	-	-	-	336	1,443
BB+	-	-	-	-	-	650	650
BB	-	-	-	-	-	247	247
BB-	-	-	-	-	-	15	15
Sub. "investment-grade" or unrated	-	-	-	-	-	161	161
Total	**220,809**	**17,935**	**186,083**	**33,057**	**32,007**	**12,274**	**502,166**
31 December 2021							
AAA	203,216	12,061	190,753	56,491	25,090	334	487,946
AA+	9,186	15	-	-	87	3	9,292
AA	19,022	2,279	-	16	3	1,718	23,038
AA-	4,731	-	-	-	-	87	4,818
A+	304	-	-	-	-	41	345
A	3,263	-	473	-	472	1,641	5,848
A-	-	-	-	-	-	956	956
BBB+	1,465	-	-	-	-	1,005	2,470
BBB	455	-	10	-	-	1,363	1,828
BBB-	2,065	-	-	-	-	415	2,481
BB+	-	-	-	-	-	324	324
BB	-	-	-	-	-	183	183
BB-	-	-	-	-	-	30	30
Sub. "investment-grade" or unrated	36	-	-	-	-	233	269
Total	**243,744**	**14,356**	**191,236**	**56,507**	**25,652**	**8,335**	**539,830**

*Comparative information has been restated as the amounts were exchanged in the annual report 2021.

Notes – Danske Bank Group – Risk management

Market risk

The Group's market risk management is intended to ensure proper oversight of all market risks, including both trading-related market risk and non-trading-related market risk as well as market risk in relation to fair value adjustments. The market risk framework is designed to systematically identify, assess, monitor and report market risk.

The Market Risk Policy set by the Board of Directors lays out the overall framework for market risk management and identifies the boundaries within which the Group's market risk profile and business strategy are defined. The policy also defines the overall limits for various market risk factors and additional boundaries within which trading activities are performed.

Market risks are managed by Large Corporates & Institutions, Group Treasury and Group Finance (the first line of defence) through implementation of the Market Risk Policy into standard operating procedures and the control environment.

Large Corporates & Institutions manages the market risk (such as interest rate risk, equity market risk and foreign exchange risk) associated with its trading activities in the financial markets. Market risk in relation to the trading portfolio can be defined as the risk of losses caused by changes in the market value of financial assets, liabilities and derivatives resulting from changes in market prices or rates. In particular, Large Corporates & Institutions hedges the market risk incurred from market-making activities and client flows by taking positions in financial instruments, assets and liabilities that offset this market risk. In addition, Large Corporates & Institutions uses financial instruments to hedge the fair value adjustments (xVA) in relation to derivatives trading.

Group Treasury manages the interest rate risk and structural foreign exchange risk associated with the assets and liabilities of the non-trading portfolio. Interest rate risk in the banking book refers to the current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect the Group's non-trading portfolio positions. Changes in interest rates also affect the Group's earnings by altering interest rate-sensitive income and expenses, thus affecting the Group's net interest income. Group Treasury also monitors the risks associated with the Group's legacy defined benefit pension plans. Equity risk in the non-trading portfolio is managed by Group Finance.

Market & Liquidity Risk (the second line of defence) at Group Risk Management owns the market risk framework and is in charge of market risk oversight and control of the first-line-of-defence units. The Board of Directors and senior management regularly receive reports that provide an overview of the Group's portfolios, main risk drivers and stress testing results for decision-making purposes. Furthermore, detailed reporting provides granular metrics to senior management at Large Corporates & Institutions and Group Treasury for day-to-day risk management purposes.

The market risk at Danica Pension is managed separately.

Trading-related market risk at Large Corporates & Institutions

The trading-related activities at Large Corporates & Institutions (LC&I) cover trading in fixed income products, derivatives, foreign exchange, money markets, debt capital markets and equities. LC&I acts mainly as a market maker processing large client flows.

The table below shows the VaR for the trading-related activities at LC&I. VaR is a quantitative measure that shows, with a certain probability, the maximum potential loss that the Group may suffer within a specified holding period. In general, a VaR model estimates a portfolio's aggregate market risk by incorporating a range of risk factors and assets. All figures are calculated on a daily basis using full revaluations.

Value-at-Risk for trading-related activities at LC&I

	2022		2021	
(DKK millions)	Average	End of year	Average	End of year
Bond spread risk	26	15	25	20
Interest rate risk	46	51	32	23
Foreign exchange risk	4	8	7	8
Equity risk	3	3	4	1
Diversification effects	-31	-28	-39	-31
Total VaR	**48**	**49**	**29**	**21**

VaR is calculated at a confidence level of 95% for a 1-day horizon.

Average trading-related market risk increased in the first half of 2022 as a result of a rise in outright interest rate risk exposure. Later in the year, the Group shifted its strategic focus to lowering overall risk levels and expanding risk measures. However, the VaR risk measure was inflated by the recent turmoil in interest rate markets. In VaR terms, average trading-related market risk rose from DKK 29 million in 2021 to DKK 48 million in 2022. High market volatility, especially in interest rates, caused interest rate risk to increase.

Notes – Danske Bank Group – Risk management

Market risk continued

Market risk in relation to fair value adjustments

The Group's fair value accounting includes various valuation adjustments (referred to the Group's derivatives portfolio – specifically credit value adjustments (CVA), funding value adjustments (FVA) and collateral value adjustments (ColVA). The Group applies a market-implied approach that is in line with industry best practice. Hence, these valuation adjustments are sensitive to market risks that chiefly materialise due to changes in interest rates, funding spreads and credit spreads. These market risks can give rise to volatility in the fair value adjustments.

Because of the size and nature of the Group's derivatives portfolio, the credit, funding and collateral valuation adjustments are substantial, and the associated market risks are similarly of a considerable size. The strategy is therefore to hedge large parts of the market risks, while the default risks are capitalised in accordance with regulation. When managing xVA, the Group focuses on managing economic risk rather than regulatory capital. This means that the Group also manages market risks originating from counterparties outside the scope of the CVA risk charge.

The Group manages all xVAs of the derivatives trading books centrally according to a clearly defined hedging strategy for each risk type associated with the xVA portfolio. The credit spread risk of CVA is significantly hedged using credit default swaps based on liquid indices or selected single-name CDS contracts. Funding spread risk is a key risk factor for xVA and has historically been a large P/L driver. In 2022, the hedging strategy was adjusted to manage credit spread risk and funding spread risk collectively. Overall, foreign exchange risks and interest rate risks from the xVA positions are almost fully hedged, with a very limited residual P/L effect.

Market risk in relation to the non-trading portfolio

The Group's exposure to market risk in the non-trading portfolio originates mainly from interest rate risk in the banking book, credit spread risk in the banking book and, to a far lesser extent, from the equity risk associated with a small portfolio of equity investments. Furthermore, the Group is exposed to market risk arising from the hedge of structural foreign exchange risk.

Interest rate risk in the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) derives from providing the Group's core banking customers with conventional banking products and from the Group's funding and liquidity management activities at Group Treasury. IRRBB arises from adverse movements in interest rates, and in turn they changes the underlying value of the Group's assets, liabilities and off-balance sheet items and its economic value.

The level of IRRBB is monitored using a number of risk measures, such as prescribed regulatory metrics, the risk appetites as set by the Board of Directors and other risk measures that are considered appropriate. The table below shows the Group's total interest rate sensitivity in the banking book (economic value-based measure) measured as the change in the net present value of assets, liabilities and off-balance sheet items in the banking book subject to a parallel interest rate curve shift of +100bp and -100bp.

The sensitivity to falling interest rates changed from a gain of DKK 3.3 billion at the end of 2021 to a loss of DKK 0.4 billion in 2022, while the sensitivity to rising interest rates changed from a loss of DKK 1.5 billion at the end of 2021 to a gain of DKK 0.5 billion at the end of 2022.

Interest rate risk in the banking book (economic value-based measure)

	2022		2021	
(DKK millions)	+100bp	-100bp	+100bp	-100bp
Total	**517**	**-399**	**-1,458**	**3,287**

The net interest income (NII) risk metric is used for measuring the change in net interest income over a forecast horizon of 12 months in a number of different scenarios. A constant balance-sheet approach is used for creating a base scenario over the 12-month time horizon. Assuming a parallel downward yield curve shift of 1%, the Group's NII would be DKK 1.1 billion lower than a base scenario calculation at the end of December 2022 (end-2021: DKK 703 million).

The change in both the EV IRRBB measure and the NII sensitivity was affected mainly by rising interest rate volatility in the markets.

Credit spread risk in the banking book

Credit spread risk in the banking book (CSRBB) derives from bond positions primarily related to the Group's funding and liquidity management activities at Group Treasury.

On the basis of a 10-day 99% VaR measure, the Group's credit spread risk in the banking book was DKK 178 million at the end of December 2022, slightly down from DKK 202 million at the end of 2021.

Notes – Danske Bank Group – Risk management

Market risk continued

Structural foreign exchange risk

Structural foreign exchange risk arises as, the Group's CET1 capital is denominated in its domestic currency, DKK, while some of its assets and liabilities are denominated in foreign currencies. Although a fully matched foreign currency position will protect Danske Bank against losses from movements in exchange rates, the Group's CET1 capital ratio will fall if the domestic currency depreciates because of the imbalance between the CET1 capital in a particular foreign currency and the CET1 capital required to support the REA denominated in that same currency.

The Group's objective is to manage structural foreign exchange risk in order to reduce the potential effect of fluctuations in exchange rates on the CET1 capital ratio in a manner that avoids income statement volatility, while at the same time acknowledging potential increased volatility in other comprehensive income. The Group pursues a strategy of hedging the foreign exchange sensitivity of the CET1 capital ratio stemming from the allocated capital that reflects credit and operational risk REAs in the three most significant balance sheet currencies (NOK, SEK and EUR). By nature, structural foreign exchange (hedge) positions are long-term and non-trading positions and they also remain relatively stable over time.

Regulatory capital for market risk

The Group mainly uses the internal model approach (IMA) to measure the risk exposure amount (REA) used for determining the minimum capital requirement for market risk in the trading book. The IMA comprises the Value-at-Risk (VaR) capital charge, the Stressed Value-at-Risk (SVaR) capital charge and the incremental risk charge (IRC). The Group uses the internal VaR model to calculate the VaR and SVaR capital charges, whereas the IRC is calculated on the basis of the incremental risk model. No diversification effects between capital charges are taken into account.

The REA for the Group's minor exposures to commodity risk and collective investment undertakings is calculated according to the standardised approach.

The REA for CVA risk is measured mainly using the internal VaR model based on exposure calculations from the counterparty risk exposure model and allocated CDS spread hedges. The risk exposure amount for CVA risk from the Group's minor exposures to transactions not included in the counterparty credit risk exposure model is calculated according to the standardised approach.

Notes – Danske Bank Group – Risk management

Liquidity risk

Liquidity risk is the risk that funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.

Accepting and managing liquidity risk is an integral part of the Group's business strategy. Realkredit Danmark and Danica Pension each manage their liquidity separately. At Realkredit Danmark, the financing of mortgage loans through the issuance of listed mortgage bonds with matching conditions has eliminated liquidity risk in all material respects. Danica Pension's balance sheet contains long-term life insurance liabilities and assets, a large part of which are invested in readily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to Danske Bank A/S. For liquidity management purposes, the term "Group" (the Danske Bank Group) does not include Danica Pension because it is not a credit institution. Realkredit Danmark is included in the prudential consolidation of the Group and recognised in Group aggregates, unless explicitly stated.

Markets and funding

Rising inflation and market expectations of less expansive monetary policy had caused interest rates to rise already in early 2022. The Russian invasion of Ukraine and new COVID-19 restrictions in China led to further increases in energy and food prices as well as broader supply-chain disruptions. As a result of the increasing inflation pressure, central banks tightened monetary policy faster than what had been expected, which led to market volatility and declining prices of stocks and other assets subject to risk. However, financial markets were generally working well and banks were able to access the funding markets, albeit at a higher cost.

The Group maintained a prudent liquidity position throughout 2022. The liquidity coverage ratios (LCRs) of Danske Bank A/S and the Group declined from 142% and 164% at the end of 2021 to 133% and 151% at the end of 2022, respectively. For the year as a whole, maturing debt was higher than new debt issued, which caused surplus liquidity to decline. More lending also put negative pressure on the LCR. However, the increase in lending was already captured in the LCR by loan offers. Deposit volumes varied over the year, but the impact on surplus liquidity was muted for the year as a whole. Finally, the LCR was reduced due to the financial impact of the fine in relation to the settlement of the Estonia case.

Liquidity risk management

At Group level, liquidity management is based on the monitoring and management of short- and long-term liquidity risks. Liquidity triggers make up a vital part of day-to-day liquidity management because they are used as early warnings of a potential liquidity crisis. The triggers are monitored by various functions across the Group, depending on the type of trigger. Liquidity management is organised according to the framework described in the following sections, although it is not limited to that framework.

Distance to non-viability

The principal aim of the Group's short-term risk management is to ensure that the liquidity reserve is sufficient to absorb the net effects of known future receipts and payments from current transactions. Cash and bond holdings eligible for repo agreements with central banks are considered liquid assets. Potential and expected outflows are monitored on an ongoing basis using different tools, notably the LCR.

For liquidity and funding purposes, foreign currency is an important consideration. With its large market share in Denmark, the Group has a net deposit surplus in DKK (deposits exceed lending). The same is true, though to a lesser degree for USD and GBP, while the opposite is the case for SEK and NOK. The net deposit surplus in Danish kroner is a valuable, stable funding source for the Group. In addition to limits set by the Board of Directors and the Group All Risk Committee, the Group Balance Sheet Risk Committee sets overnight targets for each key currency.

