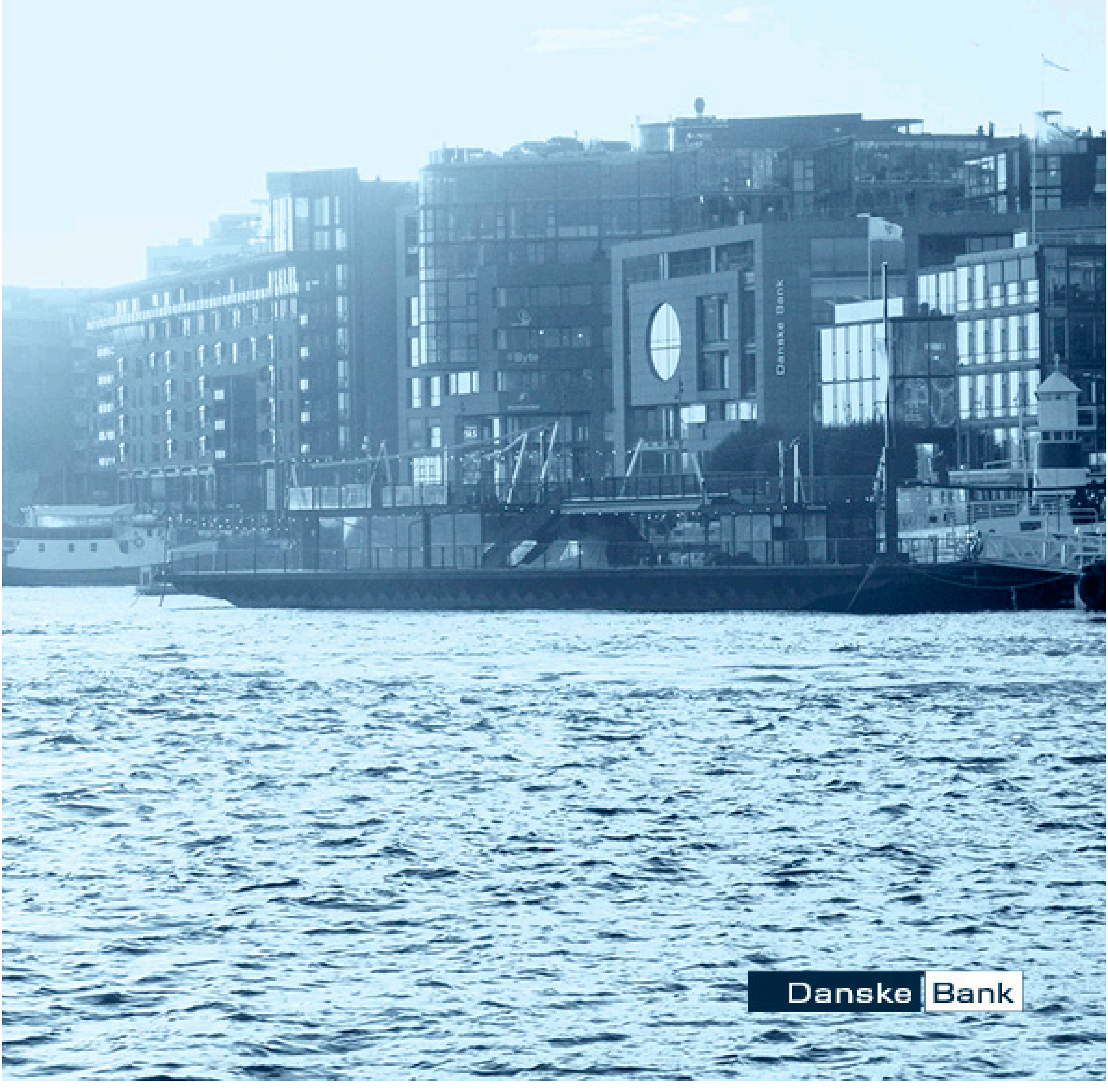
Interim report – first nine months 2018

Danske Bank Group



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11.6bn
Net profit

33.4bn
Total income

Investigations
of Estonia case published

2%
Lending growth y/y

Changes to
Executive Board

Strong CET1 ratio of
16.4%

10.1%
Return on equity

Financial dashboard
District
launched

Donation 1.5bn
to combat financial crime

Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Net interest income	17,676	17,699	100	5,852	5,878	100	6,050	97	23,806
Net fee income	11,324	11,319	100	3,777	3,786	100	3,572	106	15,664
Net trading income	3,738	5,741	65	1,236	1,066	116	1,595	77	7,087
Other income	696	1,171	59	235	152	155	328	72	1,591
Total income	33,434	35,930	93	11,100	10,881	102	11,544	96	48,149
Operating expenses	18,767	16,965	111	7,367	5,788	127	5,480	134	22,722
Profit before loan impairment charges	14,667	18,965	77	3,733	5,094	73	6,064	62	25,427
Loan impairment charges	-607	-632	-	100	-377	-	-166	-	-873
Profit before tax, core	15,274	19,597	78	3,632	5,471	66	6,230	58	26,300
Profit before tax, Non-core	4	-39	-	-44	16	-	6	-	-12
Profit before tax	15,278	19,558	78	3,588	5,487	65	6,236	58	26,288
Tax	3,692	4,307	86	1,107	1,256	88	1,305	85	5,388
Net profit	**11,586**	**15,251**	**76**	**2,482**	**4,231**	**59**	**4,931**	**50**	**20,900**
Attributable to additional tier 1 etc.	589	589	100	198	197	101	198	100	786
Balance sheet (end of period) (DKK millions)									
Due from credit institutions and central banks	204,884	244,051	84	204,884	219,213	93	244,051	84	277,631
Repo loans	323,131	230,134	140	323,131	277,778	116	230,134	140	228,538
Loans	1,757,868	1,726,397	102	1,757,868	1,748,393	101	1,726,397	102	1,723,025
Trading portfolio assets	443,758	467,607	95	443,758	523,449	85	467,607	95	449,292
Investment securities	275,230	324,181	85	275,230	274,104	100	324,181	85	324,618
Assets under insurance contracts	385,391	297,538	130	385,391	385,833	100	297,538	130	296,867
Total assets in Non-core	15,424	17,200	90	15,424	16,905	91	17,200	90	4,886
Other assets	267,343	240,677	111	267,343	260,744	103	240,677	111	234,672
Total assets	**3,673,028**	**3,547,785**	**104**	**3,673,028**	**3,706,419**	**99**	**3,547,785**	**104**	**3,539,528**
Due to credit institutions and central banks	149,820	167,192	90	149,820	169,985	88	167,192	90	155,528
Repo deposits	270,805	214,623	126	270,805	213,372	127	214,623	126	220,371
Deposits	908,887	923,352	98	908,887	926,794	98	923,352	98	911,852
Bonds issued by Realkredit Danmark	738,336	749,414	99	738,336	732,106	101	749,414	99	758,375
Other issued bonds	369,641	409,035	90	369,641	387,879	95	409,035	90	405,080
Trading portfolio liabilities	401,698	408,537	98	401,698	447,006	90	408,537	98	400,596
Liabilities under insurance contracts	422,288	320,253	132	422,288	422,586	100	320,253	132	322,726
Total liabilities in Non-core	5,282	2,693	196	5,282	11,230	47	2,693	196	3,094
Other liabilities	211,687	157,915	134	211,687	200,718	105	157,915	134	164,531
Subordinated debt	33,882	29,390	115	33,882	33,847	100	29,390	115	29,120
Additional tier 1 etc.	14,404	14,435	100	14,404	14,340	100	14,435	100	14,339
Shareholders' equity	146,299	150,945	97	146,299	146,557	100	150,945	97	153,916
Total liabilities and equity	**3,673,028**	**3,547,785**	**104**	**3,673,028**	**3,706,419**	**99**	**3,547,785**	**104**	**3,539,528**
Ratios and key figures									
Dividend per share (DKK)	-	-		-	-		-		10.0
Earnings per share (DKK)	12.7	16.1		2.7	4.7		5.3		22.2
Return on avg. shareholders' equity (% p.a.)	10.1	13.3		6.4	11.9		12.8		13.6
Net interest income as % p.a. of loans and deposits	0.88	0.87		0.87	0.88		0.90		0.89
Cost/income ratio (%)	56.1	47.2		66.4	53.2		47.5		47.2
Total capital ratio (%)	20.9	21.6		20.9	21.6		21.6		22.6
Common equity tier 1 capital ratio (%)	16.4	16.7		16.4	15.9		16.7		17.6
Share price (end of period) (DKK)	168.7	251.8		168.7	199.8		251.8		241.6
Book value per share (DKK)	171.0	167.0		171.0	168.3		167.0		172.2
Full-time-equivalent staff (end of period)	20,530	19,653	104	20,530	20,357	101	19,653	104	19,768

See note 3 to the financial statements for an explanation of differences in the presentation between IFRS and the Financial Highlights, including the difference of DKK 312 million between Net profit in the IFRS income statement and in the Financial Highlights. For a definition of ratios, see Definition of alternative performance measures on page 28.

Executive summary

"The business developed largely as expected in the first nine months," says Jesper Nielsen, Interim Chief Executive Officer. "We continued to achieve lending growth across the Nordic countries on the back of positive developments in the Nordic economies, and there was solid lending activity among both retail and commercial customers. Credit quality also remained solid, and net interest and net fee income were in line with the year-earlier levels despite increased pressure on margins. However, total income was affected by the uncertainty in the financial markets. In addition, expenses were higher, among other things as a result of our decision to donate DKK 1.5 billion, corresponding to the gross income from the Estonian non-resident portfolio, to initiatives aimed at combating financial crime. Also internally, we continue to invest significantly both in measures aimed at making it as difficult as possible to use Danske Bank for financial crime and in drawing the necessary learnings from the Estonia case. This is something we take very seriously, and we know that we have a huge task ahead of us in restoring the trust of our customers and society."

Danske Bank's net profit was DKK 11.6 billion in the first nine months of 2018, against DKK 15.3 billion in the first nine months of 2017. The result is a combination of continually good lending growth and low impairments, but also weaker trading income due to challenging market conditions. Furthermore, the result for the first nine months of 2018 was affected by a DKK 1.5 billion one-off expense. This stems from the September 2018 decision not to benefit financially from suspicious transactions in Estonia in the period from 2007 to 2015. Accordingly, the estimated gross income from the non-resident portfolio in Estonia in that period will be donated to an independent foundation supporting initiatives to combat international financial crime.

The weaker trading result together with the decision to donate the estimated gross income from the Estonian non-resident portfolio led to a downward revision in September of our net profit outlook for full-year 2018 to DKK 16-17 billion.

Return on shareholders' equity after tax was 10.1%, against 13.3% in the first nine months of 2017. Adjusted for the donation, the return on shareholders' equity would have been 11.4%.

The good momentum in the Nordic economies continued in the first nine months of 2018, which led to lending growth of 2%. Lending was up across all our Nordic markets. Our activities in Sweden especially showed strong lending growth, driven by partnership agreements with local unions and good activity in the corporate customer segment.

We launched a number of new initiatives to serve our customers better – among them our new financial dashboard District, which gives business customers an overview of their financial data, allowing them to make even better decisions. For personal customers, we launched a partnership with Spiir, giving customers with more than one bank an overview of all their accounts. In Sweden, Norway and Finland, our strategic partnerships continued to bring in new customers.

Net interest income benefited from loan growth in all our Nordic markets but was also affected by margin pressure and adverse currency effects. However, Banking Nordic achieved strong growth in net interest income of 6% above the level in the year-earlier period.

Despite strong macroeconomic momentum, trading income was lower than in the year-earlier period. Challenging market conditions affected Corporates & Institutions negatively in terms of trading income, which fell from the high level in 2017. At Wealth Management, lower investment and risk results in the health and accident business had a negative effect on trading and other income.

Expenses were significantly higher than in the year-earlier period. This was due primarily to the DKK 1.5 billion donation, which was recognised in the third quarter of 2018. Expenses were also impacted by the cost of the Estonia investigations. We also saw integration costs and operating expenses related to the acquisition of SEB Pension Danmark as well as a continued increase in costs for compliance with regulatory requirements.

Credit quality remained strong with a reversal of impairments for the first nine months of 2018 on a par with the level in the same period in 2017. However, due to single name exposure and increased impairments against the agriculture segment, we saw total impairments of DKK 100 million in the third quarter of 2018.

Capital, funding, liquidity and regulation
Our capital position remains strong, with a total capital ratio of 20.9% and a CET1 capital ratio of 16.4% at 30 September.

Following an order from the Danish FSA on 4 October 2018, the Board of Directors has reassessed Danske Bank's solvency and capital needs. This has led to an increase in the total capital requirement of 0.7 percentage points to 16.9%. The CET1 capital requirement now stands at 12.3%.

As a consequence of the increased requirements, Danske Bank's target for total capital has been revised from above 19% to above 20%. Our CET1 capital target has been revised from 14-15% to around 16% in the short to medium term.

At 30 September, DKK 6.8 billion of the DKK 10 billion share buy-back programme had been bought back.

On 4 October, following the increased capital requirements, it was decided to discontinue the share buy-back programme. This will add some 0.4 percentage points to our CET1 capital in the fourth quarter, providing further flexibility within our new capital targets.

At 30 September 2018, our liquidity coverage ratio stood at 135%.

Outlook for 2018
The outlook has been updated from the second quarter of 2018.

We expect net interest income to be slightly lower than in 2017, as volume growth is offset by margin pressure.

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

Expenses are expected to be significantly higher than in 2017, due primarily to the DKK 1.5 billion donation as well as the effect of the acquisition of SEB Pension Danmark.

Loan impairments are expected to remain at a low level.

We expect net profit to be in the range of DKK 16-17 billion.

The outlook is subject to uncertainty and macroeconomic developments.

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

Estonia
In the third quarter of 2018, we published the findings of the investigations into Danske Bank's Estonian branch.

The Board of Directors ordered the investigations, which were led by the Bruun & Hjejle law firm. The portfolio investigation, which is still ongoing, covers around 15,000 customers and 9.5 million payments. Finding and reporting any suspicious activities is of primary concern, and we continue to report to the relevant authorities. We will report to the market via the usual channels in accordance with normal practice.

We do not wish to benefit financially from suspicious transactions in Estonia in the period from 2007 to 2015.

Accordingly, the estimated gross income from the non-resident portfolio in that period will be donated to an independent foundation supporting initiatives to combat international financial crime, including money laundering, also in Denmark and Estonia.

If any income from the non-resident portfolio becomes subject to confiscation by relevant authorities, any such confiscation will be deducted from the amount to be donated.

On 19 September, we announced the resignation of CEO Thomas F. Borgen, and on 1 October, he was relieved of his duties. Jesper Nielsen was appointed Interim CEO as of the same date.

On 4 October, it was announced that we have received requests for information from the US Department of Justice (DoJ) in connection with a criminal investigation relating to our Estonian branch conducted by the DoJ. Furthermore, we are being investigated by the Danish and the Estonian FSA as well as the Danish State Prosecutor for Serious Economic and International Crime (SØIK) and the Estonian Office of the Prosecutor General (the Estonian FIU). Danske Bank is in continuous dialogue with and cooperates fully with all authorities.

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

On 4 October, the Danish FSA ordered Danske Bank to reassess its solvency need with a view to adding an absolute minimum of DKK 10 billion to our Pillar II requirement. We will continue our constructive dialogue with the FSA and implement the order given.

Following the order, we revised our CET1 capital target from 14-15% to around 16% and our total capital target from above 19% to above 20%.

In addition to revising our capital targets, we decided to discontinue the share buy-backs under the share buy-back programme for 2018 in order to gain further flexibility within our new capital targets.

The Estonia case has also impacted our ratings. Following the publication of the findings of the investigations, Moody's downgraded Danske Bank from A1 to A2, while Fitch and S&P both maintained their ratings of Danske Bank but changed the outlook to negative.

Inevitably, the Estonia case has given rise to considerable attention, also from our customers. We carefully monitor the situation, and we reach out to customers proactively and encourage them to contact us with any questions or concerns.

Financial review

In the first nine months of 2018, Danske Bank Group delivered a profit before tax from core activities of DKK 15.3 billion, a decrease of 22% from the level in the first nine months of 2017, which benefited from strong net trading income. The result was affected by the one-off expense relating to the donation of the estimated gross income from our non-resident portfolio in Estonia in the period from 2007 to 2015.

Income

Total income amounted to DKK 33.4 billion, a decrease of 7% from the level in the first nine months of 2017. Net interest income and net fee income were at the same level as in the first nine months of 2017. Net trading income was negatively affected by challenging market conditions.

Net interest income totalled DKK 17.7 billion and was at the same level as in the first nine months of 2017. Net interest income benefited from growth in lending and deposit volumes, increased deposit margins as a result of developments in market rates, and lower liquidity costs. However, the positive effects were offset by a decrease in lending margins due to developments in market rates, currency effects and higher capital costs as a result of the issuance of additional tier 1 capital at the end of the second quarter of 2018 and the non-preferred senior debt issued during the second and third quarters of 2018. The transfer of Baltic customers to the Non-core unit also had a negative effect.

Net fee income amounted to DKK 11.3 billion and was at the same level as in the first nine months of 2017. Net fee income was adversely affected by a decline in fee-driven activity, which was, however, mitigated by higher net fee income following the acquisition of SEB Pension Danmark.

Net trading income totalled DKK 3.7 billion, a decrease of 35% from the level in the first nine months of 2017. In particular, Corporates & Institutions (FI&C and Capital Markets) and Wealth Management saw a decrease. FI&C was negatively affected by difficult trading conditions, resulting in lower income on customer transactions. At Capital Markets, customer activity was subdued because of uncertainty in the financial markets, however, primary markets activity increased. Wealth Management was affected by a lower investment result in the health and accident business.

Other income amounted to DKK 0.7 billion, against DKK 1.2 billion in the first nine months of 2017. The first nine months of 2017 included income from Krogsveen, the Norwegian real-estate agency chain, which was sold in the first quarter of 2018. In addition, a lower risk result in the health and accident business at Wealth Management adversely affected Other income.