Stress tests

The Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has sufficient time to respond to a crisis. The stress tests estimate liquidity risk in various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis scenario and a combination of the two.

All stress tests are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. The degree of access to refinancing varies, depending on the scenario in question and the specific funding source. To assess the stability of the funding, the Group considers maturity as well as behavioural assumptions.

Liquidity coverage ratio, aggregated and by currency

The LCR requirement stipulates that financial institutions must have a liquidity reserve in excess of projected net outflows during a severe stress scenario lasting 30 days. By executive order, Danish SIFIs are also subject to currency-specific liquidity requirements. The requirements apply individually and only for currencies that are significant to the individual bank. For Danske Bank, these currencies are USD and EUR. Additionally, Danske Bank has set internal limits on the LCRs for SEK and NOK.

Notes – Danske Bank Group – Risk management

Liquidity risk continued

Market reliance

Managing reliance on wholesale deposits and market funding is a key concern for the Group. Such funding may be unstable, especially in the event of general market unrest or issues specific to Danske Bank. Large funding needs can make the Group vulnerable to investor sentiments, market stress and market dysfunctionalities. The size and maturity profile of wholesale funding must therefore be prudent.

Retail deposits are a very important and stable funding source for the Group. Retail customers do not tend to make withdrawls on the basis of short-term considerations, and most retail deposits are covered by a deposit guarantee scheme, which eliminates credit exposure to the bank.

Stress testing is also used to assess the Group's ability to withstand liquidity outflows when capital markets are inaccessible, i.e. market reliance. The assumed scenarios are different from the ones used to assess distance to default, especially with respect to time horizon.

Net stable funding ratio

The net stable funding ratio (NSFR) requires that banks maintain a stable funding profile in relation to the composition of their assets. The NSFR limits overreliance on short-term wholesale funding, promoting funding stability. Stable funding sources include, among other things, own capital, debt issues or deposits with a maturity of over a year. The amount of required stable funding is determined by assigning different weights to assets based on type and maturity.

The NSFRs of Danske Bank A/S and the Group declined from 121% and 130% at the end of 2021 to 115% and 123% at the end of 2022, respectively. The decline was due mainly to an increase in lending requiring additional stable funding and a decrease in long-term debt issues implying less available stable funding.

Funding sources

The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies. A diverse range of funding sources provides protection against market disruptions. The following tables break down funding sources by type and currency. It does not include mortgage bonds issued by Realkredit Danmark.

Funding sources by type of liability (%)	2022	2021
Central banks/credit institutions	13	13
Repo transactions	-5	-2
Short-term bonds	1	1
Long-term bonds	9	9
Other covered bonds	8	9
Deposits (business)	29	27
Deposits (personal)	33	31
Subordinated debt	2	2
Shareholders' equity	9	10
Total	**100**	**100**

Funding sources by currency (%)	2022	2021
DKK	31	30
EUR	26	24
USD	12	12
SEK	13	15
NOK	11	12
GBP	7	7
Other	1	1
Total	**100**	**100**

Notes – Danske Bank Group – Risk management

Liquidity risk continued

Liquidity reserve

The minimum size and the composition of the liquidity reserve are determined on the basis of the Group's capacity to meet its obligations in case of a stressed liquidity situation. The LCR regulation determines its minimum size and imposes requirements on its composition.

Danske Bank's liquidity reserve consists of liquid assets available in a stressed situation. Assets received as collateral are included in the reserve, while assets used as collateral – or otherwise encumbered - are excluded. The table below shows the value of the Group's LCR liquidity reserve after the application of the statutory haircuts which may differ from the ones available in the market and the ones used for internal stress testing. Most of the Group's bond holdings are highly liquid because they are repo eligible with central banks and in money markets. Central bank eligibility is vital for intra-day liquidity management and overnight liquidity facilities and also for determining liquidity in markets during stressed periods.

Liquidity reserve (Group) - LCR definition

(DKK billions after haircut)		2022	2021
Total high-quality liquid assets		**570**	**687**
Level 1a assets	Central bank reserves	214	318
	Central government debt	86	100
	Other level 1a assets	21	54
Level 1b assets	Extremely high-quality covered bonds	229	196
Level 2a assets	High-quality covered bonds	16	12
	Other level 2a assets	4	5
Level 2b assets		0.1	0.5

Notes – Danske Bank Group – Risk management

Life insurance risk

The Danske Bank Group's life insurance risk consists of risks originating from its ownership of Danica Pension. This includes pension related market risk and insurance risk. In addition, the operations of Danica Pension are exposed to non-financial risk and ESG risk. The Group runs its life insurance operations with the aim of providing best-in-class services to customers, while at the same time maintaining a predictable risk profile. The Group is also subject to internal pension risk through its defined benefit plans established for current and former employees.

Danske Bank's financial results are affected by Danica Pension's financial position. Earnings from Danica Pension consist mainly of the risk allowance from with-profits policies, earnings from unit-linked products and from health and accident products, and the investment return on Danica Pension's equity capital.

The life insurance risk framework is governed by Danica Pension's Board of Directors. On a daily basis, Danica Pension's risk management function monitors both the risk and the asset-liability management (ALM) limits set by its Board of Directors, including limits set for its solvency capital requirement, for the solvency coverage ratio and for the own funds loss exposure in a risk scenario defined by Danica Pension's Board of Directors. The risk management function also follows up on investment limits and calculates key risk figures for ALM purposes.

Operating under Solvency II regulations, Danica Pension provides pensions as well as life and health insurance products in Denmark. As part of its product offerings, Danica Pension provides guaranteed life annuities; insurance against death, disability and accident; and guaranteed benefits on retirement. This exposes Danica Pension to insurance risks (such as longevity and disability risks) and to pension related market risk.

Pension related market risk

Pension-related market risk involves the risk of losses because of changes in the fair value of Danica Pension's assets and liabilities since assets and liabilities are not fully exposed to the same types of pension-related market risk. Pension-related market risk primarily covers changing market conditions, such as changes in interest rates, equity prices, property values, exchange rates and credit spreads. Pension-related market risk also includes

- volatility risk, which relates primarily to the value of assets with embedded options, including equity options and swaptions
- inflation risk, which relates mainly to the indexation of benefits for part of Danica Pension's health and accident products
- liquidity risk, which is the risk of losses because Danica Pension may be forced to sell investment assets to meet liquidity needs
- counterparty credit risk, which is the risk of losses because counterparties default on their obligations
- concentration risk, which is the risk of losses as a result of high exposure to a few asset classes, industries, issuers, etc.

Pension-related market risk may lead to financial losses for Danica Pension and thus reduce the total value of Danica Pension's investment assets and technical provisions, thereby reducing future fee earnings.

Danica Pension has three sources of pension related market risk:

- with-profits products (conventional, average-rate products)
- unit-linked products (to which customers may have attached an investment guarantee)
- investments relating to assets allocated to the shareholders' equity of Danica Pension and other products with direct equity exposure

The amount of pension related market risk differs for the various products in Danica Pension's product range.

Danica Pension's most significant pension related market risk is the market risk relating to its with-profit products.

Notes – Danske Bank Group – Risk management

Life insurance risk continued

The with-profit products offer guaranteed benefits based on a technical rate of interest and are called Danica Traditionel. The portfolio of with-profit products is closed for new business, which means that it is in run-off.

The products offer policyholders an annuity or a lump sum consisting of a guaranteed minimum amount in nominal terms. Customers are divided into homogeneous interest rate groups on basis of the technical rates, and each group has its own investment strategy and asset allocation. In each interest rate group, customers participate in a collective investment pool that covers a range of different assets (such as equities, property and bonds).

The policyholders earn interest at a rate set at the discretion of Danica Pension and subject to change at any time.

The difference between the actual (set) interest rate and the return on the policyholders' (collective) assets is allocated to collective buffer accounts owned by the customers. The balances of these buffer accounts are gradually transferred to the individual customer accounts in subsequent years by means of a bonus allocation mechanism. This means that high investment returns may lead to higher benefits than those guaranteed.

The mark-to-market value of the guaranteed benefits depends on the level of the discount curve, which is defined under Solvency II and based primarily on EUR swap rates and also takes into account yields on Danish mortgage, credit and government bonds. The level of the long end of the discount curve, for which no reliable market data is available, is determined by the European Insurance and Occupational Pensions Authority (EIOPA).

For the portfolio of with-profit products Danica Pension will have to cover the shortfall if the value of the assets falls below the value of the liabilities. This will be the case if, for example, investment returns become sufficiently negative (reducing the asset values) or if the level of the discount curve, other things being equal, falls (increasing the value of the liabilities). Hence, the market risk on investments is borne by the customers to the extent that the negative returns can be covered by the collective buffer accounts. Once the buffer accounts have been depleted, negative investment returns on customer savings will force Danica Pension to step in with funds to ensure that it is possible to provide the benefits guaranteed to the policyholders. In that case, Danske Bank A/S will incur a loss in the form of a decrease in equity holdings in Danica Pension.

Furthermore, Danica Pension can book the annual risk allowance fee income for each of the individual interest rate groups only if the collective bonus potential for the interest rate group is sufficient to cover the risk allowance.

Managing the with-profits product thus involves a combination of managing risks on behalf of the policyholders and managing Danica Pension's risk of having to cover losses. For more information about the management of these risks, see Danica Pension's Annual Report 2022.

The pension related market risk associated with unit-linked products is primarily borne by the policyholders, particularly in respect of contracts without an investment guarantee.

In unit-linked products, policyholders receive the actual return on the investments rather than a fixed interest rate return. However, some of the unit-linked products give the policyholders the option to have their benefits guaranteed.

Danica Pension's main savings product – and the product recommended to most customers – is called Danica Balance. Danica Balance is a life-cycle product, meaning that the asset allocation between different risk categories (bonds or equities, for example) for each customer is adjusted gradually as the customer gets older and approaches retirement.

For unit-linked products with financial guarantees, Danica Pension hedges the risk on the financial guarantees by means of financial derivatives and by adjusting the investment allocation during the period leading up to retirement. The investment allocation is adjusted according to the guarantee amount, the investment horizon etc. However, if a guarantee is attached to the individual policy, Danica Pension bears the risk in relation to the guarantee.

The pension related market risk associated with assets allocated to shareholders' equity and other products concerns the following:

- Assets in which the shareholders' equity of Danica Pension is invested, i.e. investment returns have a full effect on Danica Pension profits.
- The investment results for Danica Pension's health and accident products and some life insurance products with investment guarantees. This means, that Danica Pension bears the risk if the changes in the value of provisions for these products differ from the changes in the value of the corresponding assets. The provisions are the net present value of expected future pay-outs and are exposed to movements in the discount curve, which is defined under Solvency II. The corresponding assets may be exposed to changes in interest rates and also to changes in the values of equities and property.

Danica Pension has separate investment strategies for assets allocated to its equity, to health and accident products, and to life insurance products with investment guarantees.

Notes – Danske Bank Group – Risk management

Life insurance risk continued

Insurance risk

Insurance risks are linked to trends in policy surrender activity, mortality, disability, critical illness and other variables that could materialise unfavourably from Danica Pension's current assumptions and expectations. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans and may potentially have a negative effect on Danica Pension's profits. Similarly, trends in mortality, sickness and recovery affect life insurance and disability benefits. The principal insurance risks are longevity risk and the risk of increased surrenders (i.e. the risk of customers leaving Danica Pension or ceasing to pay premiums). Most insurance risks materialise over long-time horizons during which the gradual changes in biometric conditions deviate from those assumed in contract pricing.

Insurance risk may also materialise through changes in the actuarial assumptions used for liability valuation. Unfavourable changes in assumptions resulting in an increase in liabilities will, to the extent possible, be covered by customer buffers. Once the buffer accounts have been depleted, Danica Pension will have to step in with funds to ensure that it is possible to provide the benefits guaranteed to the policyholders. In that case, Danske Bank A/S will incur a loss in the form of a decrease in equity holdings in Danica Pension.

Concentration risk relating to life insurance risk comprises the risk of losses as a result of high exposure to a few customer groups and to a few individuals. Danica Pension limits concentration risk by means of risk diversification of the insurance portfolio and by means of reinsurance.

To limit losses on individual life insurance policies subject to high-risk exposure, Danica Pension reinsures a small portion of the risk related to mortality and disability.

The various risk elements are subject to ongoing actuarial assessment for the purposes of calculating insurance obligations and making relevant business adjustments.

Monitoring and reporting

Danica Pension's Board of Directors has set overall risk limits on the potential loss in a number of stress scenarios. The risk management function monitors these limits on a daily basis. Any breaches are reported by the CRO to the ALM Committee and senior management.

Danica Pension's Board of Directors receives quarterly reports on Danica Pension's risk and solvency position, including stress and sensitivity figures. Stress and sensitivity figures are also reported to Danske Bank A/S via Group Risk Management and CFO Area (Capital Management).

In January 2020, the Danish FSA ordered almost all life insurance and pension providers in Denmark – including Danica Pension – by 31 December 2022 to calculate their technical provisions for solvency purposes on the basis of expected cash flows from premiums and benefits calculated under a number of different return scenarios.

In response to the order, Danica Pension decided to develop a projection model for the calculation of provisions for solvency purposes. As planned, this work was completed at the end of 2022 and resulted in a solvency coverage ratio of 187% and an excess capital base of DKK 14.7bn calculated at 31 December 2022. By comparison, the solvency coverage ratio was 210% and the excess capital base was DKK 14.4bn at 31 December 2021.

The table below shows the changes in different risk factors that result in a solvency coverage ratio of 125%. However for the interest rate risk sensitivity, the table shows the lowest possible solvency coverage ratio in the event of an interest rate change ranging from -2.0 percentage points to +2.0 percentage points.

Sensitivity analysis SCR

31 December 2022	Stress (%)	Own funds (DKK million)	Solvency capital requirement (DKK million)	Solvency coverage ratio (%)
Interest rate risk	-2	28,205	19,057	148
Equity risk	95	19,389	15,511	125
Property risk	82	21,846	17,477	125
Credit spread risk				
- Danish government bonds	22	22,627	18,102	125
- Other government bonds	66	23,481	18,785	125
- Other bonds	64	21,958	17,567	125
Longevity risk	61	30,044	24,035	125

Notes – Danske Bank Group – Risk management

Life insurance risk continued

The tables below provides information on the bond portfolio held in connection with with-profit and unit-linked products.

Bond portfolio (insurance business) broken down by geographical area

31 December 2022	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	14,320	-	56,608	-	-	27,905	98,833
Sweden	-	-	-	-	-	1,581	1,581
UK	4	-	-	-	5	2,243	2,252
Norway	-	-	-	-	-	816	816
USA	9,797	923	-	-	7	12,938	23,665
Spain	463	-	-	-	-	370	833
France	5,479	54	-	-	-	2,502	8,035
Luxembourg	-	84	-	-	-	2,520	2,604
Canada	-	-	-	-	-	943	943
Finland	215	6	-	-	-	172	393
Ireland	541	-	-	-	-	558	1,099
Italy	2,589	-	-	-	-	390	2,979
Portugal	2	-	-	-	-	56	58
Austria	-	-	-	-	-	36	36
Netherlands	121	-	-	-	-	2,514	2,635
Germany	17,524	1,694	-	-	-	1,734	20,952
Other	5,277	617	-	-	-	6,521	12,415
Total	**56,332**	**3,378**	**56,608**	**-**	**12**	**63,799**	**180,129**
31 December 2021							
Denmark	9,731	-	74,701	-	-	18,858	103,290
Sweden	-	-	-	-	-	2,033	2,033
UK	7	-	-	-	-	2,585	2,592
Norway	-	-	-	-	-	2,155	2,155
USA	11,429	1,202	-	-	-	11,960	24,591
Spain	2,034	-	-	-	-	708	2,742
France	6,284	-	-	-	-	2,593	8,877
Luxembourg		94	-	-	-	1,849	1,943
Canada	1	-	-	-	-	723	724
Finland	268	11	-	-	-	200	479
Ireland	688	-	-	-	-	3,818	4,506
Italy	4,360	-	-	-	-	748	5,108
Portugal	2	-	-	-	-	50	52
Austria	-	-	-	-	-	257	257
Netherlands	928	-	-	-	-	3,769	4,697
Germany	17,999	368	-	-	822	2,433	21,622
Other	9,171	745	-	-	-	9,805	19,721
Total	**62,902**	**2,420**	**74,701**	**-**	**822**	**64,544**	**205,389**

Notes – Danske Bank Group – Risk management

Life insurance risk continued

Bond portfolio (insurance business) broken down by external ratings

31 December 2022	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	41,759	2,958	48,759	-	-	3,958	97,434
AA+	215	-	-	-	-	2,017	2,232
AA	6,217	62	-	-	-	338	6,617
AA-	616	-	-	-	-	1,758	2,374
A+	330	-	7,848	-	-	25,421	33,599
A	567	-	1	-	-	1,296	1,864
A-	549	58	-	-	-	2,750	3,357
BBB+	120	-	-	-	-	1,835	1,955
BBB	3,392	172	-	-	-	3,826	7,390
BBB-	514	39	-	-	-	1,298	1,851
Sub-inv. grade or unrated	2,053	89	-	-	12	19,302	21,456
Total	56,332	3,378	56,608	-	12	63,799	180,129

31 December 2021	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	40,090	1,989	68,591	-	822	1,559	113,051
AA+	274	-	-	-	-	156	430
AA	8,633	-	-	-	-	505	9,138
AA-	748	-	-	-	-	1,217	1,965
A+	436	-	5,519	-	-	18,278	24,233
A	2,059	13	10	-	-	1,632	3,714
A-	646	25	-	-	-	2,454	3,125
BBB+	121	18	-	-	-	2,175	2,314
BBB	6,024	110	-	-	-	3,241	9,375
BBB-	803	108	-	-	-	2,095	3,006
Sub-inv. grade or unrated	3,068	157	581	-	-	31,232	35,038
Total	**62,902**	**2,420**	**74,701**	-	**822**	**64,544**	**205,389**

Danica Pension has set a separate investment strategy for assets in which its shareholders' equity is invested.

Notes – Danske Bank Group – Risk management

Non-financial risk

Non-financial risk is the risk of financial losses or gains, regulatory impact, reputational impact or customer impact resulting from inadequate or failed internal processes, people or systems or from external events, including legal and compliance risks. According to the Group's risk taxonomy as set out in its enterprise risk management (ERM) framework, non-financial risk consists of six risk categories: model risk, operational risk, technology and data risk, financial crime risk, regulatory compliance risk and financial control and strategic risk. In addition, to the six non-financial risk categories, reputational risk, conduct risk and sustainability risk are embedded across the taxonomy and may arise as any or all other risk types materialise.

Implementation of the non-financial risk management framework is linked to building and maintaining a strong risk and compliance culture across the Group. The Group has a suite of mandatory training courses for all employees including the Executive Leadership Team. The internal website "DoRight" allows employees to share their concerns and is supported by a group-wide whistleblower system. The Executive Leadership Team uses a set of key performance indicators (KPIs) to measure the risk and compliance culture.

The Group's approach to non-financial risk management is set out in a number of governing documents. The Group Non-Financial Risk Policy is the overarching policy and lays down the principles and responsibilities for managing non-financial risks across the three lines of defence. Supplementary policies are in place and reviewed annually to ensure alignment with regulatory developments.

Given the varying levels of development and maturity across non-financial risk, an iterative approach has been taken to establish risk tolerance statements. The first series of Non-Financial Risk Tolerance Statements were approved by the Board of Directors in April 2021. Following a phased approach, additional tolerances were developed and approved by the Board of Directors April 2022, primarily covering risk types under Compliance and Financial Crime.

In line with industry practice, the Bank operates a three lines of defence model. In order to provide a strong governance structure and effectively cover specific non-financial risk categories, the Group All Risk Committee has a number of non-financial risk sub-committees: the Non-Financial Risk Committee (NFRC), the Compliance Risk Committee (CRC) and the Model Risk Management Committee (MRMC). Furthermore, non-financial risks are overseen by two of the Board of Directors' committees: the Risk Committee and the Conduct & Compliance Committee. The third line of defence is Group Internal Audit (GIA).

Risk assessment

The Group´s approach to assessment of its non-financial risks and controls is in line with industry standards and comprises the following steps: non-financial risk and control identification, inherent risk assessment, assessment of controls, residual risk assessment and definition of mitigating actions. The Group also conducts scenario analyses to understand exposure to low-frequency high-severity events. Results from risk assessments and stress tests are used as input for the Group's Internal Capital Adequacy Assessment Process (ICAAP).

In 2022, the Group continued to make progress on its 2023 Better Bank ambitions towards customers, employees, shareholders and society. Risks related to the Better Bank transformation are identified, assessed and managed in accordance with the Group's standards on an ongoing basis. The performed risk assessments ensure that changes are embedded into the risk management process and that appropriate mitigating actions are identified and implemented. Risk assessments related to Better Bank initiatives were independently reviewed and challenged by Group Non-Financial Risk (Group Risk Management) in 2022. Ongoing risk assessment in this regard will continue, with key risk themes being evaluated on an ongoing basis. Business units and Group Functions are in charge of implementing and executing on the strategy and taking corrective action in respect of deviations and risks relating to strategy operationalisation. The implementation approach is tested against the Group's risk appetite to ensure alignment. Throughout 2022, the Better Bank risk assessments and the Tribe risk identification processes have contributed to an increase in awareness of change risk and its impact across the Group.

Event management

Event management aims to ensure timely and appropriate handling of detected events in order to minimise the impact on the Group and its stakeholders and to prevent reoccurrence. Furthermore, event management provides timely, accurate and complete information for both internal and external reporting, including timely notification to relevant supervisory authorities. Non-financial risk events are registered, categorised and handled according to reporting thresholds, Risk assessment and root-cause analyses are performed to effectively address underlying risks and provide mitigation plans. The Group strives to learn from materialised events and observed near-misses to continually improve its operational risk management framework. Event awareness and coverage continues to improve across the Group as registration, approval and escalations take place in an increasingly timely manner.

As in 2021, the majority of loss events in 2022 continue to fall into the two broad categories: "Execution, delivery and process management" and "Clients, products and business practices". There were losses relating to legacy systems and limitations in manual processes as well as product and services-related events.

Notes – Danske Bank Group – Risk management

Non-financial risk continued

Operational resilience

Operational resilience represents the Group's ability to continue to serve its customers and society and to protect its workforce in the face of operational stress resulting from disruptions. The Group's approach to operational resilience is based on effective operation of risk management frameworks combined with sufficient resources to manage and learn from disruptions and to adapt to changing conditions.

The Group has continued strengthening operational resilience through the further enhancement of its policies and frameworks to align to regulatory and industry expectations and associated implementation. Implementation has included planning for resilience in the event of impacts from the Russian invasion of Ukraine materialising including IT disruption and power outages.

The Group has prepared a recovery plan to recover its capital and/or liquidity position and long-term viability in a crisis situation. An indicator framework has been established to escalate signs of financial weaknesses and to identify potential threats in due time for the Group to act.

Cyber security

Acknowledging ongoing geo-political tensions, Danske Bank continue monitoring and taking mitigating pro-active actions towards current concerns. The volume and sophistication of cyber-related attacks continue to grow. Information security (including cybersecurity) is identified as a top risk concern for the Group in 2022, and this trend is expected to continue. These types of attacks remain an effective method for criminals to monetise illicit access into an organisation, resulting in data leaks when an organisation is unwilling to pay. The Board of Directors and the Executive Leadership Team acknowledge the materiality of the risk posed by cyber-related attacks, and continue to invest in maturing the Group's ability to prevent, detect, respond to and recover from cyber-related attacks. The management of cyber-related risks is covered within the Group's overall risk management framework, as they may prevent the bank from achieving its objectives. Governance structures and methodologies to oversee, prioritise and undertake risk mitigation activity related to cyber-related attacks are in place to ensure that the focus remains on this area.

Third-party risk

Third-party risk management (TPRM) considers the risks associated with processes, services, or activities provided to the Group by third parties. The purpose of TPRM is to identify, manage and mitigate non-financial risks when the Group engages with a third party. Third-party arrangements classified as outsourcing or critical or important outsourcing are subject to specific regulatory requirements listed in the EBA Guidelines on Outsourcing and the Danish Executive Order on Outsourcing. Outsourcing arrangements are to be managed in accordance with the Group's TPRM Policy.

In connection with the implementation of the recent regulatory outsourcing requirements and the Third Party Risk Management Policy, the Group has also strengthened its governance and framework for outsourcing and third parties. This includes establishing centralised teams in both the first and second lines of defence, central processes and templates, a group-wide outsourcing register, and an improved risk assessment process. The overall purpose is to ensure a uniform application of the outsourcing process and appropriate governance both prior to decision-making on outsourcing and during the outsourcing engagement lifecycle. Elements of the new governance and framework are still maturing, but the Group now has a good platform to address potential issues and risks identified as part of the new process and to maintain control of the outsourcing portfolio.

Notes – Danske Bank Group

(DKK millions)	2022	2021	2020	2019	2018
Highlights					
Net interest and fee income	39,773	39,266	39,004	38,749	39,496
Value adjustments	-33,248	36,225	22,340	34,034	-10,332
Staff costs and administrative expenses*	25,821	24,973	26,289	24,700	22,321
Provision for Estonia matter	13,800	-	-	-	1,500
Loan impairment charges	1,502	141	7,089	1,729	-387
Income from associates and group undertakings	9	226	-93	386	451
Net profit	-5,068	12,920	4,589	15,072	14,862
Loans	2,015,496	2,051,903	2,047,930	2,150,059	2,043,580
Total equity	160,318	176,704	168,679	170,508	163,276
Total assets	3,762,999	3,935,834	4,109,231	3,761,050	3,578,467

*In 2018, provision for Estonia matter of DKK 1,500 million has been reclassified from Staff costs and administrative expenses to Provision for Estonis matter.

Ratios	2022	2021	2020	2019	2018
Total capital ratio (%)	22.1	22.4	23.0	22.7	21.3
Tier 1 capital ratio (%)	19.6	20.0	20.5	20.4	20.1
Return on equity before tax (%)	-1.4	9.6	3.7	8.3	11.7
Return on equity after tax (%)	-3.0	7.5	2.7	9.0	9.0
Income/cost ratio (%)	95.3	153.5	115.8	140.3	169.9
Interest rate risk (%)	0.3	-1.0	1.9	2.9	2.7
Foreign exchange position (%)	4.6	1.9	23.4	4.0	1.8
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	155.3	153.7	149.1	181.5	185.9
Liquidity coverage ratio (%)	151.0	163.7	153.5	140.1	120.6
Sum of large exposures as % of CET1 capital	120.2	108.7	128.6	138.1	115.1
Impairment ratio (%)	0.1	-	0.3	0.1	-
Growth in loans (%)	-1.7	-0.2	0.7	2.4	3.2
Loans as % of equity	12.6	11.6	12.1	12.6	12.5
Return on assets (%)	-0.1	0.3	0.1	0.4	0.4
Earnings per share (Nominal value DKK 100)	-6.1	14.6	4.7	16.7	16.2
Book value per share (DKK)	188.4	207.1	197.6	199.7	191.0
Proposed dividend per share (DKK)	-	2.0	2.0	-	8.5
Share price end of period/earnings per share (DKK)	-22.7	7.7	21.3	6.4	8.0
Share price end of period/book value per share (DKK)	0.73	0.55	0.51	0.54	0.67

The ratios and key figures are calculated in accordance with the requirements stipulated in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc., and on the basis of IFRS figures except where otherwise indicated.