Expenses

Operating expenses amounted to DKK 18.8 billion, an increase of 11% from the level in the first nine months of 2017. Operating expenses benefited from lower activity-related costs and efficiency measures, which were, however, more than offset by the expense for the DKK 1.5 billion donation. Wealth Management saw increased expenses as a result of integrating SEB Pension Danmark. Higher compliance costs, including costs related to the investigations of the Estonian branch, and our continued initiatives to meet our high ambitions within digital transformation also contributed to the increase in expenses.

Loan impairments

Loan impairments remained low, with net reversals in the first nine months of 2018 of DKK 607 million in core activities, against net reversals of DKK 632 million in the same period of 2017, as credit quality remained solid, supported by stable macroeconomic conditions and higher collateral values in most markets.

At Banking DK, reversals in the first nine months of 2018 primarily reflected improved credit quality for non-agricultural customers. Reversals related to legacy non-performing loans for which restructurings during the year have had a positive outcome, thus allowing impairment reversals. In general, the Banking Nordic portfolio saw improved credit quality. Corporates & Institutions saw net impairments due to restructurings in relation to single names in the oil and gas industry. At the unit in Northern Ireland, charges related to a few cases in the first quarter of 2018.

Loan impairment charges

(DKK millions)	Q1-Q3 2018 Charges	Q1-Q3 2018 % of loans and guarantees	Q1-Q3 2017 Charges	Q1-Q3 2017 % of loans and guarantees
Banking DK	-610	-0.09	-950	-0.15
Banking Nordic	-77	-0.02	191	0.05
C&I	103	0.03	353	0.11
Wealth Management	-53	-0.09	-70	-0.12
Northern Ireland	28	0.08	-154	-0.46
Other Activities	3	0.20	-1	-0.04
Total	**-607**	**-0.04**	**-632**	**-0.04**

Tax

Tax on profit for the period amounted to DKK 3.7 billion, or 24.2% of profit before tax, against 22.0% of profit before tax for the first nine months of 2017. The increase in the effective tax rate is due to the expense for the donation of DKK 1.5 billion, for which the deduction for tax purposes is still uncertain. No tax deduction will thus be made before the tax treatment has been determined.

Net profit

Net profit amounted to DKK 11,586 million, a decrease of 24% from the level in the first nine months of 2017. Net profit in the IFRS income statement amounted to DKK 11,274 million and was thus DKK 312 million lower due to the IFRS 9 implementation effect on loans granted by

Realkredit Danmark. See Definition of Alternative Performance Measures on page 28 for more information.

Q3 2018 vs Q2 2018

In the third quarter of 2018, the Group posted a net profit of DKK 2.5 billion, against DKK 4.2 billion in the second quarter. Adjusted for the one-off expense for the DKK 1.5 billion donation, net profit decreased DKK 0.2 billion. The underlying performance of the business continued to be stable.

Net interest income amounted to DKK 5.9 billion and was at the same level as in the second quarter. Net interest income saw a positive effect from lending volume growth and an additional number of interest days in the third quarter. However, the positive effect was offset by a decrease in lending margins, due primarily to developments in market rates, and higher capital costs as a result of the issuance of additional tier 1 capital at the end of the second quarter of 2018 and the non-preferred senior debt issued during the second and third quarters of 2018.

Net fee income amounted to DKK 3.8 billion and was at the same level as in the second quarter. Net fee income at Wealth Management increased as a result of the integration of SEB Pension Danmark. However, the increase was offset by lower customer activity over the summer months.

Net trading income amounted to DKK 1.2 billion, an increase of 16% from the level in the second quarter. Net trading income benefited from a higher investment result in the health and accident business at Wealth Management. At Corporates & Institutions, FI&C net trading income rose on the back of a tentative improvement of market conditions at the end of the third quarter, despite a seasonal decline in customer activity. The positive effect in FI&C was partly offset by a decrease in net trading income at Capital Markets, due mainly to a seasonal decline in activity.

Other income increased 55% from the level in the second quarter, due primarily to a positive result at Wealth Management.

Operating expenses amounted to DKK 7.4 billion, an increase of 27% from the level in the second quarter. Adjusted for the expense for the DKK 1.5 billion donation, operating expenses increased 1%. Efficiency measures and lower severance pay were more than offset by higher compliance costs, including costs relating to the investigation into matters at the Estonian branch, increased costs at Wealth Management due to the ordinary operating expenses of SEB Pension Danmark and increased investments in IT-related projects.

Loan impairments showed a net expense of DKK 0.1 billion, due to increased loan impairments against agricultural customers and single names at Banking DK and to single names at Corporates & Institutions, due primarily to ongoing restructuring in the oil and gas industry. The underlying credit quality was consistently strong and was supported by higher collateral values.

Balance sheet

Lending (end of period) (DKK billions)	Q3 2018	Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Full year 2017	Index 18/FY17
Banking DK	874.8	869.4	101	874.8	875.9	100	869.7	101
Banking Nordic	590.3	565.3	104	590.3	576.4	102	561.2	105
Corporates & Institutions	186.6	202.2	92	186.6	191.2	98	199.5	94
Wealth Management	77.5	74.8	104	77.5	77.0	101	75.0	103
Northern Ireland	50.9	46.2	110	50.9	48.9	104	46.3	110
Other Activities incl. eliminations	-4.2	-11.4	37	-4.2	-1.9	221	-9.4	45
Allowance account, lending	18.0	20.1	90	18.0	19.0	95	19.4	93
Total lending	**1,757.9**	**1,726.4**	**102**	**1,757.9**	**1,748.4**	**101**	**1,723.0**	**102**

Deposits (end of period) (DKK billions)	Q3 2018	Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Full year 2017	Index 18/FY17
Banking DK	281.7	273.8	103	281.7	287.5	98	278.1	101
Banking Nordic	227.7	226.6	100	227.7	238.1	96	225.2	101
Corporates & Institutions	272.5	294.3	93	272.5	268.7	101	282.9	96
Wealth Management	68.1	66.3	103	68.1	71.1	96	65.8	103
Northern Ireland	63.5	59.5	107	63.5	63.0	101	59.0	108
Other Activities incl. eliminations	-4.7	2.9	-	-4.7	-1.6	294	0.8	-
Total deposits	**908.9**	**923.4**	**98**	**908.9**	**926.8**	**98**	**911.9**	**100**

Covered bonds (DKK billions)	Q3 2018	Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Full year 2017	Index 18/FY17
Bonds issued by Realkredit Danmark	738.3	749.4	99	738.3	732.1	101	758.4	97
Own holdings of bonds	59.1	40.0	148	59.1	65.1	91	33.6	176
Total Realkredit Danmark bonds	**797.4**	**789.4**	**101**	**797.4**	**797.2**	**100**	**792.0**	**101**
Other covered bonds issued	174.7	187.4	93	174.7	171.5	102	168.1	104
Own holdings of bonds	40.1	10.0	-	40.1	42.0	95	33.5	120
Total other covered bonds	**214.8**	**197.4**	**109**	**214.8**	**213.5**	**101**	**201.7**	**106**
Total deposits and issued mortgage bonds etc.	**1,921.1**	**1,910.2**	**101**	**1,921.1**	**1,937.4**	**99**	**1,905.5**	**101**
Lending as % of deposits and issued mortgage bonds etc.	91.5	90.4		91.5	90.2		90.4	

Lending

At the end of September 2018, total lending was up 2% from the level at the end of 2017. Lending increased in almost all markets and across all geographies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 67.6 billion. Lending to retail customers accounted for DKK 31.4 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased slightly from the end of 2017 to 26.5%. In Finland and Sweden, our market share of lending rose 0.4 and 0.2 percentage points, respectively. Our market share in Norway decreased 0.2 percentage points.

Market shares of lending (%)	30 September 2018	31 December 2017
Denmark incl. RD (excl. repo)	26.5	26.6
Finland*	10.0	9.6
Sweden (excl. repo)	5.8	5.6
Norway**	5.9	6.1

Source: Market shares are based on data from the central banks.
**The market shares for Finland are based on data as at 31 August 2018.*
***The market shares for Norway are based on data as at 31 August 2018. The market shares are preliminary as the issuer of market shares in Norway, Statistics Norway, is undertaking major IT system changes. Consequently, Danske Bank has received preliminary data up to and including 31 August 2018.*

Lending equalled 91.5% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.4% at the end of 2017.

Deposits
At the end of September 2018, total deposits were maintained at the level at the end of 2017. Our market shares in Denmark and Sweden increased, with retail deposits being the main driver of the increase in Denmark. Our market share in Finland fell from the seasonally high level of public institution deposits at the end of 2017. Our market share in Norway decreased 0.1 percentage points. The Group maintained its strong funding position.

Market shares of deposits (%)	30 September 2018	31 December 2017
Denmark (excl. repo)	28.4	27.9
Finland*	11.4	13.5
Sweden (excl. repo)	4.1	4.0
Norway**	6.5	6.6

Source: Market shares are based on data from the central banks.
**The market shares for Finland are based on data as at 31 August 2018.*
***The market shares for Norway are based on data as at 31 August 2018. The market shares are preliminary as the issuer of market shares in Norway, Statistics Norway, is undertaking major IT system changes. Consequently, Danske Bank has received preliminary data up to and including 31 August 2018.*

Credit exposure
Credit exposure from lending activities in core segments totalled DKK 2,454 billion, against DKK 2,688 billion at the end of 2017. The decrease in credit exposure from lending activities was owing primarily to the IFRS 9 reclassification and exclusion of DKK 223 billion of repos and other loans in the trading units of Corporates & Institutions from the credit exposure from lending activities from 1 January 2018. The decrease was partly offset by the inclusion of committed loan offers of DKK 63 billion in the credit exposure. The remaining decrease related primarily to exposures to central banks and other banks, as the transfer of Baltic customers to the Non-core unit was more than offset by an increase across all markets.

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

Credit quality
Credit quality remained solid in light of stable macroeconomic conditions. At the end of September 2018, gross NPL was DKK 1.9 billion lower than at the end of 2017, while NPL remained stable. The effect of new non-performing loans at Corporates & Institutions was more than offset by continued work-outs in the legacy portfolio. Adjusted for changes due to the implementation of IFRS 9, both net and gross NPL decreased from the level at the end of 2017.

The risk management notes on pp. 60-74 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 Sep. 2018	31 Dec. 2017
Gross NPL	31,367	33,255
NPL allowance account	13,262	15,965
Net NPL	**18,105**	**17,290**
Collateral (after haircut)	**15,296**	**14,703**
NPL coverage ratio (%)	82.5	86.1
NPL coverage ratio of which is in default (%)	99.6	96.8
NPL as a percentage of total gross exposure (%)	1.3	1.2

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

Accumulated impairments amounted to DKK 20.8 billion, including an IFRS 9 implementation effect of DKK 2.6 billion, or 1.1% of lending and guarantees. The corresponding figure at 31 December 2017 was DKK 20.1 billion.

Allowance account by business units	30 Sep. 2018		31 Dec. 2017	
(DKK millions)	Accum. im-pairm. charges	% of loans and guarantees	Accum. im-pairm. charges	% of loans and guarantees
Banking DK	12,511	1.40	12,922	1.45
Banking Nordic	4,255	0.71	3,540	0.62
C&I	2,715	1.22	2,379	0.58
Wealth Management	414	0.51	460	0.59
Northern Ireland	859	1.66	764	1.62
Other	11	0.02	3	0.01
Total	**20,765**	**1.12**	**20,069**	**1.00**

** Relating to lending activities in core segments.*

Realised losses amounted to DKK 1.7 billion. Of these losses, DKK 0.5 billion was charged directly to the income statement.

Trading and investment activities
Credit exposure from trading and investment activities amounted to DKK 1,048 billion at 30 September 2018, against DKK 774 billion at 31 December 2017. The increase, which related primarily to repos and other loans in the trading units of Corporates & Institutions, was the result of the implementation of IFRS 9. This credit exposure is now included in credit exposure from trading and investment activities and therefore no longer forms part of credit exposure from lending activities.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 57.8 billion, against DKK 74.7 billion at the end of 2017.

The value of the bond portfolio was DKK 481 billion. Of the total bond portfolio, 69% was recognised at fair value and 31% at amortised cost.

Bond portfolio (%)	30 September 2018	31 December 2017
Government bonds and bonds guaranteed by central or local governments	42	34
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	45	49
Swedish covered bonds	9	12
Other covered bonds	2	3
Corporate bonds	1	1
Total holdings	100	100
Bonds at amortised cost included in total holdings	31	30

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

The net position on repo transactions increased DKK 58.8 billion from an asset of DKK 8.2 billion at the end of 2017 to an asset of DKK 66.9 billion at the end of September 2018. The increase was due to higher customer activity.

Trading portfolio assets and trading portfolio liabilities decreased from net assets of DKK 48.7 billion at the end of 2017 to net assets of DKK 42.1 billion at the end of September 2018 as a result of fluctuations in the market value of the derivatives portfolio.

Other balance sheet items

Total assets in Non-core amounted to DKK 15.4 billion at the end of September 2018, against DKK 4.9 billion at the end of 2017. The increase related to the transfer of Baltic customers to the Non-core unit as per 1 April 2018 as a result of the repositioning of the Group's business activities in the Baltic countries.

Other assets is the sum of several small line items. Other assets increased DKK 32.7 billion, or 14%, from the end of 2017. Other liabilities increased DKK 47.2 billion, or 29%, from the end of 2017. The increase in Other assets and liabilities is due primarily to the consolidation of SEB Pension Danmark and the provision for the DKK 1.5 billion donation.

Capital effect of the Estonia investigation

In the second quarter of 2018, Danske Bank increased its solvency need by DKK 5 billion to ensure adequate capital coverage of its compliance and reputational risks as a consequence of the orders issued by the Danish FSA on 3 May 2018 concerning the Estonian branch.

Following the conclusions of the investigation concerning the Estonian branch, the Danish FSA has found, however, that Danske Bank's compliance and reputational risks are higher than previously assumed. As a result, in its decision of 4 October 2018, the Danish FSA ordered Danske Bank to reassess the Group's solvency need.

Danske Bank's Board of Directors agrees with the Danish FSA's order and has therefore reassessed and increased the solvency need by an additional DKK 5 billion, such that the total Pillar II add-on for compliance and reputational risk is DKK 10 billion as of the end of September 2018. In addition, the total add-on of DKK 10 billion is to be met with CET1 capital.

Furthermore, the Board of Directors has reassessed and increased the Group's capital targets and taken further prudency measures, as outlined below.

Capital ratios

At the end of September 2018, the total capital ratio was 20.9%, and the CET1 capital ratio was 16.4%, against 22.6% and 17.6%, respectively, at the end of 2017. The decline in the capital ratios was expected and was driven primarily by the DKK 10 billion share buy-back programme initiated on 2 February 2018 and Danica Pension's acquisition of SEB Pension Danmark, which was finalised during the second quarter of 2018. The total capital ratio was supported by the issuance of USD 750 million of additional tier 1 capital.

During the first nine months of 2018, the REA decreased by DKK 15.2 billion to DKK 738.2 billion at the end of September 2018. Decreases are observed for all major risk types and are driven by both exposure reductions and, for credit risk, technical adjustments to the REA calculation.

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

Capital requirements

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

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

At the end of September 2018, the Group's solvency need was 12.1%, an increase of 1.6 percentage points from the level at the end of 2017. The increase was due mainly to a reassessment of capital to cover compliance and reputational risks, which increased the solvency need by DKK 10 billion during the first nine months. The DKK 10 billion is covered by common equity tier 1 (CET1) capital, as ordered by the Danish FSA.

A combined buffer requirement applies in addition to the solvency need. At the end of September 2018, the Group's combined capital buffer requirement was 4.84%.

In March 2018, the Danish Government introduced a countercyclical buffer requirement in Denmark of 0.5%. In September 2018, the requirment was increased to 1.0%, effective as of 30 September 2019, which will increase the Group's combined buffer requirement by 0.5 percentage points. In addition, the Swedish FSA increased its buffer requirement from 2.0% to 2.5%, effective as of 19 September 2019, which will raise the Group's requirement by 0.1 percentage points. Consequently, the buffer requirement will be 6.7% when fully phased-in, bringing the fully phased-in CET1 capital requirement to 13.9% and the fully phased-in total capital requirement to 18.5%.

Capital ratios and requirements

(% of the total REA)	Q3 2018	Fully phased-in*
Capital ratios		
CET 1 capital ratio	16.4	16.3
Total capital ratio	20.9	20.7
Capital requirements (incl. buffers)**		
CET 1 requirement	12.3	13.9
- portion from countercyclical buffer	*0.6*	*1.2*
- portion from capital conservation buffer	*1.9*	*2.5*
- portion from SIFI buffer	*2.4*	*3.0*
Total capital requirement	**16.9**	**18.5**
Excess capital		
CET 1 capital	4.1	2.4
Total capital	3.9	2.3

** Based on fully phased-in rules and requirements incl. fully phased-in impact of IFRS 9, application of the risk weight floor for Swedish mortgages as a Pillar I requirement and the effect of discontinuing the current share buy-back programme.*

*** The total capital requirement consists of the solvency need and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of September 2018.*

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

Capital targets

As a consequence of the increase in the Group's solvency need of DKK 10 billion and in order to take further prudency measures, the Board of Directors has decided to increase the Group's capital targets.

The CET1 capital ratio target is thus set at around 16% (previously 14-15%) and the total capital ratio target is set at above 20% (previously above 19%).

The Board of Directors reassesses the targets on an ongoing basis. Danske Bank fully meets the revised capital targets already today.

Capital distribution policy

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

It is also still our intention to return excess capital to our shareholders if capital is available after we have met our capital targets and paid out dividends and subject to further clarification of the consequences of the Estonia case.

However, as a further prudency measure due to the current circumstances and in addition to the increased capital targets, the Board of Directors decided on 4 October 2018 to discontinue the current share buy-back programme. The programme, totalling DKK 10 billion, was due to end on 1 February 2019. At 30 September 2018, we had bought back 33.0 million shares for a total purchase amount of DKK 6.8 billion (figures at trade date).

By the date of discontinuation, we had bought back a total of 33.8 million shares for a gross value of DKK 6.9 billion. As a result, the Group's regulatory capital will be adjusted upwards by DKK 3.1 billion in the fourth quarter of 2018, leading to an increase in the Group's capital ratios of about 0.4 percentage points, which is reflected in the fully phased-in capital ratios.