Notes – Danske Bank Group

Definitions of ratios

Ratios	Definition
Earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year. Net profit is stated after the deduction of interest on equity-accounted additional tier 1 capital.
Diluted earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year, including the dilutive effect of share options and conditional shares granted as share-based payments. Net profit is stated after the deduction of interest on equity-accounted additional tier 1 capital.
Return on equity (%)	Net profit for the year divided by average equity (average equity as end of current and prior year), including equity-accounted additional tier 1 capital. For the definition used in the management report see page"Definition of alterntive Performance Measures".
Income/cost ratio (%)	Total income divided by expenses, including goodwill impairment charges and provision for Estonia matter.
Common equity tier 1 (CET1) capital	Primarily paid-up share capital and retained earnings. CET1 capital is defined in the Capital Requirements Regulation (CRR).
Additional tier 1 capital	Capital instruments that form part of tier 1 capital. Additional tier 1 capital is defined in CRR.
Tier 1 capital	Common equity tier 1 capital plus additional tier 1 capital, less certain deductions, such as intangible assets. The deductions are defined in CRR.
Tier 2 capital	Subordinated loan capital subject to certain restrictions that falls under the requirements for such instruments in CRR.
Total capital	Tier 1 capital plus tier 2 capital, less certain deductions as defined in CRR.
Risk exposure amount	Total risk exposure amount and off-balance-sheet items that involve credit risk, market risk and operational risk as calculated in accordance with the Capital Requirements Regulation (CRR).
Common equity tier 1 capital ratio	Common equity tier 1 capital divided by the total risk exposure amount.
Tier 1 capital ratio	Tier 1 capital divided by the total risk exposure amount.
Total capital ratio	Total capital divided by the total risk exposure amount.
Dividend per share (DKK)	Proposed dividend on the net profit for the year divided by the number of shares issued at the end of the year.
Share price at 31 December	Closing price of Danske Bank shares at the end of the year.
Book value per share (DKK)	Total equity at 31 December divided by the number of shares outstanding at the end of the year. For the definition used in the management report see page "Definition of alternative Performance Measures".
Number of full-time-equivalent staff at 31 December	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year.
Lending growth	Growth in lending from the beginning to the end of the year, excluding repo transactions.
Loans plus impairment charges as % of deposits	Loans at fair value and loans at amortised cost (gross of expected credit losses) divided by deposits including deposits under pooled schemes.
Return on assets	Net profit for the year divided by average assets (average assets as total assets end of current and prior year)

Financial statements – Danske Bank A/S

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc. as amended by Executive Order No. 707 of 1 June 2016, Executive Order No. 1043 of 5 September 2017, Executive Order No. 1441 of 3 December 2018 and Executive Order No. 1593 of 9 November 2020. A description of policies for data ethics is available at https://danskebank.com/about-us/corporate-governance.

Note G2(a) provides further information on changes in accounting policies implemented as at 1 January 2022. Except for these changes, Danske Bank A/S has not changed its significant accounting policies from those applied in the Annual Report 2021.

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

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

The estimated fair value of domicile property is determined in accordance with the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

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

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

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

(DKK millions)	Net profit 2022	Net profit 2021	Equity 2022	Equity 2021
Danske Bank Group based on IFRS	-5,068	12,920	160,318	176,704
Domicile properties	16	12	217	200
Tax effect	-5	1	-28	-23
Parent company statement based on Danish FSA rules	**-5,057**	**12,933**	**160,506**	**176,881**

Note G38 lists the Group's significant holdings and undertakings.

Income statement – Danske Bank A/S

Note	(DKK millions)	2022	2021
P2	Interest income	34,544	24,039
P3	Interest expense	18,777	10,092
	Net interest income	15,767	13,947
	Dividends from shares etc.	435	375
P4	Fee and commission income	13,420	14,471
	Fees and commissions paid	2,167	2,258
	Net interest and fee income	27,455	26,535
P5	Value adjustments	1,975	2,758
	Other operating income	1,718	1,721
P6	Staff costs and administrative expenses	21,342	20,520
	Amortisation, depreciation and impairment charges	2,864	3,058
P23	Other operating expenses	13,800	2
	Loan impairment charges etc.	1,041	-44
	Income from associates and group undertakings	4,373	7,115
	Profit before tax	-3,524	14,592
P9	Tax	1,533	1,659
	Net profit	**-5,057**	**12,933**
	Proposed profit allocation		
	Equity method reserve	-2,813	2,129
	Dividends for the year	-	1,724
	Additional tier 1 capital holders	86	451
	Retained earnings	-2,329	8,629
	Total	**-5,057**	**12,933**

Statement of comprehensive income – Danske Bank A/S

Note	(DKK millions)	2022	2021
	Net profit	-5,057	12,933
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit pension plans	-968	-90
P9	Tax*	-179	-146
	Items that will not be reclassified to profit or loss	**-789**	**56**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	-4,481	1,708
	Hedging of units outside Denmark	2,463	-1,270
	Unrealised value adjustments of bonds at fair value (OCI)	-1,546	-326
	Realised value adjustments of bonds at fair value (OCI)	-10	10
P9	Tax*	-672	-154
	Items that are or may be reclassified subsequently to profit or loss	**-2,902**	**276**
	Total other comprehensive income	**-3,691**	**332**
	Total comprehensive income		
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	-8,834	12,814
	Additional Tier 1 capital holders	86	451
	Total comprehensive income	**-8,749**	**13,265**

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

Balance sheet – Danske Bank A/S

Note	(DKK millions)	2022	2021
	Assets		
	Cash in hand and demand deposits with central banks	141,127	248,835
P10	Due from credit institutions and central banks	88,432	109,816
P11	Loans and other amounts due at fair value	208,635	214,590
P11	Loans and other amounts due at amortised costs	917,028	855,956
P13	Bonds at fair value	315,124	359,178
P13	Bonds at amortised cost	98,888	101,672
	Shares etc.	8,878	12,631
	Holdings in associates	536	206
	Holdings in group undertakings	88,998	94,315
P14	Assets under pooled schemes	46,153	55,945
	Intangible assets	6,038	5,963
	Land and buildings	2,698	3,400
P15	Investment property	-	192
P15	Domicile property	2,698	3,208
P16	Other tangible assets	5,042	5,197
	Current tax assets	4,813	4,152
P17	Deferred tax assets	1,215	700
P18	Assets held for sale	108	92
P19	Other assets	463,259	289,666
	Prepayments	1,345	958
	Total assets	**2,398,317**	**2,363,271**
	Liabilities and equity		
	Amounts due		
P20	Due to credit institutions and central banks	140,581	191,259
P21	Deposits and other amounts due	1,178,920	1,204,160
	Deposits under pooled schemes	46,256	56,135
P22	Issued bonds at fair value	12,150	24,248
P22	Issued bonds at amortised cost	197,875	246,265
	Current tax liabilities	2,220	160
P23	Other liabilities*	617,977	422,607
	Deferred income	1,050	577
	Total amounts due	**2,197,029**	**2,145,412**
	Provisions for liabilities		
	Provisions and pensions and similar obligations	175	177
P17	Provisions for deferred tax	340	104
	Provisions for losses on guarantees	2,974	2,542
	Other provisions for liabilities*	2,427	2,684
	Total provisions for liabilities	**5,916**	**5,508**
P24	Subordinated debt	34,865	35,470
	Equity		
	Share capital	8,622	8,622
	Accumulated value adjustments	-4,138	-564
	Equity method reserve	26,838	29,651
	Retained earnings	129,185	131,950
	Proposed dividends	-	1,724
	Shareholders of Danske Bank A/S (the Parent Company)	160,506	171,383
	Additional tier 1 capital holders	**-**	**5,497**
	Total equity	**160,506**	**176,881**
	Total liabilities and equity	**2,398,317**	**2,363,271**

* DKK 2.2 billion of Other liabilities in 2021 has been reclassified to Other provisions for liabilities,in order to present all provisions in one line

Statement of capital – Danske Bank A/S

Changes in equity

(DKK millions)	Share capital	Accumulated value adjustments*	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2021	8,622	-686	27,522	123,146	1,724	160,328	8,508	168,836
Net profit	-	-	2,129	10,353	-	12,482	451	12,933
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-90	-	-90	-	-90
Translation of units outside Denmark	-	1,708	-	-	-	1,708	-	1,708
Hedging of units outside Denmark	-	-1,270	-	-	-	-1,270	-	-1,270
Unrealised value adjustments	-	-326	-	-	-	-326	-	-326
Realised value adjustments	-	10	-	-	-	10	-	10
Tax	-	-	-	300	-	300	-	300
Total other comprehensive income	**-**	**122**	**-**	**210**	**-**	**332**	**-**	**332**
Total comprehensive income	**-**	**122**	**2,129**	**10,563**	**-**	**12,814**	**451**	**13,265**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-466	-466
Dividends paid	-	-	-	16	-1,724	-1,708	-	-1,708
Proposed dividends	-	-	-	-1,724	1,724	-	-	-
Redemption of additional tier 1 capital	-	-	-	-	-	-	-3,000	-3,000
Acquisition of own shares and additional tier 1 capital	-	-	-	-19,801	-	-19,801	-	-19,801
Sale of own shares and additional tier 1 capital	-	-	-	19,715	-	19,715	4	19,719
Share based payments	-	-	-	146	-	146	-	146
Tax	-	-	-	-111	-	-111	-	-111
Total equity as at 31 December 2021	**8,622**	**-564**	**29,651**	**131,950**	**1,724**	**171,383**	**5,497**	**176,881**
Net profit	-	-	-2,813	-2,329	-	-5,143	86	-5,057
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-968	-	-968	-	-968
Translation of units outside Denmark	-	-4,481	-	-	-	-4,481	-	-4,481
Hedging of units outside Denmark	-	2,463	-	-	-	2,463	-	2,463
Unrealised value adjustments	-	-1,546	-	-	-	-1,546	-	-1,546
Realised value adjustments	-	-10	-	-	-	-10	-	-10
Tax	-	-	-	851	-	851	-	851
Total other comprehensive income	**-**	**-3,575**	**-**	**-117**	**-**	**-3,691**	**-**	**-3,691**
Total comprehensive income	**-**	**-3,575**	**-2,813**	**-2,446**	**-**	**-8,834**	**86**	**-8,749**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-164	-164
Dividends paid	-	-	-	19	-1,724	-1,705	-	-1,705
Redemption of additional tier 1 capital	-	-	-	-	-	-	-5,419	-5,419
Acquisition of own shares and additional tier 1 capital	-	-	-	-18,728	-	-18,728	-	-18,728
Sale of own shares and additional tier 1 capital	-	-	-	18,301	-	18,301	-	18,301
Share based payments	-	-	-	57	-	57	-	57
Tax	-	-	-	33	-	33	-	33
Total equity as at 31 December 2022	**8,622**	**-4,138**	**26,838**	**129,185**	**-**	**160,506**	**-**	**160,506**

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

Statement of capital – Danske Bank A/S

Holding of own shares - Danske Bank A/S	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding as at 1 January 2021	4,034,791	40	0.47	-
Acquired in 2021	175,195,431	1,752	20.32	19,677
Sold in 2021	175,007,057	1,750	20.30	19,603
Holding as at 31 December 2021	**4,223,165**	**42**	**0.49**	
Acquired in 2022	166,761,364	1,668	19.34	18,119
Sold in 2022	165,683,447	1,657	19.22	17,836
Holding as at 31 December 2022	**5,301,082**	**53**	**0.61**	

Acquisitions in 2022 and 2021 comprised shares acquired for the trading portfolio and shares acquired on behalf of customers.

Danske Bank shares held by subsidiaries	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding as at 1 January 2021	4,500,454	45	0.52	453
Acquired in 2021	1,099,457	11	0.13	124
Sold in 2021	990,898	10	0.11	112
Holding as at 31 December 2021	**4,609,013**	**46**	**0.53**	**521**
Acquired in 2022	5,036,237	50	0.58	609
Sold in 2022	3,708,483	37	0.43	464
Holding as at 31 December 2022	**5,936,767**	**59**	**0.69**	**815**

Acquisitions in 2022 and 2021 comprised shares acquired on behalf of customers.