Ratings

Following the publication of the report on the non-resident portfolio at Danske Bank's Estonian branch, all rating agencies took action.

On 25 September 2018, S&P affirmed Danske Bank's 'A' issuer and senior debt ratings. At the same time, it lowered Danske Bank's stand-alone credit profile to 'a-'. Consequently, S&P lowered by one notch the ratings on Danske Bank's non-preferred senior debt, tier 2 debt, and additional tier 1 capital instruments, and also lowered the long-term issuer credit rating on Danica Pension Livsforsikringsaktieselskab to 'A-' from 'A'.

At the same time, S&P revised the outlook on Danske Bank to negative from positive due to regulatory investigations into Danske Bank's Estonian branch and the possible resulting damage to Danske Bank.

On 25 September 2018, Fitch affirmed all ratings of Danske Bank, while revising the outlook to negative from stable due to the uncertainty relating to the investigations and their potential consequences.

On 12 October 2018, Moody's downgraded Danske Bank's senior unsecured debt rating to 'A2' from 'A1', Danske Bank's counterparty risk rating to 'Aa3' from 'Aa2' and Danske Bank's non-preferred senior debt rating to 'Baa2' from 'Baa1'. The rating action followed the announcement that Danske Bank is subject to an investigation by the US Department of Justice. Moody's maintained the negative outlook assigned on 21 September 2018. The negative outlook reflects operational and reputational risks stemming from the investigations.

Danske Bank's ratings

	Moody's	S&P Global	Fitch Ratings
Counterparty rating	Aa3/P-1	A+/A-1	A+(dcr)
Senior debt	A2/Negative/ P-1	A/Negative/ A-1	A+/Negative/ F1
Non-preferred senior debt	Baa2	BBB+	A
Tier 2	-	BBB	A-
AT1	-	BB+	BB+

Mortgage bonds and covered bonds (RO and SDRO) issued by Realkredit Danmark are rated 'AAA' (stable outlook) by S&P and Scope Ratings. Scope Ratings assigned its inaugural ratings on 29 August 2018. Fitch rates bonds issued from Realkredit Danmark's capital centre S 'AAA' (stable outlook) and rates bonds issued from capital centre T 'AA+' (stable outlook).

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

Funding and liquidity

During 2018, the Group has issued senior debt of DKK 2.8 billion, non-preferred senior debt of DKK 26.1 billion, covered bonds of DKK 25 billion, and additional tier 1 debt of DKK 4.8 billion, bringing total new long-term wholesale funding to DKK 58.6[1] billion.

Our funding plans are well advanced, and we maintain the plan for 2018 of DKK 60-80 billion. We expect a similar need for 2019 and remain dedicated to our strategy of securing a large part of funding directly in our Nordic lending currencies.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of September 2018, our liquidity coverage ratio stood at 135%, with an LCR reserve of DKK 528 billion.

Adherence to the Basel Committee on Banking Supervision's net stable funding ratio forms part of our funding planning, and we are already comfortably above the requirement.

At 30 September 2018, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 342 billion, against DKK 327 billion at the end of 2017.

Danske Bank excluding Realkredit Danmark (DKK billions)	30 Sept. 2018	31 Dec. 2017
Covered bonds	174.7	168.1
Senior unsecured debt	106.7	129.9
Non-preferred senior bonds	26.3	-
Subordinated debt	33.9	29.1
Total	**341.5**	**327.1**

The Supervisory Diamond

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

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

Realkredit Danmark also complies with all threshold values.

New regulation

In March 2018, the Danish FSA published their decision to set the minimum requirement for own funds and eligible liabilities (MREL). As expected, the MREL for the Group was set to be equivalent to two times the capital requirement including capital buffer requirements. The requirement for the Group is equivalent to 33% of the REA adjusted for Realkredit Danmark and will be effective from 1 July 2019. The Danish FSA updates the MREL requirement annually. We expect the next update at the beginning of 2019.

Danish mortgage credit institutions are exempt from the MREL. Instead they are subject to a debt buffer requirement of 2% of their loans. Due to this exemption, Realkredit Danmark is not included in the consolidation for the purpose of determining the MREL for the Group. However, the capital and debt buffer requirements that apply to Realkredit Danmark are deducted from the liabilities and own funds used to fulfil the MREL.

The Danish FSA also imposes the requirement that all MREL eligible liabilities and own funds must bear losses before other senior unsecured claims in case of both resolution and insolvency. However, under a gradual transition to the 2022 requirement, unsecured senior debt issued before 1 January 2018 can also be used to fulfil the MREL if the residual maturity exceeds 12 months. At the end of September, the level of MREL eligible liabilities stood at 33.5% of the REA adjusted for Realkredit Danmark.

In November 2016, the European Commission presented a legislative package amending the CRD, CRR and BRRD. The proposals, which are expected to be agreed on in 2018, are, among other things, expected to imply changes to the future MREL, which could impact the implementation of the MREL requirement in Denmark.

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

Changes to the Executive Board

Effective from 1 October 2018, Jesper Nielsen, Member of the Executive Board and Head of Banking DK, was appointed Interim CEO until a permanent CEO has been appointed to replace Thomas F. Borgen, who on 19 September 2018 resigned as CEO of the Group. Thomas F. Borgen was relieved of his duties on 1 October 2018.

As announced in April 2018, Christian Baltzer was appointed Member of the Executive Board and CFO effective from 15 October 2018.

[1] *Amounts translated into Danish kroner at the date of issue.*

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

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

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

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

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

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

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

Other Activities encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and interest on equity-accounted 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.

Banking DK

In the first nine months of 2018, Banking DK saw a decrease in profit before tax of 6% from the level in the first nine months of 2017. The result reflects lower net impairment reversals and higher operating expenses, attributable mainly to increasing costs for regulatory compliance. Income was on a par with the level recorded in the same period last year.

Banking DK (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Net interest income	6,703	6,680	100	2,245	2,245	100	2,223	101	8,906
Net fee income	2,597	2,551	102	848	864	98	837	101	3,417
Net trading income	606	600	101	156	156	100	171	91	874
Other income	172	199	86	57	61	93	69	83	264
Total income	10,078	10,031	100	3,306	3,326	99	3,299	100	13,461
Operating expenses	5,071	4,993	102	1,698	1,691	100	1,644	103	6,745
Profit before loan impairment charges	5,007	5,038	99	1,608	1,635	98	1,655	97	6,715
Loan impairment charges	-610	-950	-	-16	-294	-	-441	-	-1,065
Profit before tax	**5,617**	**5,988**	**94**	**1,624**	**1,929**	**84**	**2,096**	**77**	**7,780**
Loans, excluding reverse transactions before impairments	874,789	869,359	101	874,789	875,862	100	869,359	101	869,740
Allowance account, loans	10,880	12,577	87	10,880	11,469	95	12,577	87	12,285
Deposits, excluding repo deposits	281,747	273,761	103	281,747	287,496	98	273,761	103	278,074
Bonds issued by Realkredit Danmark	731,738	728,036	101	731,738	730,627	100	728,036	101	735,481
Allowance account, guarantees	1,630	622	262	1,630	1,315	124	622	262	635
Allocated capital (average)	34,274	34,749	99	34,028	34,472	99	35,794	95	34,914
Net interest income as % p.a. of loans and deposits	0.78	0.79		0.78	0.78		0.79		0.78
Profit before tax as % p.a. of allocated capital (ROAC)	21.9	23.0		19.1	22.4		23.4		22.3
Cost/income ratio (%)	50.3	49.8		51.4	50.8		49.8		50.1
Full-time-equivalent staff	3,352	3,392	99	3,352	3,396	99	3,392	99	3,380

Fact Book Q3 2018 provides financial highlights at customer type level. Fact Book Q3 2018 is available at danskebank.com/ir.

First nine months 2018 vs first nine months 2017

Business activity at Banking DK increased in the first nine months of 2018. The positive trend was driven by rising demand for FlexLife® mortgage loans among our personal customers and good activity with our largest business customers. Demand for Danske Bolig Fri, a bank loan aimed at home owners looking for a flexible and low-cost alternative to standard mortgage financing, also developed positively. Overall, lending increased 1% from the level in the same period last year.

Although business activity rose, profit before tax fell 6% to DKK 5.6 billion. The fall reflects margin pressure due to the persistently low interest rates, lower net impairment reversals and higher operating expenses. The development in impairment reversals was caused mainly by the adverse effect of the summer drought in Denmark on some agricultural customers. The rise in operating expenses was attributable primarily to increasing regulatory compliance costs.

The Danish market continued to be characterised by intense competition, and we saw a slight decline in demand for mortgage loans in the largest cities owing to longer sales periods and a slowdown in prices.

The investigations into Danske Bank's non-resident portfolio in Estonia gave rise to considerable attention, also among our customers. We carefully monitor the situation, reach out to customers proactively and encourage them to contact us with any questions or concerns.

With the new Banking DK organisation, we took an important step towards integrating more closely with our customers and thus strengthening our market position in Denmark. As one banking organisation serving both personal and business customers, we now have the platform to further strengthen customer relations, especially with customers who are both personal and business customers, to develop targeted and integrated solutions across touchpoints, streamline operations and generate synergies.

Credit quality

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

Loan impairment charges amounted to a net reversal of DKK 610 million for the first nine months of 2018, reflecting strong and stable portfolio credit quality and increased collateral values. Of the total reversal, DKK 230 million related to the commercial portfolio, which comprises loans to medium-sized and large businesses. The reversals generally related to legacy non-performing loans for which restructuring during the year had a positive outcome.

Credit quality at Realkredit Danmark remained strong and stable throughout the first nine months of 2018, supported by the favourable domestic economic conditions.

The loan-to-value (LTV) level fell two percentage points over the period.

Loan-to-value ratio, home loans	30 Sep. 2018		31 Dec. 2017	
	Average LTV (%)	Credit exposure (DKK bn)	Average LTV (%)	Credit exposure (DKK bn)
Retail	62.2	468	64.2	465
Total	**62.2**	**468**	**64.2**	**465**

Credit exposure

Credit exposure rose to DKK 948 billion in the first nine months of 2018, driven by growth in the retail portfolio, which comprises loans to personal customers and small business customers. Commercial exposure remained stable.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sep. 2018	31 Dec. 2017	30 Sep. 2018
Retail	505,155	496,776	-0.10%
Commercial	442,532	445,102	-0.08%
Total	**947,687**	**941,879**	**-0.09%**

Q3 2018 vs Q2 2018

Profit before tax decreased 16% to DKK 1.6 billion, owing mainly to lower net impairment reversals.

Lending volumes were largely flat during the period, while deposits fell 2% from a record-high level in the second quarter of 2018 due to seasonality.

Operating expenses were flat.

The third quarter of 2018 saw net impairment reversals of DKK 16 million, against net reversals of DKK 294 million in the second quarter of 2018. The difference was due mainly to an increase in charges against the agricultural segment. The continued reversal of loan impairment charges, although at a lower level than in the second quarter, reflects strong and stable credit quality.

Banking Nordic

In the first nine months of 2018, Banking Nordic achieved an increase in profit before tax of 11% from the level in the same period of 2017. The increase was due primarily to an increase in lending that resulted in higher net interest income. Lower operating expenses and impairment reversals also had a positive effect on profit before tax.

Banking Nordic (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Net interest income	5,946	5,594	106	1,993	1,982	101	1,945	102	7,572
Net fee income	1,199	1,286	93	384	402	96	418	92	1,700
Net trading income	228	229	100	84	77	109	83	101	300
Other income	522	772	68	145	154	94	240	60	1,047
Total income	7,896	7,880	100	2,606	2,614	100	2,685	97	10,619
Operating expenses	3,696	3,842	96	1,217	1,304	93	1,234	99	5,202
Profit before loan impairment charges	4,200	4,038	104	1,389	1,310	106	1,451	96	5,417
Loan impairment charges	-77	191	-	-79	48	-	185	-	221
Profit before tax	**4,277**	**3,847**	**111**	**1,468**	**1,263**	**116**	**1,266**	**116**	**5,196**
Loans, excluding reverse transactions before impairments	590,280	565,311	104	590,280	576,438	102	565,311	104	561,215
Allowance account, loans	3,851	3,472	111	3,851	3,940	98	3,472	111	3,412
Deposits, excluding repo deposits	227,730	226,647	100	227,730	238,053	96	226,647	100	225,216
Bonds issued by Realkredit Danmark	11,225	9,678	116	11,225	11,219	100	9,678	116	9,826
Allowance account, guarantees	404	111	-	404	391	103	111	-	126
Allocated capital (average)	32,678	32,067	102	33,192	32,684	102	31,788	104	32,017
Net interest income as % p.a. of loans and deposits	0.97	0.95		0.98	0.98		0.99		0.97
Profit before tax as % p.a. of allocated capital (ROAC)	17.4	16.0		17.7	15.5		15.9		16.2
Cost/income ratio (%)	46.8	48.8		46.7	49.9		46.0		49.0
Full-time-equivalent staff	2,522	2,744	92	2,522	2,546	99	2,744	92	2,723

Fact Book Q3 2018 provides financial highlights at customer level for Banking Nordic. Fact Book Q3 2018 is available at danskebank.com/ir.

First nine months 2018 vs first nine months 2017

Banking Nordic continued its good development with increasing customer activity across all markets. The retail business benefited from our continued focus on partnership agreements. The commercial business saw a positive impact from a strengthening of our offerings to medium-sized and large business customers. The overall results were adversely affected by currency effects, as the Norwegian krone and the Swedish krona depreciated vis-à-vis the Danish krone from 2017 to 2018.

The good momentum and activity resulted in an increase in profit before tax of 11% to DKK 4.3 billion. The increase was driven mainly by an improvement in net interest income. Lower costs as well as impairment reversals, primarily in Norway and Finland, also had a positive effect.

Net interest income grew 6% owing to rising lending volumes. The increase was seen in all market areas. Sweden and Norway saw increases within all customer segments, whereas Finland saw increases mostly within the medium-sized and large business customer segments.

We continued to grow the business and expanded the customer portfolio on the back of our range of partnership agreements in the Nordics. Overall, lending increased 4%.

Net fee income decreased from the level in the same period in 2017, due mainly to lower fees in Finland. Net trading income was on a par with the level in the same period last year.

In the first quarter of 2018, Krogsveen, our Norwegian real-estate agency chain, was sold. The sale reduced both other income and costs in the first nine months of 2018 from the level in the first nine months of 2017.

Adjusted for Krogsveen, we saw an increase in other income due to good traction within Asset Finance, which saw solid business momentum in 2018 – not least due to favourable market conditions. In addition, we continued to expand our product offerings to the Nordic markets.

Operating expenses decreased 4% despite increasing costs related to regulatory projects and IT investments to improve our value propositions and enhance the customer experience. The decrease was due primarily to the effect of the sale of Krogsveen.

Credit quality

Credit quality was generally stable across the Nordic markets, reflecting the current macroeconomic stability.

Loan impairment charges were still at a low level, amounting to net reversals of DKK 77 million in the first nine months of 2018. The reversals were driven by positive macroeconomic developments in Norway and Finland in the third quarter and thus reflect healthy macroeconomic conditions.

The loan-to-value (LTV) ratio increased in Sweden, mainly because of decreasing collateral values at the beginning of the year. The LTV ratio decreased in Norway and Finland.

Loan-to-value ratio, home loans	30 Sep. 2018		31 Dec. 2017	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail Sweden	63.7	84	60.6	80
Retail Norway	61.7	100	62.8	93
Retail Finland	60.9	85	61.2	85
Total	**62.1**	**269**	**61.6**	**258**

Credit exposure

Credit exposure increased from DKK 645 billion in the fourth quarter of 2017 to DKK 710 billion in the third quarter of 2018. Growth occurred particularly in Sweden and Norway. The growth in these countries was driven partly by an increase in the retail portfolio stemming from our strategic partnerships.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sep. 2018	31 Dec. 2017	30 Sep. 2018
Sweden	286,186	256,084	0.02%
Norway	215,593	192,415	-0.06%
Finland	165,360	156,105	-0.05%
Other	42,438	40,839	0.06%
Total	**709,576**	**645,443**	**-0.02%**

Q3 2018 vs Q2 2018

Profit before tax increased 16% due to lower operating expenses and an increase in impairment reversals from the level in the second quarter of 2018.

Total income was on a par with the income in the second quarter.

Net interest income was stable, whereas net fee income decreased due to lower fees in Finland.

Operating expenses decreased 7%, primarily as a result of restructuring costs in the second quarter of 2018.

Loan impairments showed net reversals, reflecting mainly improvements in Norway and Finland.

Corporates & Institutions

In the first nine months of 2018, Corporates & Institutions generated a profit before tax of DKK 3.6 billion. This was a decline of 29% from the level in the same period in 2017, which was characterised by high trading income. The high level in 2017 was due to favourable market conditions and high customer activity fuelled by geopolitical events. Operating expenses decreased 5% from the level in the same period last year due primarily to lower performance-based compensation.

Corporates & Institutions (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Net interest income	2,974	2,822	105	992	980	101	935	106	3,837
Net fee income	2,159	2,190	99	681	752	91	647	105	3,077
Net trading income	2,057	4,075	50	529	511	104	1,016	52	4,943
Other income	5	2	250	-4	6	-	-	-	3
Total income	7,196	9,089	79	2,199	2,249	98	2,597	85	11,860
Operating expenses	3,511	3,701	95	1,107	1,153	96	1,183	94	5,034
Profit before loan impairment charges	3,685	5,387	68	1,092	1,096	100	1,414	77	6,826
Loan impairment charges	103	353	29	235	-99	-	138	170	311
Profit before tax	**3,581**	**5,035**	**71**	**857**	**1,195**	**72**	**1,277**	**67**	**6,515**
Loans, excluding reverse trans. before impairments	186,627	202,168	92	186,627	191,187	98	202,168	92	199,524
Allowance account, loans	2,135	2,352	91	2,135	2,025	105	2,352	91	2,234
Allowance account, credit institutions	17	10	170	17	15	113	10	170	10
Deposits, excluding repo deposits	272,480	294,291	93	272,480	268,651	101	294,291	93	282,913
Bonds issued by Realkredit Danmark	17,197	17,765	97	17,197	18,300	94	17,765	97	14,373
Allowance account, guarantees	564	127	-	564	451	125	127	-	135
Allocated capital (average)	34,032	38,783	88	32,663	34,427	95	36,141	90	37,891
Net interest income as % p.a. of loans and deposits	0.87	0.76		0.87	0.86		0.76		0.80
Profit before tax as % p.a. of allocated capital (ROAC)	14.0	17.3		10.5	13.9		14.1		17.2
Cost/income ratio (%)	48.8	40.7		50.3	51.3		45.6		42.4
Full-time-equivalent staff	1,847	2,115	87	1,847	1,836	101	2,115	87	2,136

Total income (DKK millions)									
FI&C	2,261	3,976	57	623	570	109	996	63	4,871
Capital Markets	1,153	1,413	82	325	434	75	368	88	1,956
General Banking	3,783	3,699	102	1,250	1,245	100	1,234	101	5,033
Total income	**7,196**	**9,089**	**79**	**2,199**	**2,249**	**98**	**2,597**	**85**	**11,860**

First nine months 2018 vs first nine months 2017

Corporates & Institutions generated total income of DKK 7.2 billion in the first nine months of 2018 – a decrease of 21% from the level in the same period last year, which was characterised by more benign market conditions. The decline in total income was caused mainly by lower trading income and, to a smaller degree, currency effects.