Statement of capital – Danske Bank A/S

Total capital and total capital ratio

(DKK millions)	31 December 2022	31 December 2021
Total equity	160,506	176,881
Additional tier 1 capital instruments included in total equity	-	-5,419
Accrued interest on additional tier 1 capital instruments	-	-78
Common equity tier 1 capital instruments	160,506	171,384
Adjustment to eligible capital instruments	-222	-104
IFRS 9 reversal due to transitional rules	2,991	2,508
Prudent valuation	-1,335	-949
Prudential filters	-567	-173
Expected/Proposed dividends	-	-6,466
Intangible assets of banking operations	-5,521	-5,233
Minimum Loss Coverage for Non-Performing Exposures	-100	-8
Deferred tax on intangible assets	241	178
Deferred tax assets that rely on future profitability, excluding temporary differences	-169	-35
Defined benefit pension plan assets	-799	-1,052
Statutory deduction for insurance subsidiaries	-4,683	-6,882
Common equity tier 1 capital	**150,342**	**153,168**
Additional tier 1 capital instruments	15,300	19,933
Tier 1 capital	**165,642**	**173,101**
Tier 2 capital instruments	20,765	20,887
Total capital	**186,407**	**193,989**
Total risk exposure amount	**739,653**	**733,082**
Common equity tier 1 capital ratio (%)	20.3%	20.9%
Tier 1 capital ratio (%)	22.4%	23.6%
Total capital ratio (%)	25.2%	26.5%

To ensure prudent capital management with a high degree of flexibility in light of the Estonia matter, the general meeting adopted the proposal for an initial dividend payment of DKK 2 per share that was paid out in March 2022. The remaining DKK 5.5 per share was intended to be paid out in three tranches following the publication of the interim reports in 2022, subject to a decision by the Board of Directors. On 28 April 2022, the Board of Directors decided that Danske Bank would not pay out dividends in connection with the interim report for the first quarter of 2022 as Danske Bank had entered into initial discussions with U.S. and Danish authorities on the resolution of the Estonia matter. No dividends were paid out in connection with the interim report for the second quarter of 2022 as the discussions with authorities were still ongoing. In light of the additional provision for the Estonia matter made in the third quarter of 2022, the Board of Directors has decided to cancel the remaining dividend for 2021.

In 2022 Danske Bank made an additional provision of DKK 13,800 related to the Estonia matter. Consequently, the Board of Directors will propose to the annual general meeting in 2023 that no dividend be paid out for 2022. Danske Bank's dividend policy remains unchanged, targeting a dividend of 40-60% of net profit.

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under the Capital Requirements Regulation (CRR), taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority.

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

The Internal Capital Adequacy Assessment report provides more details about 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.

Notes – Danske Bank A/S

P1. Net interest and fee income and value adjustments broken down by business segment

(DKK millions)	2022	2021
Personal Customers	9,872	8,290
Business Customers	8,310	7,020
Large Corporates & Institutions	11,854	13,696
Other	-604	287
Total	**29,431**	**29,293**
Geographical segmentation		
Denmark	13,740	12,615
Finland	4,525	4,071
Ireland	274	178
Norway	4,634	5,181
UK	244	334
Sweden	5,850	6,656
Baltics	-4	7
Germany	24	167
Poland	145	85
Total	**29,431**	**29,293**

Geographical segmentation is based on the location in which the individual transaction is recorded. The figures for Denmark include financing costs related to investments in activities outside Denmark. Comparative figures have been restated due to organisational changes etc.

P2. Interest income

(DKK millions)	2022	2021
Reverse transactions with credit institutions and central banks	-9	-323
Other transactions with credit institutions and central banks	2,701	138
Reverse loans	718	-527
Loans and other amounts due	21,016	14,712
Bonds	3,896	1,770
Derivatives, total	996	2,519
Currency contracts	2,171	304
Interest rate contracts	-934	2,113
Equity contracts	-241	102
Other interest income	135	11
Total	**29,453**	**18,299**

Negative interest income amounts to DKK 1,248 million (2021: DKK 1,731 million) and relates primarily to repo transactions. In the table above, negative interest income is offset against interest income. In the Income statement, negative interest income is presented as interest expenses and negative interest expenses as interest income.

P3. Interest expense

(DKK millions)	2022	2021
Repo transactions with credit institutions and central banks	542	-748
Other transactions with credit institutions and central banks	2,177	787
Repo deposits	724	-266
Deposits and other amounts due	3,591	-1,207
Issued bonds	4,753	4,291
Subordinated debt	1,446	1,234
Other interest expenses	451	262
Total	**13,686**	**4,352**

Negative interest expenses amount to DKK 2,843 million (2021: DKK 4,009 million) and relates primarily to deposits and repo transactions. In the table above, negative interest expenses are offset against interest expenses. In the Income statement, negative interest expenses are presented as interest income and negative interest income as interest expenses.

Notes – Danske Bank A/S

P4. Fee and commission income

(DKK millions)	2022	2021
Securities trading and custody account fees	6,309	7,532
Payment services fees	2,599	2,411
Origination fees	2,009	2,184
Guarantee commissions	825	819
Other fees and commissions	1,677	1,524
Total	**13,420**	**14,471**

Origination fees includes mainly fee income from the establishment of Danish mortgage loans (received from Realkredit Danmark), and fee income for coordinating and arranging syndicated loan transactions, as well as issuing bonds on behalf of customers.

P5. Value adjustments

(DKK millions)	2022	2021
Loans at fair value	464	-517
Bonds	-7,361	-2,064
Shares etc.	-315	3,575
Currency	2,115	2,075
Derivatives	-10,408	-5,938
Assets under pooled schemes	-35	-18
Other liabilities	17,515	5,645
Total	**1,975**	**2,758**

P6. Staff costs and administrative expenses

(DKK millions)	2022	2021
Remuneration of the Executive Leadership Team and the Board of Directors		
Executive Leadership Team	95	95
Board of Directors	16	16
Total	**111**	**111**

The remuneration of the Executive Leadership Team includes remuneration for membership of the board of directors of one or more of the Group's subsidiaries. Such remuneration is deducted from the contractual remuneration.

Staff costs

(DKK millions)	2022	2021
Salaries	10,516	10,716
Pensions	1,277	1,272
Financial services employer tax and social security costs	1,669	1,764
Total	**13,462**	**13,752**
Other administrative expenses	**7,770**	**6,657**
Total staff costs and administrative expenses	**21,342**	**20,520**
Number of full-time-equivalent staff	**17,044**	**17,327**

Note G36 contains additional information about the remuneration of the Board of Directors, the Executive Leadership Team, and other material risk takers.

P7. Amortisation, depreciation and impairment charges

This item includes impairment charges for software of DKK 41 million (2021: DKK 36 million). Note G19 contains additional information.

Notes – Danske Bank A/S

P8. Audit fees

(DKK millions)	2022	2021
Audit firms appointed by the general meeting		
Fees for statutory audit of the parent company financial statements	17	11
Fees for other assurance engagements	4	3
Fees for other services	1	1
Total	**22**	**15**

P9. Tax

(DKK millions)	2022	2021
Calculated tax charge for the year	1,046	1,623
Deferred tax	778	286
Adjustment of prior-year tax charges	-98	-250
Increase of tax rate	-193	-
Total	**1,533**	**1,659**
Effective tax rate	(%)	(%)
Danish tax rate	22.0	22.0
Non-taxable income and non-deductible expenses, excluding income from associates and group undertakings	-101.2	2.2
Difference between tax rates of units outside Denmark and Danish tax rate	-0.2	0.1
Adjustment of prior-year tax charges	2.8	-1.7
Increase of tax rate	5.5	-
Effective tax rate	-71.1	22.6
Portion included under Income from associates and group undertakings	27.6	-11.2
Total	**-43.5**	**11.4**
Tax on other comprehensive income		
Remeasurement of defined benefit plans	-179	-146
Hedging of units outside Denmark	-672	-154
Total	**-851**	**-300**

Notes – Danske Bank A/S

P10. Due from credit institutions and central banks

(DKK millions)	2022	2021
On demand	5,859	6,893
Up to 3 months	51,543	65,368
From 3 months to 1 year	2,195	5,613
From 1 to 5 years	28,563	29,431
Over 5 years	272	2,510
Total	**88,432**	**109,816**
Due from credit institutions	55,573	74,485
Term deposits with central banks	32,859	35,332
Total	**88,432**	**109,816**
Reverse transactions included in above item	**37,434**	**38,849**

DKK 38,202 million (2021: DKK 40,576 million) of Due from credit institutions and central banks are recognised at fair value through profit or loss. For further information see note G14.

P11. Loans and other amounts due

(DKK millions)	2022	2021
On demand	70,200	58,632
Up to 3 months	301,947	216,905
From 3 months to 1 year	147,350	148,569
From 1 to 5 years	343,925	351,323
Over 5 years	262,240	295,116
Total	**1,125,663**	**1,070,545**
Reverse transactions included in above item	**216,370**	**221,429**

Loans and other amounts due includes Loans and other amounts due at amortised cost and Loans and other amounts due at fair value.

Loans and guarantees broken down by sector and industry (%)

	2022	2021
Public sector	3.7	3.0
Business customers		
Agriculture, hunting, forestry and fisheries	2.8	2.8
Manufacturing industries and extraction of raw materials	10.9	9.2
Energy and utilities	3.8	5.1
Building and construction	1.4	1.3
Trade	5.2	4.2
Transport, hotels and restaurants	3.0	2.9
Information and communication	1.7	1.7
Finance and insurance	22.1	21.8
Property administration	13.6	14.3
Other	4.6	3.3
Total Business customers	69.1	66.8
Personal customers	27.1	30.3
Total	**100.0**	**100.0**

The relative distribution between industries includes loans at amortised cost, loans at fair value and guarantees. The comparative information has been restated with minor adjustments between multiple lines.

Notes – Danske Bank A/S

P 12. 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 2021	7	3	2	778	4,528	10,678	537	1,514	1,043	19,092
Transferred to stage 1 during the period	-	-	-	1,030	-876	-153	310	-296	-14	-
Transferred to stage 2 during the period	-	-	-	-74	257	-183	-16	57	-41	-
Transferred to stage 3 during the period	-	-	-	-5	-537	542	-	-133	133	-
ECL on new assets	12	8	-	384	873	1,490	103	182	67	3,119
ECL on assets derecognised	-3	-3	-	-308	-1,018	-3,968	-134	-253	-233	-5,920
Impact of net remeasurement of ECL (incl. changes in models)	1	1	-	-388	819	913	-193	-155	26	1,026
Write offs debited to the allowance account	-	-	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	7	19	255	2	18	31	332
Other changes	-	-	-	-171	187	703	-20	1	19	719
ECL allowance account as at 31 December 2021	**17**	**10**	**2**	**1,254**	**4,251**	**10,276**	**589**	**936**	**1,033**	**18,367**
Transferred to stage 1 during the period	-	-	-	697	-673	-24	149	-143	-6	-
Transferred to stage 2 during the period	4	-4	-	-215	492	-278	-51	84	-33	-
Transferred to stage 3 during the period	-	1	-1	-7	-413	420	-1	-37	38	-
ECL on new assets	12	14	-	368	1,225	541	97	126	214	2,596
ECL on assets derecognised	-8	-8	-	-569	-1,115	-3,516	-113	-50	-337	-5,715
Impact of net remeasurement of ECL (incl. changes in models)	-2	9	-1	68	1,439	729	56	275	227	2,798
Write offs debited to the allowance account	-	-	-	-	-	-2,814	-	-	-	-2,814
Foreign exchange adjustments	-	-	1	-33	-79	142	-7	-21	-56	-52
Other changes	-7	6	1	-14	-9	69	-3	7	-	50
ECL allowance account as at 31 December 2022	**16**	**28**	**2**	**1,548**	**5,117**	**5,546**	**716**	**1,176**	**1,081**	**15,230**

For further information on the decomposition of the allowance account on facilities in stages 1-3 and originated credit-impaired facilities, see the section on credit risk for Danske Bank Group in note G41 in the consolidated financial statements of Danske Bank Group.

P 13. Bonds at fair value and Bonds at amortised cost

Bonds at fair value

Bonds at fair value consists of bonds at fair value through profit or loss of DKK 207,704 million (2021: DKK 247,928 million) and bonds at fair value through other comprehensive income of DKK 107,420 million (2021: DKK 111,250 million).

Bonds at amortised cost

(DKK millions)	2022	2021
Fair value of hold-to-maturity assets	90,144	101,452
Carrying amount of hold-to-maturity assets	98,888	101,672

Notes – Danske Bank A/S

P 14. Assets under pooled schemes

(DKK millions)	2022	2021
Bonds at fair value	18,493	21,693
Shares	13,421	17,557
Unit trust certificates	14,228	16,810
Cash deposits etc.	115	75
Total assets before elimination	46,256	56,135
Own shares	207	138
Other internal balances	-104	52
Total	**46,153**	**55,945**

P 15. Investment and domicile property

Domicile property includes property owned by Danske Bank A/S and leased properties (Righ-of-use assets). Investment property consists solely of owned properties.

Domicile property (DKK millions)	2022	2021
Domicile property (owned properties)	1	1
Right-of-use-assets (leased properties)	2,697	3,207
Total	**2,698**	**3,208**

The reconciliation of the carrying amount of domicile property, owned by Danske Bank, and investment property is presented below.

Fair value of investment property and domicile property, owned

	2022		2021	
(DKK millions)	Investment property	Domicile property	Investment property	Domicile property
Fair value/revaluation at 1 January	159.4	1.0	184.9	0.9
Currency translation	-10.2	0.0	10.8	0.1
Additions, including property improvement expenditure	-	-	-	-
Disposals	-	-	32.1	-
Depreciation charges	-	-	-	-
Value adjustment recognised through other comprehensive income	-	-	-	-
Value adjustment recognised through profit or loss	-	-	-	-
Other changes including properties moved to Assets held for sale	-149.2	-	-4.2	-
Fair value/revaluation at 31 December	**-**	**0.9**	**159.4**	**1.0**
Required rate of return for calculation of fair value/revaluation (% p.a.)	**5,0 - 6,0**	**5,0 - 8,0**	**5,0 - 6,0**	**5,0 - 8,0**

Fair value and revaluations are assessed by the Group's valuers.

P 16. Other tangible assets

Other tangible assets includes assets owned by Danske Bank and leased assets (Right-of-use assets).