Challenging conditions in rates markets contributed to lower trading income in FI&C, as income from facilitating customer transactions declined. Trading income was also lower in Debt Capital Markets. This was due to expectations at the beginning of the year of rising interest rates and widening credit spreads in the secondary credit market. which reduced customer activity and impacted income negatively.

Net interest income increased 5% despite being adversely affected by the transfer of the majority of the portfolio in the Baltic countries to the Non-core unit. The increase in net interest income was driven by higher refinancing activity across the Nordics and increased lending volumes in Denmark and Norway in particular.

Net fee income decreased 1%, owing to a decline in fee-driven capital markets activities.

Operating expenses were down 5% from the level in the same period last year. This was due primarily to lower performance-based compensation.

Loans excluding reverse transactions before impairments decreased 8%, due mainly to the transfer of the majority of the portfolio in the Baltic countries to the Non-core unit. Deposits excluding repo deposits decreased 7% due partly to the portfolio transfer.

Fixed Income & Currencies
Total income in FI&C amounted to DKK 2.3 billion, a decrease of 43% from the level in the same period in 2017 when trading income was high due to favourable market conditions. The decline related mainly to challenging market conditions in rates markets.

Capital Markets
Capital Markets income amounted to DKK 1.2 billion, a decrease of 18% from the level in the same period last year, driven primarily by lower trading income.

Debt Capital Markets trading saw a more subdued level of customer activity in the secondary markets than in the same period last year, whereas primary markets activity increased.

Equities and Corporate finance income were lower in the first nine months than in the same period last year.

General Banking
Income from General Banking increased 2%, despite being negatively affected by the transfer of the majority of the portfolio in the Baltic countries to the Non-core unit. The increase in income was due mainly to an increase in refinancing activity across the Nordics and increased lending volumes in Denmark and Norway in particular.

Credit quality
Total loan impairments at Corporates & Institutions amounted to DKK 103 million in the first nine months of 2018, against DKK 353 million in the same period last year. This reflects a stabilising situation for offshore companies active on the Norwegian continental shelf due to positive trends in terms of activity and oil price. This led to fewer restructurings than previously anticipated. In the third quarter, however, impairments increased due to single name exposure. At the end of the third quarter of 2018, total credit exposure from lending activities amounted to DKK 622 billion, a decrease of approximately 33% from the level at the end of 2017. The decrease is explained mainly by a reclassification of reverse transactions (repos), from loans at amortised cost to loans at fair value as part of the implementation of IFRS 9, thus excluding them from the definition of credit exposure from lending activities.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sep. 2018	31 Dec. 2017	30 Sep. 2018
Sovereign	215,936	351,986	0.00%
Financial Institutions	64,010	184,157	-0.05%
Corporate	342,269	391,968	0.09%
Other	196	1,165	
Total	**622,411**	**929,275**	**0.03%**

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

Q3 2018 vs Q2 2018

Profit before loan impairment charges was broadly unchanged from the level in the second quarter of 2018. Profit before tax decreased 28% as a result of loan impairment charges of DKK 235 million in the third quarter.

In FI&C, income increased 9% despite a seasonal decline in customer activity, as there was a tentative improvement in market conditions towards the end of the third quarter.

In Capital Markets, income decreased 25%, owing mainly to a seasonal decline in activity in Debt Capital Markets and Equities.

Operating expenses were down 4% as a result of lower performance-based compensation and a continued focus on cost efficiency.

Due to increased impairments within the oil and gas industry in Norway, at DKK 235 million, impairments were higher than in the second quarter, which saw a reversal of DKK 99 million.

Wealth Management

Profit before tax amounted to DKK 2.6 billion, a decrease of 20% from the level in the first nine months of 2017. The financial performance benefited from fee income from SEB Pension Danmark. However, the performance was adversely affected by uncertainty in the financial markets, causing a lower net trading income from investments in the health and accident business, and by an increase in operating expenses. The increase in operating expenses was due mainly to regulatory costs and costs regarding the acquisition and running of SEB Pension Danmark.

Wealth management (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Net interest income	545	532	102	179	187	96	176	102	709
Net fee income	5,251	5,132	102	1,828	1,722	106	1,621	113	7,281
Net trading income	110	348	32	94	34	276	144	65	403
Other income	-29	121	-	18	-63	-	24	75	174
Total income	5,877	6,134	96	2,119	1,880	113	1,966	108	8,567
Operating expenses	3,362	2,975	113	1,216	1,131	108	940	129	4,082
Profit before loan impairment charges	2,515	3,159	80	903	750	120	1,027	88	4,485
Loan impairment charges	-53	-70	-	-21	-17	-	-25	-	-93
Profit before tax	**2,568**	**3,229**	**80**	**924**	**767**	**120**	**1,052**	**88**	**4,579**
Loans, excluding reverse trans. before impairments	77,464	74,790	104	77,464	77,008	101	74,790	104	75,028
Allowance account, loans	374	444	84	374	405	92	444	84	434
Deposits, excluding repo deposits	68,143	66,280	103	68,143	71,145	96	66,280	103	65,849
Bonds issued by Realkredit Danmark	37,259	33,938	110	37,259	37,018	101	33,938	110	32,278
Allowance account, guarantees	40	20	200	40	31	129	20	200	26
Allocated capital (average)	14,756	13,989	105	17,187	13,515	127	14,030	123	13,894
Net interest income as % p.a. of loans and deposits	0.50	0.50		0.49	0.51		0.50		0.50
Profit before tax as % p.a. of allocated capital (ROAC)	23.2	30.8		21.5	22.7		30.0		33.0
Cost/income ratio (%)	57.2	48.5		57.4	60.2		47.8		47.6
Full-time-equivalent staff	2,180	1,870	117	2,180	2,203	99	1,870	117	1,851
Breakdown of assets under management* (DKK billions)									
Life conventional	201	155	130	201	203	99	155	130	155
Asset management	968	894	108	968	951	102	894	108	911
Assets under advice	499	467	107	499	493	101	467	107	464
Total assets under management	**1,668**	**1,515**	**110**	**1,668**	**1,648**	**101**	**1,515**	**110**	**1,530**
Breakdown of net fee income (DKK millions)									
Management fees	4,344	4,297	101	1,502	1,421	106	1,356	111	5,737
Performance fees	50	47	106	21	6	-	8	263	415
Risk allowance fees	857	788	109	305	296	103	258	118	1,130
Total net fee income	**5,251**	**5,132**	**102**	**1,828**	**1,722**	**106**	**1,621**	**113**	**7,281**

**Assets under Management consists of our life conventional business (Danica Traditionel), asset management (Danica unit-linked and Asset Management) and assets under advice (the investment decision is made by the customer) from personal, business and private banking customers. Assets under Management from the acquired SEB Pension Danmark consists of DKK 49 billion from Life conventional and DKK 56 billion from Asset management (unit-linked products).*

First nine months 2018 vs first nine months 2017

Profit before tax amounted to DKK 2.6 billion, a decrease of 20% from the level in the first nine months of 2017. The financial performance was significantly influenced by uncertainty in the financial markets. The financial results of SEB Pension Danmark are included in the financial results as of 7 June 2018.

Net interest income was up 2% to DKK 545 million, driven by an increase in volumes.

Net fee income amounted to DKK 5.3 billion and was 2% above the level in the first nine months of 2017, including the effect of the acquisition of SEB Pension Danmark.

Net trading income amounted to DKK 110 million and fell significantly from the level in the first nine months of 2017, when trading income was DKK 348 million. The reason for the decline was a low investment return in the health and accident business.

Other income amounted to a negative DKK 29 million, against DKK 121 million in the first nine months of 2017, due to a lower risk result in the health and accident business.

Operating expenses were up 13% from the level in the first nine months of 2017, due mainly to increased regulatory costs and the ordinary operating expenses of the acquired SEB Pension Danmark being recognised as of 7 June 2018.

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

Loan impairment charges amounted to net reversals of DKK 53 million in the first nine months of 2018.

Overall, the loan-to-value (LTV) level decreased during the first nine months of 2018.

Loan-to-value ratio, home loans	30 Sep. 2018		31 Dec. 2017	
	Average LTV (%)	Credit exposure (DKK bn)	Average LTV (%)	Credit exposure (DKK bn)
Denmark	58.5	56	60.0	40
Sweden	59.4	4	58.9	4
Norway	59.7	8	59.3	7
Finland	66.0	2	65.5	2
Total	**59.2**	**70**	**60.0**	**53**

Credit exposure
Credit exposure increased to DKK 88 billion in the first nine months of 2018. The increase was driven by growth in all markets with the exception of Finland, which saw debt being repaid at an accelerated rate.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sep. 2018	31 Dec. 2017	30 Sep. 2018
Denmark	58,180	56,818	-0.04%
Sweden	6,788	6,292	-0.02%
Norway	11,955	10,628	-0.05%
Finland	3,189	3,415	-0.06%
Luxembourg	8,332	8,028	-0.60%
Total	**88,443**	**85,180**	**-0.09%**

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

Assets under Management increased DKK 153 billion primarily because of the acquisition of SEB Pension Danmark. At the end of September 2018, Assets under Management totalled DKK 1,668 billion.

Premiums for Danica Pension amounted to DKK 33.7 billion, against DKK 29.3 billion in the first nine months of 2017. The increase was driven primarily by DKK 3.3 billion in premiums recognised as a result of the acquisition of SEB Pension Danmark and positive developments in Sweden.

For Asset Management, net sales in the first nine months of 2018 amounted to a negative DKK 9.6 billion, against a positive DKK 11.0 billion in the same period of 2017. The decline was caused by outflows from a few large institutional clients who insourced mandates.

Investment return on customer funds
In the first nine months of 2018, the financial markets were characterised by geopolitical uncertainty and concerns regarding interest rates. Looking overall at our funds, we see that 53% of investment products generated above-benchmark returns. On a 3-year horizon, 65% of all investment products generated above-benchmark results.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	2018	3-year
All funds	53	65
Equity funds	32	49
Fixed income funds	85	88
Balanced funds etc.	29	63

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

Customers with *Danica Balance Mix* achieved returns on investments of 0.7% to 1.4%. The return for customers with a *Danica Balance* medium risk profile with 20 years to retirement was 1.2%.

Customers with the *Markedspension* product (*Danica Pensionsforsikring)* achieved returns on investments of -0.1% to 3.2%. The return for customers with the Markedspension product and a medium risk profile with 20 years to retirement was 2.2%.

Q3 2018 vs Q2 2018

In the third quarter of 2018, profit before tax increased 20% to DKK 0.9 billion. This was due primarily to the health and accident business posting a higher investment result, which benefited trading income.

Net fee income rose 6%, including the effect of the SEB Pension Danmark acquisition.

Total income rose 13%, including the effect of the SEB Pension Danmark acquisition.

Operating expenses were 8% higher in the third quarter, due primarily to the integration and ordinary operating expenses of SEB Pension Danmark.

Northern Ireland

Total income increased 4% to DKK 1,476 million, and expenses were reduced 2% to DKK 889 million. As a result, profit before loan impairment charges increased 16% to DKK 587 million. However, at DKK 560 million, profit before tax was lower than the year-earlier level, which benefited from loan impairment reversals.

Northern Ireland (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Net interest income	1,109	1,026	108	372	372	100	334	111	1,374
Net fee income	298	328	91	97	106	92	100	97	429
Net trading income	60	54	111	20	25	80	10	200	111
Other income	9	8	113	3	4	75	2	150	48
Total income	1,476	1,417	104	492	507	97	447	110	1,961
Operating expenses	889	911	98	299	300	100	298	100	957
Profit before loan impairment charges	587	505	116	193	207	93	148	130	1,004
Loan impairment charges	28	-154	-	-22	-12	-	-24	-	-247
Profit before tax	**560**	**660**	**85**	**215**	**219**	**98**	**173**	**124**	**1,251**
Loans, excluding reverse transactions before impairments	50,902	46,241	110	50,902	48,854	104	46,241	110	46,272
Allowance account, loans	757	914	83	757	862	88	914	83	757
Deposits, excluding repo deposits	63,461	59,460	107	63,461	63,029	101	59,460	107	58,971
Allowance account, guarantees	101	9	-	101	43	235	9	-	7
Allocated capital (average)*	6,822	6,056	113	6,786	6,673	102	6,081	112	6,215
Net interest income as % p.a. of loans and deposits	1.30	1.31		1.31	1.34		1.27		1.32
Profit before tax as % p.a. of allocated capital (ROE)	10.9	14.5		12.7	13.1		11.4		20.1
Cost/income ratio (%)	60.2	64.3		60.8	59.2		66.7		48.8
Full-time-equivalent staff	1,319	1,318	100	1,319	1,289	102	1,318	100	1,260

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

First nine months 2018 vs first nine months 2017
The underlying performance was good despite ongoing macroeconomic uncertainty. Profit before loan impairment charges increased to DKK 587 million and was thus up 16% from the level in the first nine months of 2017.

Profit before tax decreased 15% to DKK 560 million on the basis of loan impairment charges in the year to date, whereas the same period in 2017 benefited from net reversals.

Total income amounted to DKK 1,476 million and was 4% higher than in the year-earlier period. The benefit from lending growth, higher customer activity and higher UK interest rates was offset by lower fee income following the sale of our Wealth business in 2017.

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

At DKK 889 million, operating expenses were 2% lower than in the same period last year. Restructuring initiatives completed in 2017 enabled increased investment in new technology and customer solutions, while also supporting a reduction in operating expenses.

First nine months 2018 vs first nine months 2017 in local currency
In local currency, profit before loan impairments grew 13%, with both higher income and reduced operating expenses.

Lending and deposits grew 8% and 5%, respectively, in local currency across both business and retail customers.

Credit quality
Loan impairment charges showed an expense primarily due to negative developments on a few cases in the construction and agricultural food sectors, which resulted in loan impairment expenses in the first quarter. The position on these cases has improved in subsequent quarters, contributing to a net reversal in each of the second and third quarters. The majority of the credit exposure continued to show an improvement in credit quality.

(DKK millions)	Net credit exposure 30 Sep. 2018	Net credit exposure 31 Dec. 2017	Impairments (ann.) (%) 30 Sep. 2018
Personal customers	22,914	19,312	-0.14%
Public institutions	15,564	13,163	0.01%
Financial customers	126	189	-1.00%
Commercial customers	33,058	30,356	0.26%
Total	**71,662**	**63,019**	**0.08%**

Q3 2018 vs Q2 2018

Profit before tax showed a similar pattern to the performance in the second quarter of 2018, reflecting the underlying positive business momentum.

Profit before loan impairment charges was down 7%, partly due to seasonality and adverse currency effects.

Non-core

Profit before tax for the first nine months of 2018 was DKK 4 million. Total lending stood at DKK 16.2 billion at the end of September 2018, against DKK 5.4 billion at the end of 2017. The increase related to the transfer of Baltic customers to the Non-core unit at 1 April 2018, which was made as a result of the repositioning of the Group's business activities in the Baltic countries. The winding-up of the Non-core portfolios is proceeding according to plan.

Non-core (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Total income	176	127	139	78	91	86	41	190	169
Operating expenses	303	406	75	127	122	104	268	47	890
Profit before loan impairment charges	-127	-279	46	-49	-31	158	-227	22	-722
Loan impairment charges	-131	-240	-	-5	-48	-	-233	-	-710
Profit before tax	**4**	**-39**	**-**	**-44**	**16**	**-**	**6**	**-**	**-12**
Loans, excluding reverse transactions before impairments	16,158	18,817	86	16,158	17,495	92	18,817	86	5,380
Allowance account, loans	786	1,781	44	786	749	105	1,781	44	653
Deposits, excluding repo deposits	4,600	1,958	235	4,600	10,258	45	1,958	235	1,925
Allowance account, guarantees	18	29	62	18	25	72	29	62	27
Allocated capital (average)	2,016	2,679	75	2,707	2,012	135	2,768	98	2,604
Net interest income as % p.a. of loans and deposits	1.03	0.95		1.40	1.11		0.88		2.63
Profit before tax as % p.a. of allocated capital (ROAC)	0.3	-1.9		-6.5	3.2		0.9		-0.5
Cost/income ratio (%)	172.2	319.7		162.8	134.1		653.7		526.6
Full-time-equivalent staff	332	124	268	332	386	86	124	268	122

Loan impairment charges (DKK millions)									
Non-core banking*	-167	-240	-	-46	-54	-	-233	-	-796
Non-core conduits etc.	36	-	-	41	6	-	-	-	86
Total	**-131**	**-240**	**-**	**-5**	**-48**	**-**	**-233**	**-**	**-710**

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

First nine months 2018 vs first nine months 2017

Profit before tax amounted to DKK 4 million, against a loss of DKK 39 million in the first nine months of 2017. Profit before tax increased primarily as a result of lower operating expenses, whereas loan impairment reversals were lower than in the first nine months of 2017.

Operating expenses decreased from DKK 406 million to DKK 303 million. The first nine months of 2017 saw higher expenses that related to various activities and costs related to portfolio sales.

Net credit exposure at the end of September 2018 totalled DKK 20.5 billion, against DKK 8.2 billion at the end of 2017. The increase in Non-core banking related to the Baltic customers transferred to the Non-core unit in the second quarter of 2018.

Total lending amounted to DKK 16.2 billion and consisted mainly of exposure to commercial and personal customers, as well as conduits. The loan book will mature according to contractual terms.

In Non-core Baltics, all daily banking activities are being discontinued, and the sale of new products has ceased. The remaining customer accounts are being closed as the statutory notification to customers has been given. The process is well underway.

Deposit balances decreased as expected, primarily as a result of the winding down of the daily banking activities of Non-core Baltic customers.

The Non-core conduits portfolio amounted to DKK 4.1 billion, against DKK 4.6 billion at the end of 2017. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio was stable.

	Net credit exposure		Expected credit loss	
(DKK millions)	30 Sep. 2018	31 Dec. 2017	30 Sep. 2018	31 Dec. 2017
Non-core banking*	16,415	3,610	390	201
-of which personal customers	5,010	3,610	153	
-of which commercial customers	9,210		236	
-of which public institutions	2,196		2	31
Non-core conduits etc.	4,066	4,583	413	479
Total	20,481	**8,193**	804	**680**

** The increase in net credit exposure in Non-core banking is related to the transfer of Baltic customers to the Non-core unit at 1 April 2018. Comparative figures have not been restated.*

Total impairments amounted to a net reversal of DKK 131 million, against a net reversal of DKK 240 million in the first nine months of 2017, primarily reflecting continued reversals and work-outs, mainly in Non-core Ireland and, to some extent, Non-core Baltics.

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

Q3 2018 vs Q2 2018

Profit before tax was a negative DKK 44 million, against a profit before tax of DKK 16 million in the second quarter of 2018. The loss was due to a decrease in total income and lower net reversals of loan impairment charges.

Loan impairment charges amounted to a net reversal of DKK 5 million, against a net reversal of DKK 48 million in the second quarter of 2018. The Non-core banking portfolio saw continued net reversals, primarily relating to the Ireland portfolio. The net reversals were partly offset by an increase in loan impairment charges in the Non-core conduits portfolio, which was caused by adverse developments in respect of one transaction.

Other Activities

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

Other Activities (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Net interest income	400	1,044	38	71	112	63	437	16	1,410
Net fee income	-181	-168	108	-62	-61	102	-51	122	-241
Net trading income	676	434	156	353	263	134	170	208	456
Other income	16	69	23	15	-9	-	-8	-	55
Total income	910	1,379	66	378	305	124	548	69	1,680
Operating expenses	2,238	542	-	1,829	210	-	182	-	702
Profit before loan impairment charges	-1,327	837	-	-1,452	95	-	366	-	978
Loan impairment charges	3	-1	-	4	-2	-	2	200	-
Profit before tax	**-1,330**	**838**	**-**	**-1,455**	**97**	**-**	**364**	**-**	**978**

Profit before tax (DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Index Q3/Q2	Q3 2017	Index 18/17	Full year 2017
Group Treasury	252	1,096	23	79	91	87	401	20	1,273
Own shares	286	-160	-	155	104	149	-6	-	-127
Additional tier 1 capital	589	590	100	198	197	101	198	100	787
Group support functions	-2,457	-688	-	-1,888	-295	-	-230	-	-955
Total Other Activities	**-1,330**	**838**	**-**	**-1,455**	**97**	**-**	**364**	**-**	**978**

First nine months 2018 vs first nine months 2017

Other Activities posted a loss before tax of DKK 1,330 million, against a profit before tax of DKK 838 million in the first nine months of 2017, primarily as a result of the expense for the DKK 1.5 billion donation. A decrease in net interest income also had a negative effect, which was partly offset by an increase in net trading income.

Net interest income amounted to DKK 400 million, against DKK 1,044 million in the first nine months of 2017. The decrease in the first nine months of 2018 was driven primarily by the Internal Bank, where lower funding rates continued to reduce the allocation of liquidity costs.

Net trading income amounted to DKK 676 million, against DKK 434 million in the first nine months of 2017. The first nine months of 2018 benefited from the elimination of losses on the Group's holdings of own shares, which was partly offset by the allocation to the business units of accrued income on some loans, previously retained at Group Treasury, and by lower income on fair value bond portfolios held in Group Treasury.

Q3 2018 vs Q2 2018

The unit posted a loss before tax of DKK 1,455 million, against a profit before tax of DKK 97 million in the second quarter, primarily as a result of the expense for the DKK 1.5 billion donation.

Net interest income amounted to DKK 71 million, against DKK 112 million in the second quarter. The decrease was driven primarily by the Internal Bank, where allocated liquidity costs decreased.

Net trading income amounted to DKK 353 million, against DKK 263 million in the second quarter, with the elimination of losses on the Group's holdings of own shares partly driving the improved result.

Definition of alternative performance measures

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

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

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

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend is the dividend related to net profit for the current year and paid to shareholders the subsequent year. Accordingly, for 2017, it is the dividend paid in 2018.
Earnings per share (DKK)	As under IFRS, but with net profit, as disclosed in the financial highlights. Hence, and as explained above, earnings in the IFRS income statement are increased by the impact of DKK 312 million related to the change in the model used to estimate the fair value of the credit risk on RD loans at 1 January 2018.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the nominator, net profit is reduced by interest expenses of DKK 459.4 million net of tax (2017: DKK 459.4 million) and annualised by multiplying net profit by 4/3. To better reflect the actual performance in the period, the return on average shareholders' equity adjusted for the forfeited gross income from the non-resident portfolio in Estonia is also disclosed in the executive summary. This key figure is calculated similarly but with net profit increased by DKK 1.5 billion.
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights divided by the sum of loans and deposits, end of period. All amounts are from the financial highlights. The purpose of the key figure is to show whether the growth in net interest income follows the growth in loans and deposits.
Cost/income ratio (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges as % of loans and guarantees	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The nominator is the loan impairment charges of DKK -607 million from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 935.8 billion, Repo loans of DKK 172.2 billion, Loans at fair value of DKK 787.2 billion and guarantees of DKK 84.5 billion at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of loans and guarantees	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The nominator is the allowance account of DKK 21 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 the allowance account of DKK 21 billion, Loans at amortised cost of DKK 963 billion, Loans at fair value of DKK 793.4 billion and guarantees of DKK 80.8 billion, at the end of the period, as disclosed in the column "Lending activities–core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.

Financial statements

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Income statement – Danske Bank Group

Note	(DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Q3 2018	Q3 2017	Full year 2017
4	Interest income	44,598	43,720	15,328	15,352	58,495
	Interest expense	22,240	21,388	7,749	7,237	28,631
	Net interest income	22,358	22,332	7,579	8,115	29,863
4	Fee income	13,016	12,867	4,283	4,003	17,572
	Fee expenses	5,314	5,163	1,893	1,826	6,749
	Net trading income	9,209	15,271	6,950	4,301	19,332
4	Other income	3,394	3,805	1,239	1,186	5,181
	Income from holdings in associates	454	457	273	192	566
	Net premiums	19,302	19,320	6,396	5,896	25,935
	Net insurance benefits	27,049	31,189	13,046	9,684	41,119
	Operating expenses	20,830	19,014	8,096	6,345	25,877
	Profit before loan impairment charges	14,539	18,686	3,683	5,837	24,705
5	Loan impairment charges	-338	-872	95	-399	-1,582
	Profit before tax	14,878	19,558	3,588	6,236	26,288
	Tax	3,604	4,307	1,107	1,305	5,388
	Net profit for the period	**11,274**	**15,251**	**2,482**	**4,931**	**20,900**
	Portion attributable to					
	shareholders of Danske Bank A/S (the Parent Company)	10,685	14,662	2,284	4,733	20,114
	additional tier 1 capital holders	589	589	198	198	786
	Net profit for the period	**11,274**	**15,251**	**2,482**	**4,931**	**20,900**
	Earnings per share (DKK)	12.3	16.1	2.7	5.3	22.2
	Diluted earnings per share (DKK)	12.3	16.0	2.7	5.3	22.1
	Proposed dividend per share (DKK)	-	-	-	-	10.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Q3 2018	Q3 2017	Full year 2017
Net profit for the period	11,274	15,251	2,482	4,931	20,900
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	-21	31	20	199	14
Tax	7	-24	5	-48	-92
Items that will not be reclassified to profit or loss	**-14**	**7**	**25**	**151**	**-78**
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	406	-347	767	-57	-473
Hedging of units outside Denmark	-349	326	-626	53	425
Unrealised value adjustments of bonds at fair value (OCI)	16	71	-5	-12	17
Realised value adjustments of bonds at fair value (OCI)	-18	-22	-4	-8	-74
Tax	-115	-91	-4	-9	-82
Items that are or may be reclassified subsequently to profit or loss	**-60**	**-63**	**128**	**-33**	**-187**
Total other comprehensive income	**-74**	**-56**	**153**	**118**	**-265**
Total comprehensive income for the period	**11,200**	**15,195**	**2,635**	**5,049**	**20,635**
Portion attributable to					
shareholders of Danske Bank A/S (the Parent Company)	10,612	14,606	2,437	4,851	19,849
additional tier 1 capital holders	589	589	198	198	786
Total comprehensive income for the period	**11,200**	**15,195**	**2,635**	**5,049**	**20,635**

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 September 2018	31 December 2017	30 September 2017
	Assets			
	Cash in hand and demand deposits with central banks	70,445	82,818	90,401
	Due from credit institutions and central banks	242,940	333,975	289,165
	Trading portfolio assets	443,767	449,292	467,607
	Investment securities	275,230	324,618	324,181
	Loans at amortised cost	978,399	1,112,752	1,143,833
6	Loans at fair value	1,079,927	787,223	784,638
	Assets under pooled schemes and unit-linked investment contracts	149,108	112,065	109,774
	Assets under insurance contracts	385,391	296,867	297,538
	Intangible assets	11,185	7,177	7,087
	Tax assets	3,475	1,419	1,646
9	Other assets	33,161	31,324	31,913
	Total assets	**3,673,028**	**3,539,528**	**3,547,785**
	Liabilities			
7	Due to credit institutions and central banks	265,816	242,887	256,238
	Trading portfolio liabilities	401,703	400,596	408,537
7	Deposits	1,068,829	1,046,858	1,051,135
8	Issued bonds at fair value	793,349	758,375	749,414
8	Issued bonds at amortised cost	314,628	405,080	409,035
	Deposits under pooled schemes and unit-linked investment contracts	157,613	119,901	117,390
	Liabilities under insurance contracts	422,288	322,726	320,253
	Tax liabilities	9,064	8,634	8,301
9	Other liabilities	45,154	37,097	32,712
8	Subordinated debt	33,882	29,120	29,390
	Total liabilities	**3,512,325**	**3,371,272**	**3,382,406**
	Equity			
	Share capital	8,960	9,368	9,368
	Foreign currency translation reserve	-623	-681	-654
	Reserve for bonds at fair value through OCI	127	130	236
	Retained earnings	137,836	135,731	141,995
	Proposed dividends	-	9,368	-
	Shareholders of Danske Bank A/S (the Parent Company)	146,299	153,916	150,945
	Additional tier 1 capital holders	14,404	14,339	14,435
	Total equity	**160,703**	**168,256**	**165,380**
	Total liabilities and equity	**3,673,028**	**3,539,528**	**3,547,785**

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)							
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 31 December 2017	9,368	-681	130	135,731	9,368	153,916	14,339	168,256
Effect from changed accounting policy (IFRS 9)	-	-	-	-1,655	-	-1,655	-	-1,655
Restated total equity at 1 January 2018	9,368	-681	130	134,077	9,368	152,262	14,339	166,601
Net profit for the period	-	-	-	10,685	-	10,685	589	11,274
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-21	-	-21	-	-21
Tax effect from remeasurement of defined benefit pension plans	-	-	-	7	-	7	-	7
Translation of units outside Denmark	-	406	-	-	-	406	-	406
Hedging of units outside Denmark	-	-349	-	-	-	-349	-	-349
Unrealised value adjustments	-	-	16	-	-	16	-	16
Realised value adjustments	-	-	-18	-	-	-18	-	-18
Tax	-	-	-	-115	-	-115	-	-115
Total other comprehensive income	**-**	**57**	**-2**	**-129**	**-**	**-74**	**-**	**-74**
Total comprehensive income for the period	**-**	**57**	**-2**	**10,557**	**-**	**10,612**	**589**	**11,200**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-426	-426
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Share capital reduction	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-41,321	-	-41,321	-97	-41,419
Sale of own shares and additional tier 1 capital	-	-	-	33,421	-	33,421	-	33,421
Tax	-	-	-	177	-	177	-	177
Total equity at 30 September 2018	**8,960**	**-623**	**127**	**137,835**	**-**	**146,299**	**14,404**	**160,703**

On 5 February 2018, the Group initiated a share buy-back programme of DKK 10 billion. At the end of September 2018, the Group had acquired 33,029,000 shares for a total amount of DKK 6,805 million under the 2018 share buy-back programme based on trade date. The share buy-back programme was discontinued on 4 October 2018. The last trade date under the 2018 programme was 3 October 2018, at which date the total number of shares acquired was 33,769,000 for a total amount of DKK 6,930 million.

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

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)							
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 1 January 2017	9,837	-633	187	134,028	8,853	152,272	14,343	166,615
Net profit for the period	-	-	-	14,662	-	14,662	589	15,251
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	31	-	31	-	31
Translation of units outside Denmark	-	-347	-	-	-	-347	-	-347
Hedging of units outside Denmark	-	326	-	-	-	326	-	326
Unrealised value adjustments	-	-	71	-	-	71	-	71
Realised value adjustments	-	-	-22	-	-	-22	-	-22
Tax	-	-	-	-115	-	-115	-	-115
Total other comprehensive income	-	**-21**	**49**	**-84**	-	**-56**	-	**-56**
Total comprehensive income for the period	-	**-21**	**49**	**14,578**	-	**14,606**	**589**	**15,196**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-427	-427
Dividends paid	-	-	-	521	-8,853	-8,332	-	-8,332
Share capital reduction	-469	-	-	469	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-40,332	-	-40,332	-176	-40,508
Sale of own shares and additional tier 1 capital	-	-	-	32,609	-	32,609	106	32,715
Tax	-	-	-	122	-	122	-	122
Total equity at 30 September 2017	**9,368**	**-654**	**236**	**141,995**	-	**150,945**	**14,435**	**165,380**

Statement of capital – Danske Bank Group

(DKK millions)	30 September 2018	31 December 2017
Share capital (DKK)	8,959,536,210	9,368,277,220
Number of shares	895,953,621	936,827,722
Number of shares outstanding	855,812,730	894,050,822
Average number of shares outstanding for the period	876,258,501	915,423,922
Average number of shares outstanding, including dilutive shares, for the period	876,848,933	915,981,212

(DKK millions) **Total capital and total capital ratio**	30 September 2018	31 December 2017
Total equity	160,703	168,256
Revaluation of domicile property at fair value	267	267
Tax effect of revaluation of domicile property at fair value	-31	-32
Total equity calculated in accordance with the rules of the Danish FSA	160,938	168,491
Additional tier 1 capital instruments included in total equity	-14,072	-14,158
Accrued interest on additional tier 1 capital instruments	-332	-169
Tax on accrued interest on additional tier 1 capital instruments	73	37
Common equity tier 1 capital instruments	146,607	154,202
Adjustment to eligible capital instruments	-3,266	-1,060
IFRS 9 reversal due to transitional rules	1,598	-
Prudent valuation	-773	-759
Prudential filters	-339	-211
Expected/proposed dividends	-6,764	-9,368
Intangible assets of banking operations	-7,282	-7,100
Deferred tax on intangible assets	201	377
Deferred tax assets that rely on future profitability excluding temporary differences	-308	-335
Defined benefit pension fund assets	-1,616	-1,343
Statutory deduction for insurance subsidiaries	-6,904	-1,349
Other statutory deductions	-225	-308
Common equity tier 1 capital	**120,928**	**132,744**
Additional tier 1 capital instruments	23,593	18,574
Statutory deduction for insurance subsidiaries	-	-169
Tier 1 capital	**144,520**	**151,150**
Tier 2 capital instruments	9,696	19,343
Statutory deduction for insurance subsidiaries	-	-169
Total capital	**154,216**	**170,324**
Total risk exposure amount	**738,241**	**753,409**
Common equity tier 1 capital ratio (%)	16.4	17.6
Tier 1 capital ratio (%)	19.6	20.1
Total capital ratio (%)	20.9	22.6

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

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

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

Cash flow statement – Danske Bank Group

(DKK millions)	Q1-Q3 2018	Q1-Q3 2017	Full year 2017
Cash flow from operations			
Profit before tax	14,878	19,558	26,288
Tax paid	-4,475	-4,339	-5,482
Adjustment for non-cash operating items	1,217	-2,961	-1,093
Total	11,620	12,258	19,713
Changes in operating capital			
Amounts due to/from credit institutions and central banks	21,274	-16,492	-31,337
Trading portfolio	6,632	-27,692	-17,318
Acquisition/sale of own shares and additional tier 1 capital	-454	-299	-241
Other financial instruments	38,463	21,992	26,854
Loans at amortised cost and fair value	-158,014	-20,029	9,177
Deposits	21,972	107,271	102,993
Issued bonds at amortised cost and fair value	-55,478	22,682	31,643
Assets/liabilities under insurance contracts	14,038	-6,865	-3,720
Other assets/liabilities	12,424	15,612	10,628
Cash flow from operations	**-87,523**	**108,438**	**148,392**
Cash flow from investing activities			
Acquisition/sale of businesses	-5,000	314	291
Acquisition of intangible assets	-708	-683	-1,022
Acquisition of tangible assets	-361	-410	-623
Sale of tangible assets	6	71	74
Cash flow from investing activities	**-6,063**	**-708**	**-1,280**
Cash flow from financing activities			
Issues of subordinated debt	4,748	5,139	5,087
Redemption of subordinated debt	-	-12,581	-12,577
Dividends	-8,851	-8,332	-8,332
Share buy back programme*	-7,544	-7,495	-9,958
Paid interest on additional tier 1 capital	-426	-427	-786
Cash flow from financing activities	**-12,073**	**-23,696**	**-26,566**
Cash and cash equivalents at 1 January	413,593	297,078	297,078
Foreign currency translation	596	-3,252	-4,031
Change in cash and cash equivalents	-105,661	84,034	120,546
Cash and cash equivalents, end of period	**308,529**	**377,859**	**413,593**
Cash and cash equivalents, end of period			
Cash in hand	8,088	8,201	9,051
Demand deposits with central banks	62,358	82,200	73,766
Amounts due from credit institutions and central banks within three months	238,083	287,458	330,776
Total	**308,529**	**377,859**	**413,593**

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

Notes – Danske Bank Group

1. Significant accounting policies and estimates

(a) General

The report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for listed financial companies. The report is condensed and should be read in conjunction with the Group's Annual Report 2017.