(DKK millions)	2022	2021
Other tangible assets (owned assets)	5,042	4,424
Right-of-use-assets	-	773
Other tangible assets, total	**5,042**	**5,197**

Reconciliation of the carrying amout of Other tangible assets, owned by Danske Bank, is presented below.

Notes – Danske Bank A/S

P16. Other tangible assets continued

Other tangible assets, owned

(DKK millions)	2022	2021
Cost at 1 January	9,960	9,099
Foreign currency translation	-106	44
Additions, including leasehold improvements	2,106	2,306
Disposals	1,223	1,498
Cost at 31 December	**10,737**	**9,951**
Depreciation and impairment charges at 1 January	5,527	5,345
Foreign currency translation	-54	19
Depreciation charges	975	1,074
Depreciation and impairment charges for assets sold	753	911
Depreciation and impairment charges at 31 December	**5,695**	**5,527**
Carrying amount at 31 December	**5,042**	**4,424**

P17. Change in deferred tax

2022 (DKK millions)	At 1 January	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	Addition from merger	At 31 December
Intangible assets	-44	3	128	-	-50	37
Tangible assets	153	-13	-644	-	-	-504
Securities	-	-	92	-	-	92
Provisions for obligations	48	3	352	-3	-	400
Tax loss carry forwards	-35	-	-134	-	-	-169
Other	-718	7	-20	-	-	-731
Total	**-596**	**-**	**-226**	**-3**	**-50**	**-875**
2021 (DKK millions)						
Intangible assets	-99	-8	63	-	-	-44
Tangible assets	181	13	-41	-	-	153
Provisions for obligations	15	-4	26	11	-	48
Tax loss carry forwards	-290	-16	271	-	-	-35
Other	-771	-2	55	-	-	-718
Total	**-964**	**-17**	**374**	**11**	**-**	**-596**

Unrecognised tax loss carryforwards amounted to DKK 2.7 billion at the end of 2022 (31 December 2021: DKK 2.7 billion).

Deferred tax (DKK millions)	2022	2021
Deferred tax assets	1,215	700
Provisions for deferred tax	340	104
Deferred tax, net	**-875**	**-596**

P18. Assets held for sale and liabilities in disposal groups held for sale

Tangible assets amounting to DKK 109 million classified as held for sale (2021: DKK 92 million).

Notes – Danske Bank A/S

P19. Other assets

(DKK millions)	2022	2021
Positive fair value of derivatives	448,113	272,889
Other assets	15,146	16,777
Total	**463,259**	**289,666**

P20. Due to credit institutions and central banks

(DKK millions)	2022	2021
On demand	30,311	37,232
Up to 3 months	76,335	120,049
From 3 months to 1 year	33,669	314
From 1 to 5 years	264	33,266
Over 5 years	1	398
Total	**140,581**	**191,259**
Reverse transactions included in above item	**49,619**	**90,096**

DKK 52,252 million (2021: DKK 91,506 million) of Due to credit institutions and central banks are designated at fair value through profit or loss. For further information see note G20.

P21. Deposits and other amounts due

(DKK millions)	2022	2021
On demand	952,427	966,467
Term deposits	44,904	38,025
Time deposits	75,711	61,019
Repo deposits	90,304	122,201
Special deposits	15,574	16,448
Total	**1,178,920**	**1,204,160**
On demand	952,427	966,467
Up to 3 months	185,185	206,928
From 3 months to 1 year	22,495	11,964
From 1 to 5 years	10,780	9,831
Over 5 years	8,032	8,970
Total	**1,178,920**	**1,204,160**

DKK 98,053 million (2021: DKK 134,332 million) of deposits are designated at fair value through profit or loss. For further information see note G20.

P22. Issued bonds

(DKK millions)	2022	2021
Up to 3 months	13,933	45,898
From 3 months to 1 year	50,570	39,370
From 1 to 5 years	145,374	183,929
Over 5 years	148	1,317
Total	**210,024**	**270,513**

Issued bonds include the line items Issued bonds at fair value and Issued bonds at amortised cost. Issued bonds at fair value consist of certificates of deposits designated at fair value through profit or loss. For further information see note G22.

Notes – Danske Bank A/S

P23. Other liabilities

(DKK millions)	2022	2021
Negative fair value of derivatives	450,457	252,407
Other liabilities	167,520	170,201
Total	**617,977**	**422,607**

* DKK 2.2 billion of Other liabilities in 2021 has been reclassified to from Other liabilities to Other provisions for liabilities.

Other liabilities includes an obligation to repurchase securities amounting to DKK 119 billion (2021: DKK 133 billion). During 2022, the provision for Estonia settlement increased by DKK 13.8 billion, and was transferred to Other liabilities at the end of 2022.

P24. Subordinated debt

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid capital, which, in the event of Danske Bank's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Hybrid capital ranks below subordinated loan capital. Early redemption of subordinated debt must be approved by the Danish FSA.

Subordinated debt is included in the capital base in accordance with section 128 of the Danish Financial Business Act.

Currency	Nominal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2022 (DKK millions)	2021 (DKK millions)
Subordinated debt, excluding liability accounted additional tier 1 capital							
Redeemed loans 2022							-
EUR	750	2.50	2019	21.06.2029	100	5,577	5,577
SEK	1,000	var	2019	14.11.2029	100	669	727
EUR	750	1.375	2019	12.02.2030	100	5,577	5,577
EUR	500	1.50	2020	02.09.2030	100	3,718	3,718
EUR	750	1.00	2021	15.05.2031	100	5,577	5,577
Subordinated debt, excluding liability accounted additional tier 1 capital						**21,119**	**21,177**
Liability accounted additional tier 1 capital							
USD	750	6.125	2017	Perpetual	100	5,225	4,918
USD	750	7.00	2018	Perpetual	100	5,225	4,918
USD	750	4.375	2021	Perpetual	100	5,225	4,918
Liability accounted additional tier 1 capital						**15,676**	**14,754**
Nominal subordinated debt						36,795	35,931
Fair value hedging of interest rate risk						-1,619	-118
Discount						-119	-171
Own holding of subordinated sebt						-193	-172
Total subordinated debt						**34,865**	**35,470**
Portion included in total capital as additional tier 1 or tier 2 capital instruments						**36,795**	**35,931**
Interest on subordinated debt and related items							
Interest						1,342	1,186
Origination and redemption costs						-	62
Extraordinary repayments						-	3,718

In addition, total capital includes DKK 0 million (2021: DKK 5,577 million) of additional tier 1 capital accounted for as equity.

Note G22 contains additional information about subordinated debt and contractual terms, and note G25 on additional tier 1 capital accounted for as equity.

Notes – Danske Bank A/S

P25. Assets deposited as collateral

At the end of 2022, Danske Bank A/S had deposited DKK 13,316 million worth of securities as collateral with Danish and international clearing centres and other institutions (2021: DKK 19,791 million). In addition, the Group had deposited DKK 17,282 million worth of own bonds (2021: DKK 22,289 million). The amount has been eliminated in the balance sheet.

In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain in the balance sheet, and the amounts received are recognised as deposits. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

Assets sold in repo transactions (DKK millions)	2022	2021
Bonds at fair value	165,332	235,331
Total	**165,332**	**235,331**

In addition, the Group had deposited DKK 31,603 million worth of own bonds as collateral for repo transactions and securities lending (2021: DKK 34,564 million). The amount has been eliminated in the balance sheet.

At the end of 2022, Danske Bank A/S had provided DKK 71,250 million worth of cash and securities as collateral for derivatives transactions (2021: DKK 51,790 million).

Danske Bank A/S had registered DKK 190,438 million worth of loans and advances and DKK 0 million worth of other assets as collateral for covered bonds at the end of 2022 (2021: DKK 206,623 million and DKK 0 million, respectively).

Notes – Danske Bank A/S

P26. Contingent liabilities

The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments that are not recognised in the balance sheet.

(a) Guarantees and other liabilities (DKK millions)	2022	2021
Guarantees		
Financial guarantees	5,385	6,896
Mortgage finance guarantees	39,109	48,102
Registration and remortgaging guarantees	14,285	16,148
Other guarantees	74,995	73,959
Total	**133,774**	**145,104**
Other liabilities		
Loan commitments shorter than 1 year	198,102	235,218
Loan commitments longer than 1 year	191,603	192,186
Other obligations	1,672	1,695
Total	**391,377**	**429,100**

(b) Regulatory and legal procedings

Estonia matter

On 13 December 2022, Danske Bank announced that it had reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. In relation to the resolutions with U.S. authorities, Danske Bank has pleaded guilty to a criminal charge from the DoJ of conspiracy to commit bank fraud. Furthermore, Danske Bank agreed to settle a civil securities fraud action with the SEC. Under the SCU resolution, Danske Bank has agreed to accept a fine and confiscation for violations of the Danish AML Act and the Danish Financial Business Act.

The coordinated resolution marks the end of the criminal and regulatory investigations into Danske Bank by the authorities in Denmark and the United States.

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

The aggregate amounts payable to the US and Danish authorities total USD 2.06 billion (approximately DKK 15.3 billion) is covered by the provisions booked in connection with our financial results for the third quarter of 2022 and the third quarter of 2018. Reflecting cross-crediting arrangements between the three authorities as well as currency conversions, the amounts payable to the authorities are as follows: DoJ: USD 1,209 million, SEC: USD 179 million and SCU: DKK 4,749 million. All amounts have been paid in January 2023.

Danske Bank has accepted and agreed to the terms of the resolutions. As part of the Bank's agreement with DoJ, the Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025. As a result of the resolutions, the investigations by U.S. and Danish authorities are now closed as to Danske Bank. However, the Bank remains in contact with DoJ as a matter of post-resolution obligations set forth in the agreement with DoJ.

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

Danske Bank has been procedurally notified in two claims filed against Thomas F. Borgen. Under Danish law, the purpose of a procedural notification is to make a formal reservation of rights to bring a potential claim against the notified party. The first case was dismissed in the first instance and subsequently appealed by the claimants. The original claim amount for both claims was approximately DKK 3.2 billion, but has been reduced to approximately DKK 1.7 billion.

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

Notes – Danske Bank A/S

P26. Contingent liabilities continued

Other

Owing to its business volume, Danske Bank is continually a party to various other lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA and the Danish Tax Agency on other matters. In general, Danske Bank does not expect the outcomes of any of these other pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. Provisions for litigations are included in Other liabilities, see note G24.

(c) Further explanation

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

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

With effect from 1 April 2022, Danske Bank A/S is no longer registered jointly with all significant Danish entities of Danske Bank Group for financial services employer tax and VAT, for which Danske Bank A/S and the entities had been jointly and severally liable.

Note G27 contains additional information about contingent liabilities.

Notes – Danske Bank A/S

P27. Related parties

	Parties with significant influence		Associates		Group undertakings*		Board of Directors		Executive Leadership Team	
(DKK millions)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Loans and loan commitments	7,540	4,001	1,067	676	45,837	39,555	3	3	5	11
Securities and derivatives	357	565	536	206	107,328	106,325	-	-	-	-
Deposits	9,889	7,620	592	129	12,823	25,006	29	24	12	15
Derivatives	387	64	-	-	13,398	8,403	-	-	-	-
Issued bonds	-	-	-	-	-	-	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-	-	-
Guarantees issued	166	127	1	1	54,397	64,460	12	-	-	-
Guarantees and collateral received	231	138	58	286	-	-	2	2	4	8
Interest income	118	54	16	9	2,277	1,677	-	-	-	-
Interest expense	19	4	2	-	1,632	1,819	-	-	-	-
Fee income	15	11	83	1	4,226	3,914	-	-	-	-
Fee expense	-	-	-	-	621	88	-	-	-	-
Dividend income	46	6	-	-	7,470	4,924	-	-	-	-
Other income	1	6	1	-	-	137	-	-	-	-
Loan impairment charges	-	-	-	11	-	-	-	-	-	-
Trade in Danske Bank shares										
Acquisitions	-	-	-	-	-	-	2	-	6	-
Sales	-	-	-	-	-	-	-	-	-	-

* The Bank has improved the method for capturing related party transactions with group undertakings in 2021.

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller Holding Group, Copenhagen, hold 21.3% of the share capital. The consolidated financial statements specify significant group holdings and holdings in associates under Group holdings and undertakings. The Board of Directors and Executive Leadership Team columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Leadership Team and their dependants, and facilities with businesses in which these parties have a controlling or significant influence.

In 2022, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Leadership Team were 2.5% (2021: 1.4%) and 1.7% (2021: 1.4%), respectively. Notes G36 and G37 of the consolidated financial statements specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank A/S are also considered related parties. In 2022, transactions with these funds comprised loans and advances in the amount of DKK 1 million (2021: DKK 1 million), deposits in the amount of DKK 59 million (2021: DKK 65 million), derivatives with a positive fair value of DKK 0 million (2021: DKK 0 million), derivatives with a negative fair value of DKK 404 million (2021: DKK 382 million), interest expenses of DKK 2 million (2021: DKK 2 million) and pension contributions of DKK 3 million (2021: DKK 3 million).

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing of surplus liquidity and provision of short- and long-term financing are the primary services provided by Danske Bank A/S. In addition, Danske Bank A/S and group undertakings receive interest on holdings, if any, of listed bonds issued by Realkredit Danmark A/S. Note G16 of the consolidated financial statements specifies the Group's holdings of own mortgage bonds.

Danske Bank A/S handles a number of administrative functions, such as IT operations and development, HR management, procurement and marketing activities for group undertakings. Danske Bank A/S received a total fee of DKK 1,597 million for services provided in 2022 (2021: DKK 1,707 million).

The figures above do not include debt to related parties in the form of issued notes or bonds. Such notes or bonds are bearer securities, which means that Danske Bank does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Transactions with related parties are settled on an arm's-length basis, whereas transactions with group undertakings are settled on a cost-reimbursement basis.

Notes – Danske Bank A/S

P28. Hedging of risk

(DKK millions)	2022 Carrying amount	2022 Amortised/ notional value	2021 Carrying amount	2021 Amortised/ notional value
Assets				
Loans	10,255	10,560	17,613	16,241
Total	**10,255**	**10,560**	**17,613**	**16,241**
Financial instruments hedging interest rate risk				
Derivatives	125	16,160	-1,405	21,778
Liabilities				
Deposits	4,205	4,229	654	654
Due to credit institutions	2,432	2,439	173	170
Issued bonds	149,914	163,686	197,236	194,993
Subordinated debt	18,575	20,194	20,049	20,167
Total	**175,127**	**190,547**	**218,112**	**215,984**
Financial instruments hedging interest rate risk				
Derivatives	-12,155	314,860	5,198	388,421

Note G12 includes additional information about hedge accounting.

P29. Group holdings and undertakings

Note G38 and G39 lists the Group's major holdings and undertakings as well as associates.

Notes – Danske Bank A/S

Highlights	2022	2021	2020	2019	2018
Net interest and fee income	27,455	26,535	26,185	24,656	25,810
Value adjustments	1,975	2,758	1,739	2,623	3,516
Staff costs and administrative expenses	21,342	20,520	21,465	20,368	18,110
Other operating expenses*	13,800	2	0	-0	1,500
Loan impairment charges etc.	1,041	-44	6,319	1,480	-547
Income from associates and group undertakings	4,373	7,115	6,620	9,525	7,752
Net profit	-5,057	12,933	4,511	15,068	14,864
Loans	1,125,663	1,070,546	1,049,701	1,185,830	1,104,834
Total equity	160,506	176,881	168,836	170,741	163,513
Total assets	2,398,317	2,363,271	2,574,837	2,281,873	2,177,552

*In 2018, provision for Estonia matter of DKK 1,500 million has been reclassified from Staff costs and administrative expenses to Other operating expenses.

Ratios	2022	2021	2020	2019	2018
Total capital ratio (%)	25.2	26.5	26.3	26.4	24.7
Tier 1 capital ratio (%)	22.4	23.6	23.5	23.7	23.3
Return on equity before tax (%)	-2.1	8.4	2.6	7.0	10.4
Return on equity after tax (%)	-3.0	7.5	2.7	9.0	9.0
Income/cost ratio (%)	91.0	162.0	113.9	144.7	180.5
Interest rate risk (%)	0.7	-0.4	2.5	3.4	3.4
Foreign exchange position (%)	4.4	1.8	23.0	3.8	1.7
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	92.9	86.2	81.5	106.7	106.8
Liquidity coverage ratio (90 days) (%)	140.4	141.0	144.1	119.8	109.9
Sum of large exposures as % of CET1 capital	112.9	107.2	119.2	125.1	101.8
Impairment ratio (%)	0.1	0.0	0.5	0.1	-0.0
Growth in loans (%)	7.1	1.3	-2.4	2.8	2.0
Loans as % of equity	7.0	6.1	6.2	6.9	6.8
Return on assets (%)	-0.2	0.5	0.2	0.7	0.7
Earnings per share[1]	-6.1	14.6	4.6	16.7	16.2
Book value per share (DKK)	187.3	206.2	196.7	198.9	190.6
Proposed dividend per share (DKK)	-	2.0	2.0	8.5	8.5
Share price end of period/earnings per share (DKK)[1]	-22.4	7.7	21.7	6.4	8.0
Share price end of period/book value per share (DKK)	0.73	0.55	0.51	0.54	0.68

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

The ratios are defined by the Danish FSA in, for example, the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved the annual report of the Danske Bank Group for 2022.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of listed financial institutions.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2022.

Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

ESEF-compliant financial reports
In our opinion, the annual report of the Danske Bank Group for 2022 with the file name danskebank-2022-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF Regulation.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 2 February 2023

Executive Leadership Team

Carsten Rasch Egeriis
CEO

Magnus Agustsson

Berit Behring

Christian Bornfeld

Karsten Breum

Stephan Engels

Johanna Norberg

Frans Woelders

Board of Directors

Martin Blessing
Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Lars-Erik Brenøe

Jacob Dahl

Raija-Leena Hankonen-Nybom

Bente Avnung Landsnes

Allan Polack

Carol Sergeant

Helle Valentin

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Aleksandras Cicasovas
Elected by the employees

Louise Aggerstrøm Hansen
Elected by the employees

Independent auditor's report

To the shareholders of Danske Bank A/S

Report on the consolidated financial statements and the parent financial statements

Opinion
We have audited the consolidated financial statements and the parent financial statements of Danske Bank A/S for the financial year 1 January 2022 to 31 December 2022, pages 68-229, which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2022, and of its financial performance and cash flows for the financial year 1 January 2022 to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2022, and of its financial performance for the financial year 1 January 2022 to 31 December 2022 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Danske Bank A/S for the first time on 18 March 2015 for the financial year 2015. We have been reappointed annually by decision of the general meeting for a total continuous engagement period of 8 years up to and including the financial year 2022.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in our audit
Regulatory investigations and litigation relating to failings and misconduct of anti-money laundering ("AML") procedures in the Estonian Branch up until the beginning of 2016	
Management has provided information on the regulatory investigations and litigation in respect of the non-resident portfolio in the Estonian Branch in notes G24 and G27 to the consolidated financial statements. The regulatory investigations and litigation in respect of the non-resident portfolio in the Estonian Branch, and certain regulatory action as a result of the need to improve AML controls, are deemed to be a key audit matter as the measurement and disclosure of contingent liabilities require significant judgements by Management. On 13 December 2022 Danske Bank announced that a final coordinated resolution had been reached with the US Department of Justice, the US Securities and Exchange Commission and the Danish Special Crime Unit following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonian Branch up until the beginning of 2016, which resulted in a total settlement of DKK 15.3 billion. The significant measurement judgements include considerations regarding potential fines, settlements or compensations in respect of the non-resident portfolio in the Estonian Branch and post-resolution obligations by assessing whether the criteria for recognition of a liability or provision is met at 31 December 2022 by determining whether: • it is more likely than not that an economic outflow will occur in relation to the investigations and litigation; and • the amount of the payment (or other economic outflow) can be reliably estimated. Furthermore, judgement is required to assess the adequacy of disclosures on contingent liabilities given the underlying estimation uncertainty for any provisions, and other uncertainties and assumptions.	Throughout the year we have considered Management's assessment of the underlying assumptions and criteria for recognition of a liability or provision for fines, settlements or compensations or disclosures of contingent liabilities. Furthermore, after the coordinated resolution with the US and Danish authorities, we have considered post-resolution obligations and the potential impact thereof on other related liabilities. Our audit procedures included: • Testing of key controls over the provisioning and disclosures regarding the AML breaches arising from the non-resident portfolio in the Estonian Branch including the appropriateness of the provision and disclosures when assessed against IAS 37 Provisions, Contingent Liabilities and Contingent Assets. • Making enquiries of members of the Executive Leadership Team, the Board of Directors, the Head of Legal and the Head of Internal Audit. • Inspecting and assessing Management's assessment of legal claims made against the Group including potential effects of the settlement on other related liabilities. • Reading relevant materials and minutes from Board of Directors and relevant committee meetings and attended all Audit Committee meetings. • Inspecting and assessing correspondence from the regulatory authorities including the resolution reached with the US Department of Justice, the US Securities and Exchange Commission and the Danish Special Crime Unit. • Obtaining and inspecting external lawyer's letters and legal opinions to evaluate the likelihood of obligations and Management's estimate of the outflow at year-end. • Making independent inquiries of the Group's third-party legal advisers and reviewing relevant correspondence between these legal advisers and the Group including potential effects of the settlement on other related liabilities. • Obtaining confirmations that the respective authorities have received the total settlement of DKK 15.3 billion in January 2023. • Assessing the accounting treatment and presentation in the financial statements of the total settlement of DKK 15.3 billion. • Evaluating the disclosures on the settlement, the post-resolution obligations and the potential impact on other related liabilities to assess compliance with accounting standards.
Impairment charges for loans and provisions for guarantees	
Loans for the Group amounted to DKK 2,015,495 million at 31 December 2022 (DKK 2,051,903 million at 31 December 2021), and the total allowance account for the Group amounted to DKK 19,645 million at 31 December 2022 (DKK 22,746 million at 31 December 2021). Measurement of loan impairment charges for loans and provisions for guarantees is deemed a key audit matter as the determination of assumptions for expected credit losses is highly subjective due to the level of judgement applied by Management. The most significant judgements are: • Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer. • Timely identification of exposures with significant increase in credit risk and credit impaired exposures. • Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures. • Post-model adjustments for particular high-risk portfolios, which are not appropriately captured in the expected credit loss model. • Effects of macroeconomic uncertainties in relation to the significant judgements listed above.	Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and provisions for guarantees and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter. Our examination included the following elements: • Testing of key controls over assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer. • Obtaining and substantively testing evidence to support the assumptions used in the expected credit loss models concerning methods applied to derive loss given default. • Testing of key controls over timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures. • Obtaining and substantively testing evidence of timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures. • Testing of key controls over models and manual processes for valuation of collateral and assumptions of future cash flows. • Obtaining and substantively testing evidence to support appropriate determination of assumptions for loan impairment charges and provisions for guarantees including valuation of collateral and assumptions of future cash flows on manually assessed credit impaired exposures.

<table>
<tr><th>Key audit matters</th><th>How the matters were addressed in our audit</th></tr>
<tr><td colspan="2">Impairment charges for loans and provisions for guarantees</td></tr>
<tr><td>Management has provided further information about the loan impairment charges and provisions for guarantees in notes G1(b), G11, G15, G16 and G41 to the consolidated financial statements.</td><td>• Testing of key controls over post-model adjustments applied to manage non-linearity that are not included in the modelled expected credit losses
• Obtaining and substantively testing evidence of post-model adjustments for high-risk portfolios including industries affected by the macroeconomic uncertainties with particular focus on the methodology applied, evidence of assumptions-setting processes and the consistency thereof by:

  • Assessing the key developments since last year against industry standards and historical data.
  • Assessing the appropriateness of the different identified post-model adjustments compared with the embedded macro forecasts applied in the expected credit loss models.
  • Challenging the methodologies applied by using our industry knowledge and experience.
  • Challenging assumptions implemented due to expected effects of the macroeconomic uncertainties.</td></tr>
<tr><td colspan="2">Measurement of liabilities under insurance contracts</td></tr>
<tr><td>Liabilities under insurance contracts for the Group amounted to DKK 487,422 million at 31 December 2022 (DKK 588,736 million at 31 December 2021).

Measurement of liabilities under insurance contracts is deemed a key audit matter as the determination of assumptions for the measurement of liabilities under life insurance contract requires Management to apply complex judgements about future events.

Changes in assumptions and the methodology applied may have a material impact on the measurement of liabilities under insurance contracts.

Assumptions involving the most significant judgements are:

• Determining disability rates, recapitalisation, mortality rates, surrender probabilities, paid-up policy probability and provisions for expected onerous health and accident insurance policies
• Assumptions related to regulatory and reporting requirements, including risk and interest.

Management has provided further information about liabilities under insurance contracts in notes G1(b) and G18 to the consolidated financial statements.</td><td>Based on our risk assessment, we have examined Management's valuation of liabilities under insurance contracts and evaluated the methodology applied and the assumptions made.

Our examination included the following elements, where we also made use of our internationally qualified actuaries:

• Testing of key controls over the actuarial models, data collection and analysis, including the assumptions-setting processes and the operating effectiveness of such controls.
• Assessing methods, models and data used against market practice based on historical development and trends.
• Evaluating the disability and mortality rates and surrender probabilities used in the calculation against historical data and market practice.
• Evaluating revised principles and assumptions applied to calculate expected onerous health and accident insurance policies.
• Assessing the key changes in the assumptions against regulatory and reporting requirements and industry standards.
• Analysing developments in risk, interest and cost results, by using our industry knowledge and experience.</td></tr>
</table>

Statement on the Management's report
Management is responsible for the Management's report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the Management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the Management's report and, in doing so, consider whether the Management's report is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's report provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's report is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's report.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, as well as for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation
As part of our audit of the consolidated financial statements and the parent financial statements of Danske Bank A/S we performed procedures to express an opinion on whether the annual report of Danske Bank A/S for the financial year 1 January 2022 to 31 December 2022 with the file name danskebank-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:
- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:
- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements inclusive of notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Danske Bank A/S for the financial year 1 January 2022 to 31 December 2022 with the file name danskebank-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 2 February 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kasper Bruhn Udam	Jakob Lindberg
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no 29421	MNE no 40824

Management and directorships – Board of Directors

Martin Blessing
Chairman
Elected by the general meeting

Born on 6 July 1963
Nationality: German
Gender: Male
Joined the Board on 9 June 2020
Appointed Chairman on 17 March 2022
Most recently re-elected in 2022
Term expires in 2023
Independent

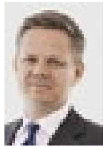
Chairman of the Remuneration Committee
Member of the Conduct & Compliance Committee and the Nomination Committee

Competencies:

- Universal banking experience as senior executive and CEO of major, primarily ECB-regulated banks
- Solid, all-around experience from leading positions in private banking, corporate banking, direct banking, IT and wealth management
- Strong customer and digital focus and considerable experience with digital transformation
- Extensive experience with P&L leadership
- Board experience from large and diverse companies and bank subsidiaries
- Experience in operating within a complex regulatory framework