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

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

For changes in the segment reporting, see note 3.

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

(b) Significant accounting estimates

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

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

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

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

The expected credit loss is calculated for all individual facilities as a function of PD, EAD and LGD and incorporates forward-looking information. The forward-looking elements reflect the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. Based on these assessments, the allowance account at 30 September 2018 amounted to DKK 21.6 billion. Forward-looking information is a key judgement. The allowance account would increase DKK 0.5 billion, if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 0.5 billion.

Note 39 in Annual Report 2017 and the risk management notes provide more details on expected credit losses. At 30 September 2018, loans accounted for about 56% of total assets (31 December 2017: 54%).

Fair value measurement of financial instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp would have caused the fair value of the bonds to decrease DKK 222 million (31 December 2017: DKK 80 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. At 30 September 2018, the adjustments totalled DKK 1.0 billion (31 December 2017: DKK 0.9 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note 30 in Annual Report 2017 provides more details.

Measurement of goodwill and customer rights

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

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Measurement of liabilities under insurance contracts

Measurement of liabilities under insurance contracts is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates, and on the discount rate. Assumptions about future mortality rates are based on the Danish FSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. In 2018, the Danish FSA has changed the assumptions about future mortality rates to be calculated based on the last 20 years (previously the last 30 years). The adjustment has reduced net profit before tax by DKK 81 million. Note 17 and the risk management notes in Annual Report 2017 provide more information about the accounting for insurance liabilities and sensitivity to changes in assumptions.

Recognition of deferred tax assets and liabilities

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on expected future profit over the next five years. At 30 September 2018 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.3 billion (31 December 2017: DKK 0.3 billion). The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 2.9 billion (31 December 2017: DKK 2.9 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.8 billion (31 December 2017: DKK 5.8 billion). Note 20 in Annual Report 2017 provides more information about deferred tax.

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2018

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

The key impact of the implementation of IFRS 9 is:

- The implementation of IFRS 9 resulted in an increase in the allowance account of DKK 2,572 million as a result of the introduction of the new expected credit loss impairment model. Of this, DKK 2,172 million relates to financial instruments at amortised cost and DKK 400 million to loans at fair value (loans granted by Realkredit Danmark). The latter represents the IFRS 13 estimate of the fair value of the credit risk on RD loans that from 1 January 2018 is based on the expected credit loss model developed in connection with the Group's implementation of IFRS 9.
- The business model assessment resulted in loans, including reverse transactions, in the trading units of Corporates & Institutions (FI&C and Capital Markets) being measured at fair value through profit or loss instead of as previously at amortised cost. If only the financial assets are measured at fair value through profit or loss, an accounting mismatch exists. Therefore, deposits, including repo transactions, and issued bonds in these business units are designated at fair value through profit or loss instead of as previously at amortised cost. The remeasurement has reduced financial assets by DKK 68 million and financial liabilities by DKK 171 million at 1 January 2018.
- The effect of DKK 1,967 million, net of tax, has reduced shareholders' equity at 1 January 2018. The impact from expected credit loss impairment on loans at amortised cost and remeasurement due to reclassifications, net of tax, of DKK 1,655 million is recognised as a reduction in shareholders' equity at 1 January 2018, while the impact on the fair value of the credit risk on loans at fair value, net of tax, of DKK 312 million is recognised as a change in an accounting estimate in the IFRS income statement in the first quarter of 2018. However, in the segment reporting, financial highlights and throughout the Management's report, the total impact from IFRS 9, including the impact on loans at fair value, is recognised as a reduction in shareholders' equity at 1 January 2018.
- The implementation of the ECL impairment model (for loans at amortised cost), will be phased-in in the capital statement from 2018 to 2022 in accordance with EU capital requirements regulation adopted in 2017. This phasing in of IFRS 9 has reduced the CET1 capital ratio at 1 January 2018 by 0.1 percentage points. The fully phased-in impact will be a reduction of the CET1 capital ratio of 0.2 percentage points.

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

Notes – Danske Bank Group

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

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

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

Notes – Danske Bank Group

3. Business model and business segmentation

(a) Business model and business segmentation

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

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

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

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

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

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

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

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

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

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

Presentation in the financial highlights and in the segment reporting

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

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

Notes – Danske Bank Group

3. Business model and business segmentation

Changes to financial highlights and segment reporting in 2018

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

- Income on derivatives with customers is split between the business segment to which the customer belongs and FI&C (part of Corporates & Institutions) as payment for performing the trade. Historically, this income has been presented as Net trading income in FI&C, and as Net interest income, Net fee income or Net trading income, depending on the type of derivative, in all other business segments. Effective from 1 January 2018, the presentation of customer income on derivatives in FI&C has been aligned with the presentation in the other business segments as this better reflects the type of income and the fact that the income is customer-driven.

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

(DKK millions)	Highlights First nine months 2017	Profit share of derivatives in FI&C (C&I)	Adjusted highlights First nine months 2017
Net interest income	17,392	307	17,699
Net fee income	11,087	232	11,319
Net trading income	6,280	-539	5,741
Other income	1,171		1,171
Total income	35,930	0	35,930
Operating expenses	16,965		16,965
Profit before loan impairment charges	18,965	0	18,965
Loan impairment charges	-632		-632
Profit before tax, core	19,597	0	19,597
Profit before tax, non-core	-39		-39
Profit before tax	**19,558**	**0**	**19,558**

The new business segments structure became effective on 2 May 2018 and is reflected in the financial reporting from the third quarter of 2018. Comparative information has been restated to reflect the new organisation. The main changes from the former reportable business segment structure are;

- Banking DK and Banking Nordic integrates the former Personal Banking and Business Banking units in a country based structure.
- Germany, Poland and Russia have been transferred from the former Business Banking unit to Corporates & Institutions.

As of 1 April 2018, Baltic customers who do not have business interests in the Nordics were transferred to the Non-core unit. Comparative information has not been restated. Baltic customers that have a business interest in the Nordics have been transferred to Corporates & Institutions.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments
First nine months 2018

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights	Reclassi-fication	IFRS finan-cial state-ments
Net interest income	6,703	5,946	2,974	545	1,109	-	324	75	17,676	4,682	22,358
Net fee income	2,597	1,199	2,159	5,251	298	-	-177	-4	11,324	-3,622	7,702
Net trading income	606	228	2,057	110	60	-	409	267	3,738	5,471	9,209
Other income	172	522	5	-29	9	-	122	-106	696	3,153	3,848
Net premiums	-	-	-	-	-	-	-	-	-	19,302	19,302
Net insurance benefits	-	-	-	-	-	-	-	-	-	27,049	27,049
Total income	10,078	7,896	7,196	5,877	1,476	-	678	232	33,434	1,936	35,370
Operating expenses	5,071	3,696	3,511	3,362	889	-	2,360	-122	18,767	2,063	20,830
Profit before loan impair-ment charges	5,007	4,200	3,685	2,515	587	-	-1,682	355	14,667	-127	14,539
Loan impairment charges	-610	-77	103	-53	28	-	3	-	-607	269	-338
Profit before tax, core	5,617	4,277	3,581	2,568	560	-	-1,685	355	15,274	-396	14,878
Profit before tax, Non-core	-	-	-	-	-	4	-	-	4	-4	-
Profit before tax	**5,617**	**4,277**	**3,581**	**2,568**	**560**	**4**	**-1,685**	**355**	**15,278**	**-400**	**14,878**
Tax	-	-	-	-	-	-	3,692	-	3,692	-88	3,604
Net profit for the period	**5,617**	**4,277**	**3,581**	**2,568**	**560**	**4**	**-5,377**	**355**	**11,586**	**-312**	**11,274**
Loans, excluding reverse transactions	863,910	586,429	184,493	77,090	50,145	-	34,880	-39,078	1,757,868	15,373	1,773,241
Other assets	283,995	51,763	2,941,378	623,206	29,696	-	2,922,683	-4,952,984	1,899,736	51	1,899,787
Total assets in Non-core	-	-	-	-	-	15,424	-	-	15,424	-15,424	-
Total assets	**1,147,904**	**638,191**	**3,125,871**	**700,295**	**79,841**	**15,424**	**2,957,562**	**-4,992,062**	**3,673,028**	**-**	**3,673,028**
Deposits, excluding repo deposits	281,747	227,730	272,480	68,143	63,461	-	7,470	-12,144	908,887	4,600	913,487
Other liabilities	832,706	377,766	2,820,751	614,947	9,686	-	2,936,623	-4,979,918	2,612,560	682	2,613,242
Allocated capital	33,451	32,695	32,641	17,206	6,695	-	23,611	-	146,299	-	146,299
Total liabilities in Non-core	-	-	-	-	-	5,282	-	-	5,282	-5,282	-
Total liabilities and equity	**1,147,904**	**638,191**	**3,125,871**	**700,295**	**79,841**	**5,282**	**2,967,704**	**-4,992,062**	**3,673,028**	**-**	**3,673,028**
Profit before tax as % of al-located capital (avg.)	21.9	17.4	14.0	23.2	10.9	-	-8.2	-	13.6	-	13.2
Cost/income ratio (%)	50.3	46.8	48.8	57.2	60.2	-	348.1	-	56.1	-	58.9
Full-time-equivalent staff, end of period	3,352	2,522	1,847	2,180	1,319	332	8,978	-	20,530	-	20,530

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.

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments

First nine months 2017

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights	Reclassi-fication	IFRS finan-cial state-ments
Net interest income	6,680	5,594	2,822	532	1,026	-	1,012	31	17,699	4,633	22,332
Net fee income	2,551	1,286	2,190	5,132	328	-	-165	-3	11,319	-3,615	7,704
Net trading income	600	229	4,075	348	54	-	655	-220	5,741	9,530	15,271
Other income	199	772	2	121	8	-	163	-94	1,171	3,092	4,262
Net premiums	-	-	-	-	-	-	-	-	-	19,320	19,320
Net insurance benefits	-	-	-	-	-	-	-	-	-	31,189	31,189
Total income	10,031	7,880	9,089	6,134	1,417	-	1,665	-285	35,930	1,771	37,700
Operating expenses	4,993	3,842	3,701	2,975	911	-	667	-124	16,965	2,050	19,014
Profit before loan impairment charges	5,038	4,038	5,387	3,159	505	-	998	-160	18,965	-279	18,686
Loan impairment charges	-950	191	353	-70	-154	-	-1	-	-632	-240	-872
Profit before tax, core	5,988	3,847	5,035	3,229	660	-	999	-160	19,597	-39	19,558
Profit before tax, Non-core	-	-	-	-	-	-39	-	-	-39	39	-
Profit before tax	**5,988**	**3,847**	**5,035**	**3,229**	**660**	**-39**	**999**	**-160**	**19,558**	**-**	**19,558**
Loans, excluding reverse transactions	856,783	561,840	199,817	74,346	45,327	-	25,214	-36,929	1,726,397	17,036	1,743,433
Other assets	285,806	52,714	3,103,857	475,697	26,535	-	3,265,026	-5,405,447	1,804,189	163	1,804,352
Total assets in Non-core	-	-	-	-	-	17,200	-	-	17,200	-17,200	-
Total assets	**1,142,589**	**614,554**	**3,303,673**	**550,043**	**71,862**	**17,200**	**3,290,240**	**-5,442,376**	**3,547,785**	**-**	**3,547,785**
Deposits, excluding repo deposits	273,761	226,647	294,291	66,280	59,460	-	13,729	-10,815	923,352	1,958	925,310
Other liabilities	832,757	356,406	2,974,138	469,760	6,174	-	3,263,121	-5,431,562	2,470,794	736	2,471,530
Allocated capital	36,071	31,500	35,244	14,004	6,228	-	27,898	-	150,945	-	150,945
Total liabilities in Non-core	-	-	-	-	-	2,693	-	-	2,693	-2,693	-
Total liabilities and equity	**1,142,589**	**614,554**	**3,303,673**	**550,043**	**71,862**	**2,693**	**3,304,747**	**-5,442,376**	**3,547,785**	**-**	**3,547,785**
Profit before tax as % of allocated capital (avg.)	23.0	16.0	17.3	30.8	14.5	-	5.1	-	17.2	-	17.2
Cost/income ratio (%)	49.8	48.8	40.7	48.5	64.3	-	40.1	-	47.2	-	50.4
Full-time-equivalent staff, end of period	3,392	2,744	2,115	1,870	1,318	124	8,090	-	19,653	-	19,653

Comparative figures have been restated, as described above.

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the impact on the fair value of loans granted by Realkredit Danmark from the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The line items 'Tax' and 'Net profit for the period' are therefore included for 2018, however as there are no differences in 2017, they are not included in 2017.

Notes – Danske Bank Group

3. Business model and business segmentation continued

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

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

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

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

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

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

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

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

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

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Reclassifications

First nine months 2018

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	IFRS 9 impact	Reclassification	Financial highlights
Net interest income	22,358	-	-750	-3,778	-154	-	-4,682	17,676
Net fee income	7,702	-	155	3,482	-15	-	3,622	11,324
Net trading income	9,209	-	636	-6,101	-6	-	-5,471	3,738
Other income	3,848	-2,199	-41	-912	-1	-	-3,153	696
Net premiums	19,302	-	-	-19,302	-	-	-19,302	-
Net insurance benefits	27,049	-	-	-27,049	-	-	-27,049	-
Total income	35,370	-2,199	-	438	-176	-	-1,936	33,434
Operating expenses	20,830	-2,199	-	438	-303	-	-2,063	18,767
Profit before loan impairment charges	14,539	-	-	-	127	-	127	14,667
Loan impairment charges	-338	-	-	-	131	-400	-269	-607
Profit before tax, core	14,878	-	-	-	-4	400	396	15,274
Profit before tax, Non-core	-	-	-	-	4	-	4	4
Profit before tax	14,878	-	-	-	-	400	400	15,278
Tax	3,604	-	-	-	-	88	88	3,692
Net profit for the period	**11,274**	**-**	**-**	**-**	**-**	**312**	**312**	**11,586**

Reclassification

First nine months 2017

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Reclassification	Financial highlights
Net interest income	22,332	-	-1,095	-3,403	-135	-4,633	17,699
Net fee income	7,704	-	238	3,369	9	3,615	11,319
Net trading income	15,271	-	942	-10,472	-	-9,530	5,741
Other income	4,262	-1,951	-85	-1,054	-1	-3,092	1,171
Net premiums	19,320	-	-	-19,320	-	-19,320	-
Net insurance benefits	31,189	-	-	-31,189	-	-31,189	-
Total income	37,700	-1,951	-	308	-127	-1,771	35,930
Operating expenses	19,014	-1,951	-	308	-406	-2,050	16,965
Profit before loan impairment charges	18,686	-	-	-	279	279	18,965
Loan impairment charges	-872	-	-	-	240	240	-632
Profit before tax, core	19,558	-	-	-	39	39	19,597
Profit before tax, Non-core	-	-	-	-	-39	-39	-39
Profit before tax	**19,558**	**-**	**-**	**-**	**-**	**-**	**19,558**

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the impact on the fair value of loans granted by Realkredit Danmark from the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The line items 'Tax' and 'Net profit for the period' are therefore included for 2018, but as there are no differences in 2017, they are not included in 2017.

Notes – Danske Bank Group

4. Income

Interest income

Interest income calculated using the effective interest method amounted to DKK 18.6 billion in the first nine months of 2018.

Fee income

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

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

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

A description of earnings from each activity is described below:

Banking units

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

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

Corporates & Institutions

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

Fee income in Capital Markets primarily consist of:

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

Wealth Management

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

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

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

Other income

Other income amounted to DKK 3,394 million at 30 September 2018 (30 September 2017: DKK 3,805 million). Other income primarily consists of income from lease assets, investment property and real estate brokerage.

Notes – Danske Bank Group

5. Loan impairment charges and reconciliation of total allowance account

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

Loan impairment charges

(DKK millions)	30 September 2018	30 September 2017
IFRS 9 impact on loans granted by Realkredit Danmark 1 January 2018	400	-
ECL on new assets	2,738	-
ECL on assets derecognised	-3,362	-
Impact of net remeasurement of ECL (incl. changes in models)	47	-
New and increased impairment charges	-	4,299
Reversals of impairment charges	-	-4,690
Write-offs charged directly to income statement	497	224
Received on claims previously written off	-442	-487
Interest income, effective interest method	-217	-218
Total	**-338**	**-872**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Collective and individual impairment charges under IAS 39, 31 December 2017				20,749
Transition effect (ECL at 1 January 2018), including impact on loans granted by Realkredit Danmark	1,499	5,578	16,242	2,570
Transferred to Stage 1 during the period	908	-771	-137	-
Transferred to Stage 2 during the period	-34	501	-467	-
Transferred to Stage 3 during the period	-23	-410	432	-
ECL on new assets	327	873	1,538	2,738
ECL on assets derecognised	-294	-962	-2,106	-3,362
Impact of net remeasurement of ECL (incl. changes in models)	-785	344	488	47
Write-offs debited to the allowance account	-28	-9	-1,277	-1,315
Foreign exchange adjustments	-8	10	65	68
Other	9	-7	72	74
As at 30 September 2018	**1,573**	**5,147**	**14,850**	**21,569**

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

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

Reconciliation of total allowance account

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

Notes – Danske Bank Group

6. Loans at fair value

Loans at fair value consists of loans granted by the subsidiary Realkredit Danmark and from 1 January 2018 loans in the trading units of Corporates & Institutions. The latter is a consequence of the implementation of IFRS 9. The loans in the trading units consist primarily of reverse transactions and short-term loans. As at 30 September 2018, these loans amounted to DKK 286,523 million.