Directorships and other offices:
Private-sector directorships:
MB-Ventures GmbH (executive officer)
Unzer Group GmbH (Chairman of the Advisory Board)

Jan Thorsgaard Nielsen
Vice Chairman
Elected by the general meeting



Chief Investment Officer, A.P. Møller Holding A/S

Born on 6 June 1974
Nationality: Danish
Gender: Male
Joined the Board on 7 December 2018
Most recently re-elected in 2022
Term expires in 2023
Non-independent

Chairman of the Nomination Committee
Member of the Audit Committee

Competencies:

- Several years of experience from the global financial sector and broad experience with board work in different lines of business
- Major experience with business development and change management with a strong profile within building talent

Directorships and other offices:
Private-sector directorships:
APMH Invest A/S (chairman or member of the board of directors of this and 16 affiliated undertakings)
LEGO A/S (member of the board of directors)
Thorsgaard Holding ApS (executive officer)

Lars-Erik Brenøe
Elected by the general meeting

Lawyer

Born on 22 March 1961
Nationality: Danish
Gender: Male
Joined the Board on 17 March 2016
Most recently re-elected in 2022
Term expires in 2023
Non-independent

Chairman of the Conduct & Compliance Committee
Member of the Remuneration Committee

Competencies:
- Broad and in-depth experience with board work and corporate governance
- Financially literate
- Knowledge of relevant legal/regulatory issues
- Knowledge of stakeholder management
- Experience with international business and the markets/regions in which Danske Bank operates

Directorships and other offices:
Private-sector directorships:
The A.P. Møller and Chastine Mc-Kinney Møller Foundation (member of the boards of directors of this and one affiliated undertaking)
Maersk Broker K/S (chairman or vice chairman of the boards of directors of four affiliated undertakings)
Odense Havn (member of the board of directors)

Entities which do not pursue predominantly commercial objectives:
The Danish Committee on Foundation Governance (vice chairman)
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familie-fond (The A.P. Moller Family Foundation) (member of the board of directors)

Jacob Dahl
Elected by the general meeting

Born on 22 February 1964
Nationality: Danish
Gender: Male
Joined the Board on 17 March 2022
Term expires in 2023
Independent

Member of the Risk Committee

Competencies:
- Global and broad experience with multiple business areas of banking and proven track record with implementing financial strategies within the banking industry
- Demonstrated acumen across IT systems and business processes including deep knowledge within technology risk and cyber risk
- Hands-on experience with financial risk management models and methods such as credit risk, counterparty risk, market risk, etc.
- Experience with implementing compliance initiatives in the form of multiple KYC processes and anti-money laundering detection systems throughout the banking sector
- Experience in making financial decisions and able to evaluate financial facts and understand accounting practices, reporting and audit-related matters. Knowledge of funding through debt and equity capital markets
- Proven ability to navigate complex stakeholder environments

Directorships and other offices:
Jaka1 ApS and Jaka2 ApS (executive director)

Raija-Leena Hankonen-Nybom
Elected by the general meeting

Born on 29 August 1960
Nationality: Finnish
Gender: Female
Joined the Board on 9 June 2020
Most recently re-elected in 2022
Term expires in 2023
Independent

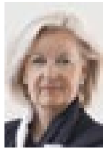
Chairman of the Audit Committee

Competencies:
- Universal banking experience as leading auditor of major, primarily ECB-regulated banks
- Long experience with regulatory implications for ECB-regulated banks and with financial regulation for businesses in general
- Considerable knowledge of financial reporting, risk management and corporate governance in the financial services sector and at listed companies
- Thorough understanding of the financial services sector and experience in financial services, in particular core banking
- Board experience from major organisations including experience with audit committee work

Directorships and other offices:
Private-sector directorships:
Metsä Board Oyj (member of the board of directors and chairman of the audit committee)
Posti Group Oyj (member of the board of directors and chairman of the audit committee)

Entities which do not pursue predominantly commercial objectives:
Helsinki Deaconess Foundation sr (member of the board of directors and chairman of the audit committee)
Directors' Institute Finland (member of the board of directors)
Savonlinna Opera Festival (member of the board of directors)

Bente Avnung Landsnes
Elected by the general meeting



Born on 8 August 1957
Nationality: Norwegian
Gender: Female
Joined the Board on 18 March 2019
Most recently re-elected in 2022
Term expires in 2023
Independent

Member of the Audit Committee

Competencies:
- Long track record in financial services, including core banking, settlement, risk management and capital markets
- In-depth experience with change and reputation management, financial reporting, investor relations, corporate governance, operations, infrastructure, regulatory issues, risk management and digital transformation
- Experience with licensed financial operations and regulatory implementation as well as significant experience from managing an exchange and securities services group and from various board roles

Directorships and other offices:
Private-sector directorships
Hvitsten AS (chairman)
NORBIT ASA (deputy chairman)
Heimstaden Bostad AB (member of the board of directors)

Entities which do not pursue predominantly commercial objectives:
Boards Impact Forum (member of the Strategic Advisory Board)
The Storting (the Norwegian Parliament) (member of the remuneration committee)

Allan Polack
Elected by the general meeting

Born on 4 May 1959
Nationality: Danish
Gender: Male
Joined the Board on 17 March 2022
Term expires in 2023
Independent

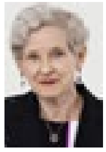
Member of the Remuneration Committee and the Risk Committee

Competencies:
- Strategic and visionary with extensive leadership experience
- P&L leadership for more than the past 15 years and well-developed experience advising on budget allocations for large organisations
- Holistic view of IT infrastructure linking the digital vision, strategy and action plans of IT to improve communication, create efficiency, boost productivity and create a more flexible, reliable and secure common platform
- Understanding of most facets of operations in a financial services institution and of banking regulation, for instance AML and KYC
- Extensive knowledge of the intrinsics of the Danish and to some extent Nordic Financial Services industry

Directorships and other offices:
Private-sector directorships:
None

Entities which do not pursue predominantly commercial objectives:
Fonden Human Practice Foundation (chairman of the board of directors)
Valdemar Frænkel og Moder Emmy Polack F. Berendts Mindelegat (member of the board of directors)
Ældresagens Senat (member)

Carol Sergeant
Elected by the general meeting



Born on 7 August 1952
Nationality: Dual UK/Irish citizenship
Gender: Female
Joined the Board on 18 March 2013
Most recently re-elected in 2022
Term expires in 2023
Independent

Chairman of the Risk Committee
Member of the Conduct & Compliance Committee

Competencies:
- Senior management and board experience in the public, private and charity sectors
- Broad and in-depth knowledge of financial services business, credit and risk management and regulatory issues in the UK and Europe
- Significant change management experience

Directorships and other offices:
Private-sector directorships:
Belmont Green Finance Limited (senior member of the board of directors and chairman of the risk committee)
Threadneedle Solutions Ltd. (company director)

Helle Valentin
Elected by the general meeting

Born on 16 January 1967
Nationality: Danish
Gender: Female
Joined the Board on 17 March 2022
Term expires in 2023
Independent

Member of the Nomination Committee

Competencies:
- Deep knowledge of IT infrastructure, technological disruption, digital business models and enablers
- Strong competencies within leveraging technology to improve business performance, e.g. implementing open and connected security platforms to mitigate risks and respond faster and automated to defaults across hybrid environments
- Experience with key banking industry programmes such as KYC and AML and with implementing a collection of the industry's best practices for securely configuring IT systems, software and networks
- Fundamental understanding of financial markets, financial risks and the current regulation in the industry

Directorships and other offices:
Private-sector directorships:
IBM Danmark ApS (member of the board of directors)
RWE AG (member of the supervisory board and member of the Strategy & Sustainability Committee)

Bente Bang
Elected by the employees

Vice Chairman of Finansforbundet i Danske Bank

Born on 22 January 1963
Nationality: Danish
Gender: Female
Joined the Board on 15 March 2018
Most recently re-elected in 2022
Term expires in 2026

Member of the Remuneration Committee

Competencies:
- In-depth understanding of banking
- Specialist within the field of pensions
- Trained adviser with strong customer-oriented focus
- Experienced in communicating financial solutions to customers and employees

Directorships and other offices:
Bikubens Personaleforening (chairman)

Kirsten Ebbe Brich
Elected by the employees

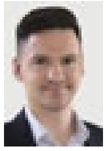
Chairman of Finansforbundet i Danske Bank

Born on 15 July 1973
Nationality: Danish
Gender: Female
Joined the Board on 18 March 2014
Most recently re-elected in 2022
Term expires in 2026

Member of the Conduct & Compliance Committee

Competencies:
- Extensive experience with collective bargaining agreements and political management
- Broad knowledge of sector and labour market relationships
- Extensive experience with change management and processes
- Experience within and knowledge of digitalisation and IT

Directorships and other offices:
Finansforbundet i Danske Banks Jubilæumsfond (chairman)
Danske Unions (transnational association of local Danske Bank Group staff unions) (member of the board of directors)
Danske Banks Pensionskasse for Førtidspensionister (member of the board of directors)
Danske Banks Velfærdsfond af 1993 (member of the board of directors)
Finansforbundet (the Financial Services Union in Denmark) (member of the executive committee)



Aleksandras Cicacovas
Elected by the employees

Senior Project Manager in Strategy & Transformation, Danske Bank

Born on 3 April 1992
Nationality: Lithuanian
Gender: Male
Joined the Board on 17 March 2022
Term expires in 2026

Competencies:
- Extensive experience with financial technology projects execution
- Broad knowledge of functions in the Technology & Services organisation of Danske Bank

Directorships and other offices:
Lithuanian Works Council, Danske Bank
European Works Council, Danske Bank

Louise Aggerstrøm Hansen
Elected by the employees

Chief Analyst, Danish Macro Research, Markets and Transaction Banking, Danske Bank

Born on 10 November 1986
Nationality: Danish
Gender: Female
Joined the Board on 17 March 2022
Term expires in 2026

Competencies:
- Expert in macroeconomics, in particular the Danish economy and society
- Broad experience within a range of personal finance aspects and advisory services
- Substantial experience with working with media, communications and the presentation of complex subjects

Directorships and other offices:
None

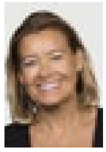
Management and directorships – Executive Leadership Team (ELT)

Carsten Rasch Egeriis
Chief Executive Officer

Born on 18 June 1976
Nationality: Danish
Gender: Male
Joined the ELT on 1 August 2017

Directorships and other offices:
Finans Danmark (chairman)
FR I af 16. september 2015 A/S (chairman)

Berit Behring
Head of Large Corporates & Institutions



Born on 18 October 1966
Nationality: Swedish
Gender: Female
Joined the ELT on 5 September 2019

Directorships and other offices:
Danica Pension, Livsforsikringsaktieselskab (chairman of the board of directors)
Danske Bank, Belfast (Northern Bank Limited), Northern Ireland (member of the board of directors)

Magnus Agustsson
Chief Risk Officer

Born on 6 January 1973
Nationality: Icelandic
Gender: Male
Joined the ELT on 22 November 2021

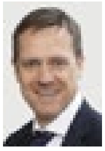
Directorships and other offices:
Realkredit Danmark A/S (member of the board of directors)

Christian Bornfeld
Head of Personal Customers and Financial Crime Risk & Prevention

Born on 19 December 1976
Nationality: Danish
Gender: Male
Joined the ELT on 1 May 2022

Directorships and other offices:
Realkredit Danmark A/S (chairman of the board of directors)
Vipps AS (member of the board of directors)
Finans Danmark (personal alternate for the chairman of the board of directors)
FR I af 16. september 2015 A/S (personal alternate for the chairman of the board of directors

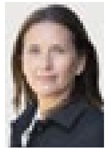
Karsten Breum
Chief People Officer



Born on 23 November 1972
Nationality: Danish
Gender: Male
Joined the ELT on 25 August 2020

Directorships and other offices:
Bikubens Pensionsfond (chairman)
Finanssektorens Arbejdsgiverforening (FA) (The employer association for the finance sector) (chairman)
Danske Banks Fond (member of the board of directors
Finanskompetencepuljen (member of the board of directors)
Grænsefonden (member of the board of directors)

Johanna Norberg
Head of Business Customers & Country Manager, Danske Bank Sweden



Born on 10 June 1971
Nationality: Swedish
Gender: Female
Joined the ELT on 1 May 2022

Directorships and other offices:
Samuel Söderström Foundation (board member)

Stephan Engels
Chief Financial Officer

Born on 9 March 1962
Nationality: German
Gender: Male
Joined the ELT on 1 April 2020

Directorships and other offices:
None

Frans Woelders
Chief Operating Officer

Born on 5 August 1965
Nationality: Dutch
Gender: Male
Joined the ELT on 18 March 2020

Directorships and other offices:
None

Supplementary information

Financial calendar	
16 March 2023	Annual general meeting
28 April 2023	Interim report – first quarter 2023
21 July 2023	Interim report – first half 2023
27 October 2023	Interim report – first nine months 2023

Contacts	
Claus Ingar Jensen Head of Investor Relations	+45 45 12 84 83

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.

ESEF data	
Domicile of entity	Denmark
Description of nature of entity's operations and principal activities	Banking business
Country of incorporation	Denmark
Principal place of business	Denmark
Legal form of entity	A/S
Name of reporting entity or other names of identification	Danske Bank Group
Name of parent	Danske Bank A/S
Name of ultimate parent of group	Danske Bank A/S
Address of entity's registered office	Holmens Kanal 2-12, DK-1092 København K

Other Danske Bank Group publications, available at danskebank.com/reports:

Sustainability Report 2022

Risk Management 2022

Danske Bank A/S
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