7. Deposits

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

(DKK millions)	30 September 2018	31 December 2017
Deposits from other credit institutions	265,816	242,887
hereof repo transactions	115,463	87,291
Other deposits	1,068,829	1,046,858
hereof repo transactions	155,342	133,081
Total deposits excluding repo transactions	**1,063,840**	**1,069,373**

Of total deposits excluding repo transactions as at 30 September 2018, 32% (31 December 2017: 34%) represents wholesale deposits ranking pari passu with senior creditors. These wholesale deposits exclude deposits from other credit institutions with an original maturity of less than seven days. If deposits from other credit institutions are excluded, the percentage is 26% at 30 September 2018 (31 December 2017: 27%).

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

Issued bonds

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

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

Issued bonds at fair value

(DKK millions)	30 September 2018	31 December 2017
Bonds issued by Realkredit Danmark (covered bonds)	738,336	758,375
Commercial papers and certificates of deposits	55,013	-
Total	**793,349**	**758,375**

Issued bonds at amortised cost

(DKK millions)	30 September 2018	31 December 2017
Commercial papers and certificate of deposits	2,705	101,326
Non-preferred senior bonds	25,937	-
Other unsecured bonds	102,259	123,457
Covered bonds	183,727	180,297
Total	**314,628**	**405,080**

The law implementing the non-preferred senior bonds (to meet MREL requirements) into Danish law was passed by the Danish parliament on 29 May 2018 and came into force on 1 July 2018 from which date the bonds ranked senior to subordinated debt and junior to other debt.

Nominal value (DKK millions)	1 January 2018	Issued	Redeemed	Foreign currency translation	30 September 2018
Commercial papers and certificate of deposits	101,319	164,561	210,196	2,037	57,721
Non-preferred senior bonds	-	26,066	-	187	26,252
Other unsecured bonds	127,630	2,822	22,392	-536	107,524
Covered bonds	222,748	25,227	27,252	3	220,726
Other issued bonds	**451,696**	**218,676**	**259,840**	**1,691**	**412,224**

Notes – Danske Bank Group

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

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

The nominal values disclosed are before the elimination of own holdings of issued bonds. In the management report's section on Funding and liquidity, issued junior covered bonds in Realkredit Danmark A/S of DKK 6.0 billion (31 December 2017: DKK 6.6 billion) are excluded. Further, retained and repurchased bonds held by Group Treasury amounting to DKK 40.9 billion (31 December 2017: 47.8 billion) have been excluded.

Subordinated debt and additional tier 1 capital.
During the first nine months of 2018, the Group issued DKK 4,797 million of additional tier 1 instruments accounted for as liabilities. Further, the Group redeemed DKK 10,365 million of tier 2 capital, however with settlement in the beginning of October 2018.

At 30 September 2018, the total nominal value of issued additional tier 1 capital amounted to DKK 23,841 million (31 December 2017: DKK 18,823 million) of which DKK 14,185 million (31 December 2017: 14,168 million) is accounted for as equity. Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 3.4.3 of Risk Management 2017 for further information). At 30 September 2018, distributable items for Danske Bank A/S amounted to DKK 113.6 billion (31 December 2017: DKK 117.5 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. As at 30 September 2018 the common equity tier 1 capital ratio was 18.9% (31 December 2017: 20.2%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

9. Other assets and other liabilities

Other assets amounted to DKK 33,161 million (31 December 2017: DKK 31,324 million), including holdings in associates of DKK 461 million (31 December 2017: DKK 455 million), investment property of DKK 3,266 million (31 December 2017: DKK 4,461 million), tangible assets of DKK 7,511 million (31 December 2017: DKK 7,047 million) and assets held for sale of DKK 361 million (31 December 2017: DKK 426 million). Other liabilities amounted to DKK 45,154 million (31 December 2017: DKK 37,097 million), including accrued interest and commissions due of DKK 8,281 million (31 December 2017: DKK 8,520 million), other staff commitments of DKK 2,831 million (31 December 2017: DKK 3,077 million) and the provision of DKK 1,500 million relating to the donation of the estimated gross income from the non-resident portfolio in Estonia.

Notes – Danske Bank Group

10. Contingent liabilities

Contingent liabilities consist of possible liabilities arising from past events. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Contingent liabilities that can, but are not likely to, result in an outflow of economic resources are disclosed.

The Group uses a variety of loan related financial instruments to meet customers' financial requirements. Instruments include loan offers and other credit facilities, guarantees and instruments not recognised in the balance sheet. If an instrument is likely to result in a payment obligation, a liability is recognised under Other liabilities corresponding to the present value of expected payments.

Guarantees (DKK millions)	30 September 2018	31 December 2017
Financial guarantees	7,074	8,534
Mortgage finance guarantees	389	1,050
Other guarantees	74,172	74,902
Total	**81,635**	**84,487**

Other contingent liabilities (DKK millions)	30 September 2018	31 December 2017
Loan commitments shorter than 1 year	189,588	142,147
Loan commitments longer than 1 year	168,122	161,824
Other unutilised loan commitments	459	351
Total	**358,169**	**304,322**

Following the extensive data analysis etc. performed during the implementation of IFRS 9, a further DKK 63.4 billion has been included as loan commitments in the table above. The commitments consist of loan offers that previously were included as uncommitted lines. The comparative information has not been restated. At 31 December 2017, these commitments amounted to DKK 69.1 billion.

In addition to credit exposure from lending activities, uncommitted loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 208 billion (31 December 2017: DKK 269 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Regulation.

Danske Bank is in dialogue with the authorities regarding the terminated non-resident portfolio at the Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal investigations in Estonia, Denmark and the USA. Danske Bank is cooperating with these authorities. The timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain. It is not yet possible to reliably estimate the timing or amount of potential settlement or fines, if any, which could be material.

Based on orders from the Danish FSA to raise the Group's solvency need, Danske Bank increased its solvency need as at 30 September 2018 by a Pillar II add-on of DKK 5 billion in addition to the add-on of DKK 5 billion included in the Interim report – first half 2018, in total an add-on of DKK 10 billion to ensure adequate capital coverage of the increased compliance and reputational risks in relation to the terminated non-resident portfolio at the Estonian branch. This amount will be fully covered by common equity tier 1 capital.

In the third quarter of 2018, the Bank recognised a provision of DKK 1.5 billion based on the estimated gross income from the non-resident portfolio in the Estonian branch in the period from 2007 to 2015. The amount is based on the decision not to benefit financially from suspicious transactions that took place in our Estonian non-resident portfolio in the period from 2007 to 2015 and to donate the estimated gross income from these transactions to an independent foundation. The foundation will be set up to support initiatives aimed at combating international financial crime. Any confiscated or disgorged gross income will be deducted from the donation to the foundation.

For further information, see the section regarding Estonia in the Executive summary on page 6.

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

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

The Group participates in the Danish Guarantee Fund and the Danish Resolution Fund. The funds' capital must amount to at least 0.8% and 1%, respectively, of the covered deposits of all Danish credit institutions by 31 December 2024. The Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5% of the individual institution's covered deposits may be required.

Notes – Danske Bank Group

10. Contingent liabilities continued

Extraordinary contributions above this percentage require the consent of the Danish FSA. Danske Bank A/S and Realkredit Danmark A/S make contributions to the Resolution Fund on the basis of their size and risk relative to other credit institutions in Denmark. The annual contribution is accrued over the year as operating expenses.

If the Resolution Fund does not have sufficient means to make the required payments, extraordinary contributions of up to three times the latest annual contributions may be required. Further, Danish banks participate in the Danish Restructuring Fund, which reimburses creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015. Similarly, Danish banks have made payment commitments (totalling DKK 1 billion) to cover losses incurred by the Danish Restructuring Fund for the withdrawal of distressed banks from data centres etc.

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

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

The Group is the lessee in non-cancellable operating leases, involving mainly leasing of real property, equipment, furniture and fixtures. The Group recognises lease payments as an expense over the lease term but does not recognise the operating lease assets in its balance sheet. Such assets are recognised by lessors.

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

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

Notes – Danske Bank Group

11. Assets provided or received as collateral

At 30 September 2018, Danske Bank A/S had deposited securities worth DKK 16.0 billion as collateral with Danish and international clearing centres and other institutions (31 December 2017: DKK 11.4 billion).

At 30 September 2018, Danske Bank A/S had provided cash and securities worth DKK 62.6 billion as collateral for derivatives transactions (31 December 2017: DKK 71.7 billion).

At 30 September 2018, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 493.6 billion (31 December 2017: DKK 404.6 billion) as collateral for policyholders' savings of DKK 479.6 billion (31 December 2017: DKK 363.8 billion).

At 30 September 2018, the Group had registered loans at fair value and securities worth a total of DKK 811.6 billion (31 December 2017: DKK 809.9 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 273.2 billion (31 December 2017: DKK 268.7 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

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

	30 September 2018			31 December 2017		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions		26,681	26,681	-	24,832	24,832
Trading and investment securities	244,781	63,377	308,157	206,227	77,854	284,081
Loans at fair value		793,404	793,404	-	787,223	787,223
Loans at amortised cost		280,808	280,808	-	269,162	269,162
Assets under insurance contracts and unit-linked investment contracts		348,422	348,422	-	285,764	285,764
Other assets		69	69	-	90	90
Total	244,781	1,512,760	1,757,541	206,227	1,444,925	1,651,152
Own issued bonds	23,533	81,727	105,260	12,675	68,046	80,721
Total, including own issued bonds	**268,313**	**1,594,488**	**1,862,801**	**218,902**	**1,512,971**	**1,731,873**

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 244.8 billion at 30 September 2018 (31 December 2017: DKK 206.2 billion).

At 30 September 2018, the Group had received securities worth DKK 334.8 billion (31 December 2017: DKK 252.5 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At 30 September 2018, the Group had sold securities or provided securities as collateral worth DKK 175.8 billion (31 December 2017: DKK 155.9 billion).

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

Notes – Danske Bank Group

12. Fair value information for financial instruments

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

	30 September 2018		31 December 2017	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	70,445	-	82,818
Due from credit institutions and central banks	41,896	201,044	-	333,975
Trading portfolio assets	443,767	-	449,292	-
Investment securities	126,940	148,290	177,921	146,697
Loans at amortised cost	-	978,399	-	1,112,752
Loans at fair value	1,079,927	-	787,223	-
Assets under pooled schemes and unit-linked investment contracts	149,108	-	112,065	-
Assets under insurance contracts	359,717	-	273,425	-
Total	**2,201,355**	**1,398,178**	**1,799,925**	**1,676,242**
Financial liabilities				
Due to credit institutions and central banks	199,261	66,555	-	242,887
Trading portfolio liabilities	401,703	-	400,596	-
Deposits	169,516	899,314	-	1,046,858
Issued bonds at fair value	793,349	-	758,375	-
Issued bonds at amortised cost	-	314,628	4,549	400,531
Deposits under pooled schemes and unit-linked investment contracts	157,613	-	119,901	-
Subordinated debt	-	33,882	-	29,120
Other liabilities (loan commitments and guarantees)	-	2,725	-	647
Total	**1,721,441**	**1,317,103**	**1,283,421**	**1,720,042**

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

Negative interest income during the first nine months of 2018 amounted to DKK 2,213 million (30 September 2017: DKK 2,116 million). Negative interest expenses amounted to DKK 2,372 million (30 September 2017: DKK 2,202 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

Financial instruments at fair value

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

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

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

Financial instruments at amortised cost

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

Notes – Danske Bank Group

12. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 September 2018				
Financial assets				
Due from credit institutions and central banks	-	41,896	-	41,896
Derivatives				
Interest rate contracts	4,088	143,072	3,685	150,845
Currency contracts etc.	1,270	75,134	680	77,084
Trading portfolio bonds	181,268	25,598	-	206,866
Trading portfolio shares	8,702	-	270	8,972
Investment securities, bonds	94,331	31,422	-	125,753
Investment securities, shares	62	-	1,125	1,187
Loans at fair value	-	1,079,927	-	1,079,927
Assets under pooled schemes and unit-linked investment contracts	149,108	-	-	149,108
Assets under insurance contracts, bonds				
Danish mortgage bonds	95,235	6,291	-	101,526
Other bonds	127,481	16,584	5,318	149,383
Assets under insurance contracts, shares	42,054	3,905	31,827	77,786
Assets under insurance contracts, derivatives	1,819	28,086	1,117	31,022
Total	**705,418**	**1,451,915**	**44,022**	**2,201,355**
Financial liabilities				
Due to credit institutions and central banks	-	199,261	-	199,261
Derivatives				
Interest rate contracts	3,783	127,889	4,114	135,786
Currency contracts etc.	973	88,519	656	90,148
Obligations to repurchase securities	172,832	2,896	40	175,768
Deposits	-	169,516	-	169,516
Issued bonds at fair value	718,598	74,751	-	793,349
Deposits under pooled schemes and unit-linked investment contracts	-	157,613	-	157,613
Total	**896,186**	**820,445**	**4,810**	**1,721,441**

Notes – Danske Bank Group

12. Fair value information for financial instruments continued

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

Notes – Danske Bank Group

12. Fair value information for financial instruments continued

At 30 September 2018, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 33,182 million (31 December 2017: DKK 19,359 million), illiquid bonds of DKK 5,318 million (31 December 2017: DKK 4,016 million) and derivatives with a net market value of DKK 712 million (31 December 2017: DKK -390 million).

Unlisted shares of DKK 31,827 million (31 December 2017: DKK 17,842 million) are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the shares. Changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The remaining portfolio of unlisted shares of DKK 1,355 million (31 December 2017: DKK 1,517 million) consists primarily of banking-related investments and holdings in private equity funds. A 10% increase or decrease in the fair value would amount to DKK 136 million (31 December 2017: DKK 152 million). Under the current market conditions, a 10% decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. In the first nine months of 2018, the Group recognised DKK 83 million in unrealised losses (30 September 2017: DKK 13 million) and DKK 125 million in realised gains (30 September 2017: DKK 49 million) on those shares. The unrealised adjustments in the first nine months of 2018 and in 2017 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised gains in the first nine months of 2018 amounted to DKK 1,631 million (30 September 2017: DKK -354 million) and the realised gains to DKK 829 million (30 September 2017: DKK 1,149 million).

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 222 million (31 December 2017: DKK 80 million). If the credit spread narrows 50bp, fair value will increase DKK 222 million (31 December 2017: DKK 83 million).

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

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

	30 September 2018			31 December 2017		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	19,359	4,016	-389	20,943	4,803	-1,993
Value adjustment through profit or loss	2,668	-119	-815	1,556	-85	-345
Acquisitions	17,943	2,274	1,883	3,073	1,445	251
Sale and redemption	-6,788	-853	32	-6,213	-2,147	1,196
Transferred from quoted prices and observable input	-	-	-	-	-	-
Transferred to quoted prices and observable input	-	-	1	-	-	502
Fair value end of period	**33,182**	**5,318**	**712**	**19,359**	**4,016**	**-389**

The valuation of derivatives includes amortisation of the value of initial margins over the remaining term to maturity. The initial margins relate to elements not covered by CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. At 30 September 2018, the value of unamortised initial margins was DKK 1,182 million (31 December 2017: DKK 1,054 million).

Notes – Danske Bank Group

13. Acquisition of subsidiary undertaking

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

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

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

The fair value of net assets acquired and recognised in the balance sheet of Danica Group at the time of acquisition is shown in the table below. The initial accounting for the acquisition of SEB Pension Danmark is expected to be finalised before the end of 2018, to reflect information obtained about facts and circumstances that existed on 7 June 2018. Hence, the amounts are provisional and can be adjusted, including the value of the acquired goodwill, and a potential reallocation between goodwill and customer relations or to other identifiable intangible assets.

Recognised amounts of identifiable assets acquired and liabilities assumed

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

No significant contingent liabilities exists at the acquisition date.

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

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

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

Notes – Danske Bank Group

13. Acquisition of subsidiary undertaking continued

The consolidation of SEB Pension Danmark has increased net premiums recognised in the income statement by DKK 1,241 million and net profit after tax by DKK 64 million. Assuming that the Group had taken over SEB Pension Danmark with effect from 1 January 2018, the estimated impact on net premiums would have amounted to an increase of DKK 2.7 billion (including premiums on unit-linked investment contracts: an increase of DKK 8.3 billion) and a change in net profit of DKK 330 million.

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

(DKK millions)	30 September 2018	31 December 2017
Goodwill	7,859	5,347
Customer relations	1,288	-
Software, acquired or internally developed	2,038	1,830
Total	**11,185**	**7,177**

(DKK millions)	1 January 2017 Goodwill	Foreign currency translation	31 December 2017 Goodwill	Addition/sale	Foreign currency translation	30 September 2018 Goodwill
C&I, General Banking	507	1	508	-	-	508
C&I, FI&C and Capital Markets	2,893	4	2,897	-	3	2,900
Wealth Management, Danske Capital	1,806	3	1,809	-	2	1,811
Wealth Management, Danica Pension	-	-	-	2,539	-	2,539
Others	143	-10	133	-34	2	101
Total	**5,349**	**-2**	**5,347**	**2,505**	**7**	**7,859**

Notes – Danske Bank Group

Risk Management

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

Breakdown of credit exposure

(DKK billions) 30 September 2018	Total	Lending activities Core	Non-core	Counter-party credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	62.4	62.4	-	-	-	-
Due from credit institutions and central banks	242.9	201.0	-	41.9	-	-
Trading portfolio assets	443.8	-	-	227.9	215.8	-
Investment securities	275.2	-	-	-	275.2	-
Loans at amortised cost	978.4	963.0	15.4	-	-	-
Loans at fair value	1,079.9	793.4	-	286.5	-	-
Assets under pooled schemes and unit-linked investment contracts	149.1	-	-	-	-	149.1
Assets under insurance contracts	385.4	-	-	-	-	385.4
Off-balance-sheet items						
Guarantees	81.6	80.8	0.9	-	-	-
Loan commitments shorter than 1 year	189.6	186.6	3.0	-	-	-
Loan commitments longer than 1 year	168.1	166.9	1.2	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	**4,056.9**	**2,454.1**	**20.5**	**556.3**	**491.5**	**534.5**

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

Following the extensive data analysis etc performed during the implementation of IFRS 9, a further DKK 63.4 billion has been included as loan commitments in the table above. The commitments consist of loan offers that previously were included as uncommitted lines. The comparative information has not been restated. At 31 December 2017, these commitments amounted to DKK 69.1 billion.

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 208 billion at 30 September 2018 (31 December 2017: DKK 269 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Regulation.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

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

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

Classification of customers

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

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

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

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

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

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

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

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

Notes – Danske Bank Group

Credit exposure continued

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

30 September 2018	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	204.1	0.1	-	-	-	-	204.1	0.1	-	194.6	0.1	-
2	0.01	0.03	200.2	0.5	-	-	-	-	200.2	0.5	-	114.7	0.3	-
3	0.03	0.06	435.0	1.0	-	-	-	-	434.9	1.0	-	147.8	0.2	-
4	0.06	0.14	594.8	9.1	0.1	0.1	-	-	594.7	9.1	0.1	222.2	7.2	-
5	0.14	0.31	450.3	10.6	0.1	0.2	0.1	-	450.1	10.5	0.1	145.9	4.3	-
6	0.31	0.63	244.8	19.7	0.1	0.3	0.3	-	244.6	19.3	0.1	79.1	7.2	-
7	0.63	1.90	134.0	48.2	0.2	0.2	1.3	-	133.7	46.9	0.2	40.9	17.0	-
8	1.90	7.98	19.4	32.6	0.2	0.7	2.2	-	18.7	30.4	0.2	5.6	7.3	-
9	7.98	25.70	1.2	8.6	0.1	0.1	1.1	-	1.1	7.4	0.1	0.4	1.6	-
10	25.70	99.99	4.0	3.4	30.5	-	-	5.5	4.0	3.4	25.0	1.4	0.8	6.8
11 (default)	100.00	100.00	1.4	0.6	19.9	-	-	8.6	1.4	0.6	11.3	0.1	0.1	0.9
Total			**2,289.1**	**134.4**	**51.3**	**1.5**	**5.1**	**14.2**	**2,287.6**	**129.3**	**37.1**	**952.6**	**46.2**	**7.8**

Credit portfolio in core activities broken down by rating category

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

Notes – Danske Bank Group

Credit exposure continued

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

The table below breaks down credit exposure by industry. The industry segmentation follows the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard.

30 September 2018	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public Institutions	266.2	-	-	-	-	-	266.2	-	-	259.2	-	-
Banks	54.3	0.2	-	-	-	-	54.2	0.2	-	37.4	0.2	-
Credit Institutes	4.6	-	-	-	-	-	4.6	-	-	4.6	-	-
Insurance	10.4	-	-	-	-	-	10.4	-	-	8.0	-	-
Investment funds	23.5	1.3	0.5	-	-	0.1	23.5	1.3	0.4	12.3	1.2	0.1
Other financials	3.2	-	-	-	-	-	3.2	-	-	2.8	-	-
Agriculture	58.5	9.5	7.1	0.4	1.2	2.0	58.1	8.2	5.1	10.6	2.2	0.6
Commercial property	284.9	16.0	7.0	0.2	0.7	1.8	284.7	15.4	5.1	53.5	4.7	0.2
Construction & building products	32.5	5.0	1.2	-	0.1	0.4	32.5	4.9	0.8	23.9	2.9	0.5
Consumer discretionary	98.7	7.5	2.9	-	0.2	1.3	98.6	7.3	1.6	56.2	4.1	0.5
Consumer staples	58.5	2.7	0.8	-	0.1	0.2	58.5	2.6	0.6	40.3	1.8	0.1
Energy & Utilities	36.5	10.8	3.1	-	0.2	0.6	36.5	10.5	2.5	27.8	8.9	2.2
Health care	36.1	0.6	0.2	-	-	-	36.1	0.6	0.1	30.4	0.3	-
Industrial Services, Supplies & Machinery	107.5	5.0	2.6	-	0.1	1.0	107.5	4.8	1.6	89.1	2.8	0.9
IT & telecom	28.1	1.4	0.2	-	-	0.1	28.1	1.4	0.1	25.2	1.0	-
Materials	46.6	2.2	0.8	-	0.1	0.4	46.5	2.2	0.4	35.5	0.8	0.2
Non-profit & Associations	179.7	3.7	2.4	0.1	0.1	0.5	179.6	3.6	1.9	35.2	0.7	0.2
Other commercials	36.1	0.7	0.1	-	-	0.1	36.1	0.6	-	27.6	0.3	-
Shipping	29.7	5.8	7.5	-	0.3	1.6	29.7	5.4	5.9	15.7	1.2	0.3
Transportation	22.8	3.3	0.3	-	-	0.1	22.8	3.2	0.2	14.3	1.4	-
Personal customers	870.6	58.8	14.5	0.6	1.8	3.8	870.0	57.0	10.7	142.8	11.6	1.9
Total	**2,289.1**	**134.4**	**51.3**	**1.5**	**5.1**	**14.2**	**2,287.6**	**129.3**	**37.1**	**952.6**	**46.2**	**7.8**

Notes – Danske Bank Group

Credit exposure continued

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

Notes – Danske Bank Group

Credit exposure continued

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

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

30 September 2018	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail	474.5	26.7	8.3	0.5	1.1	2.7	474.0	25.5	5.6	56.2	5.1	1.4
Commercial	408.1	23.2	19.4	0.6	1.8	5.8	407.5	21.5	13.6	95.3	8.6	1.8
Banking DK	**882.6**	**49.9**	**27.7**	**1.1**	**2.9**	**8.4**	**881.5**	**47.0**	**19.2**	**151.5**	**13.7**	**3.2**
Sweden	267.7	17.9	1.5	0.1	0.5	0.4	267.6	17.4	1.1	100.6	5.9	0.5
Norway	199.1	14.5	3.5	0.1	0.4	1.1	199.0	14.2	2.4	64.1	4.6	0.8
Finland	149.6	12.8	4.0	-	0.2	0.8	149.6	12.6	3.2	38.3	2.7	0.3
Other	30.2	12.2	0.7	-	0.4	0.3	30.2	11.8	0.5	14.3	3.6	0.1
Banking Nordic	**646.6**	**57.4**	**9.8**	**0.2**	**1.4**	**2.6**	**646.4**	**56.0**	**7.2**	**217.4**	**16.7**	**1.7**
C&I*	**594.9**	**20.5**	**9.8**	**0.1**	**0.6**	**2.0**	**594.7**	**19.9**	**7.8**	**529.7**	**14.1**	**2.0**
Wealth Management	**84.1**	**3.3**	**1.5**	**-**	**0.1**	**0.3**	**84.0**	**3.2**	**1.2**	**19.4**	**0.8**	**0.3**
Northern Ireland	**66.7**	**3.3**	**2.5**	**-**	**0.1**	**0.7**	**66.7**	**3.2**	**1.7**	**34.6**	**0.9**	**0.5**
Other	**14.2**	**0.1**	**-**	**-**	**-**	**-**	**14.2**	**0.1**	**-**	**-**	**-**	**-**
Total	**2,289.1**	**134.4**	**51.3**	**1.5**	**5.1**	**14.2**	**2,287.6**	**129.3**	**37.1**	**952.6**	**46.2**	**7.8**

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

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by business unit

31 December 2017 (DKK billions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Retail	500.2	3.4	496.8	62.1
Commercial	452.1	7.0	445.1	116.7
Banking DK	**952.3**	**10.4**	**941.9**	**178.8**
Finland	157.2	1.1	156.1	34.6
Sweden	249.4	0.5	256.1	82.7
Norway	190.9	1.1	192.4	58.5
Other	41.2	0.4	40.8	16.4
Banking Nordic	**638.7**	**3.1**	**645.4**	**192.2**
C&I*	**930.6**	**1.3**	**929.3**	**644.4**
Wealth Management	**85.6**	**0.4**	**85.2**	**21.9**
Northern Ireland	**63.7**	**0.7**	**63.0**	**29.5**
Other	**23.2**	**0.0**	**23.2**	**21.0**
Total before collective impairment charges	**2,703.9**	**16.0**	**2,688.0**	**1,097.6**
Collective impairment charges	4.1			
Total gross exposure	**2,708.0**			

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

Notes – Danske Bank Group

Credit exposure continued

Forbearance practices and repossessed assets

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

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of the first nine months of 2018, the Group recognised properties taken over in Denmark at a carrying amount of DKK 25 million (31 December 2017: DKK 38 million) and there were no properties taken over in other countries (31 December 2017: DKK 44 million). The properties are held for sale and included under Other assets in the balance sheet.

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

Exposures subject to forbearance measures

	30 September 2018		31 December 2017	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active forbearance	10,715	9,268	8,255	12,718
Under probation	6,742	-	6,472	-
Total	**17,456**	**9,268**	**14,727**	**12,718**

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

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

The Group defines non-performing loans as facilities in stage 3 and for which impairment charges have been booked. For non-retail exposures with one or more non-performing loans, the entire amount of the customer's exposure is considered to be non-performing. For retail exposures, only impaired facilities are included in non-performing loans. The Group's definition of non-performing loans differs from the EBA's definition by excluding fully covered exposures to customers in default and previously forborne exposures that are now performing and are under probation. Furthermore, the Group excludes exposures in stage 3 where the allowance account is considered immaterial to the gross exposure.

Non-performing loans in core activities

(DKK millions)	30 September 2018	31 December 2017
Total non-performing loans	18,105	17,290
- Portion from customers in default*	7,039	6,049
Coverage ratio (default) (%)	100	97
Coverage ratio (non-default) (%)	65	73
Coverage ratio (total non-performing loans) (%)	83	86
Non-performing loans as a percentage of total gross exposure (%)	1.3	1.2

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

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Collective and individual impairment charges under IAS 39				20,069
Transition effect (ECL at 1 January 2018), including impact on loans granted by Realkredit Danmark	1,498	5,530	15,602	2,562
Transferred to Stage 1 during the period	869	-733	-136	-
Transferred to Stage 2 during the period	-22	488	-466	-
Transferred to Stage 3 during the period	-22	-408	431	-
ECL on new assets	324	841	1,485	2,650
ECL on assets derecognised	-257	-949	-2,045	-3,251
Impact of net remeasurement of ECL (incl. changes in models)	-781	329	497	45
Write-offs debited to the allowance account	-28	-9	-1,205	-1,242
Foreign exchange adjustments	-8	10	53	56
Other	-34	-28	-62	-124
As at 30 September 2018	**1,540**	**5,072**	**14,154**	**20,765**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Management	Northern Ireland	Other	Allowance account Total
1 January 2017	14,899	3,737	3,032	534	1,273	1	23,479
New and increased impairment charges	2,210	1,284	764	83	95	43	4,479
Reversals of impairment charges from previous periods	2,942	893	390	152	334	39	4,750
Write-offs debited to allowance account	1,367	439	814	4	207	-	2,831
Foreign currency translation	-8	-106	-205	-3	-38	-	-361
Other	129	-44	-8	2	-25	-2	52
31 December 2017	12,922	3,540	2,379	460	764	3	20,069
Transition effect (ECL at 1 January 2018), including impact on loans granted by Realkredit Danmark	14,045	4,427	2,779	468	902	12	2,562
ECL on new assets	1,181	578	791	51	45	5	2,650
ECL on assets derecognised	-1,614	-703	-767	-90	-69	-8	-3,251
Impact on remeasurement of ECL (incl. change in models)	-158	97	49	14	43	-1	45
Write-offs debited to allowance account	-964	-181	-18	-18	-62	-	-1,242
Foreign currency translation	-8	21	42	1	-	-	56
Other	29	16	-160	-13	-	4	-124
As at 30 September 2018	**12,511**	**4,255**	**2,715**	**414**	**859**	**11**	**20,765**

The expected credit loss is calculated for all individual facilities as a function of PD, EAD and LGD and incorporates forward-looking information. The forward-looking elements reflect the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. Based on these assessments, the allowance account at 30 September 2018 amounted to DKK 20.8 billion. The allowance account would increase DKK 0.5 billion, if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assign a probability of 100%, the allowance account would decrease DKK 0.5 billion.

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

The Non-core business unit is responsible for the controlled winding up of exposures that are no longer considered part of the Group's core activities. The portfolio consists of the Non-core exposures in the Baltics, conduits etc., and Ireland.

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

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

30 September 2018	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	14,775	1,121	910	33	75	282	14,742	1,046	628	7,105	437	242
Personal customers	4,192	614	357	11	38	104	4,181	576	253	1,652	221	93
Commercial customers	8,420	472	553	21	36	178	8,399	436	375	3,610	188	149
Public Institutions	2,162	35	-	-	1	-	2,162	34	-	1,843	29	-
Non-core conduits etc.	3,583	19	877	-	-	413	3,583	19	463	576	-	182
Total	**18,358**	**1,140**	**1,787**	**33**	**75**	**696**	**18,325**	**1,065**	**1,091**	**7,681**	**437**	**425**

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

31 December 2017 (DKK millions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Personal customers	3,787	177	3,610	70
Consumer discretionary	20	20	-	-
Commercial property	35	36	-	-
Other	48	48	-	-
Non-core banking	**3,890**	**280**	**3,610**	**70**
Non-core conduits etc.	**4,882**	**299**	**4,583**	**1,262**
Total Non-core before collective impairment charges	**8,772**	**579**	**8,193**	**1,332**
Collective impairment charges	101			
Total gross Non-core exposure	**8,873**			

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

30 September 2018	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	137	-	-	-	-	-	137	-	-	-	-	-
2	0.01	0.03	1,104	-	-	-	-	-	1,104	-	-	-	-	-
3	0.03	0.06	2,267	22	12	-	-	-	2,267	22	12	760	22	12
4	0.06	0.14	3,433	229	126	7	-	40	3,426	229	86	1,232	60	-
5	0.14	0.31	2,858	194	106	4	-	-	2,854	194	106	1,199	71	38
6	0.31	0.63	3,084	210	115	6	-	-	3,077	210	115	1,690	107	58
7	0.63	1.90	3,612	280	131	10	19	-	3,602	261	131	1,827	117	62
8	1.90	7.98	1,169	107	43	6	27	-	1,163	81	43	597	36	19
9	7.98	25.70	275	68	10	-	30	-	275	38	10	256	18	10
10	25.70	99.99	114	8	872	-	-	402	114	8	470	26	1	171
11 (default)	100.00	100.00	306	21	371	-	-	254	306	21	118	94	5	56
Total			**18,358**	**1,140**	**1,787**	**33**	**75**	**696**	**18,325**	**1,065**	**1,091**	**7,681**	**437**	**425**

Notes – Danske Bank Group

Credit exposure continued

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

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

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 954 million at 30 September 2018 (31 December 2017: DKK 645 million), of which the average unsecured portion of non-performing loans was 34.7% at the end of September 2018 (31 December 2017: 79.4%).

Notes – Danske Bank Group

Credit exposure continued

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 September 2018	31 December 2017
Counterparty credit risk		
Derivatives with positive fair value	227.9	256.9
Reverse transactions and other loans at fair value*	328.4	-
Credit exposure from other trading and investment securities		
Bonds	480.9	496.7
Shares	10.2	20.3
Other unutilised commitments**	0.5	0.4
Total	**1,047.9**	**774.3**

* Reverse transactions and other loans at fair value included as counterparty credit risk are loans in the trading units of Corporates & Institutions. These loans consist of reverse transactions of DKK 323,555 million, of which DKK 38,045 million relates to credit institutions and central banks, and other primarily short-term loans of DKK 4,864 million, of which DKK 3,851 million relates to credit institutions and central banks.
** Other unutilised commitments comprises private equity investment commitments and other obligations.

Derivatives with positive fair value

(DKK millions)	30 September 2018	31 December 2017
Derivatives with positive fair value before netting	351,265	399,452
Netting (under accounting rules)	123,336	142,561
Carrying amount	227,929	256,891
Netting (under capital adequacy rules)	170,105	182,071
Net current exposure	57,824	74,821
Collateral	33,198	45,032
Net amount	**24,626**	**29,788**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	150,845	167,506
Currency contracts	74,097	86,076
Other contracts	2,987	3,309
Total	**227,929**	**256,891**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2018							
Held-for-trading (FVPL)	123,262	2,835	41,474	31,744	2,791	4,760	206,866
Managed at fair value (FVPL)	15,654	487	36,842	3,790	848	195	57,815
Held to collect and sell (FVOCI)	7,364	1,278	56,171	828	2,297	-	67,938
Held to collect (AMC)	55,597	1,014	80,675	7,420	3,162	421	148,290
Total	**201,878**	**5,615**	**215,162**	**43,781**	**9,098**	**5,375**	**480,909**
31 December 2017							
Held-for-trading	74,424	1,499	40,195	47,825	3,696	5,941	173,581
Designated at fair value	31,029	649	54,585	5,240	5,819	276	97,598
Available-for-sale	2,858	939	73,490	473	1,103	-	78,863
Hold-to-maturity	62,414	1,319	73,260	6,822	2,462	420	146,697
Total	**170,725**	**4,406**	**241,530**	**60,360**	**13,080**	**6,637**	**496,739**

At 30 September 2018, the Group had an additional bond portfolio worth DKK 250,909 million (31 December 2017: DKK 163,711 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2017 provides more information. For bonds classified as hold-to-collect/hold-to-maturity, fair value exceeded amortised cost at the end of 30 September 2018 and 31 December 2017.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2018							
Denmark	30,985	-	215,162	-	-	250	246,397
Sweden	41,635	-	-	43,781	-	1,769	87,186
UK	9,032	3	-	-	1,907	145	11,086
Norway	8,251	138	-	-	3,691	1,154	13,233
USA	12,346	246	-	-	-	4	12,597
Spain	4,208	-	-	-	2	2	4,212
France	24,751	-	-	-	947	404	26,102
Luxembourg	-	4,329	-	-	-	8	4,337
Finland	14,913	595	-	-	1,101	553	17,163
Ireland	7,096	-	-	-	6	15	7,117
Italy	3,307	-	-	-	-	-	3,307
Portugal	381	-	-	-	-	-	381
Austria	6,846	-	-	-	-	7	6,853
Netherlands	9,883	-	-	-	106	151	10,140
Germany	21,103	-	-	-	1,098	11	22,211
Belgium	7,129	-	-	-	63	5	7,197
Other	11	303	-	-	178	898	1,390
Total	**201,878**	**5,615**	**215,162**	**43,781**	**9,098**	**5,375**	**480,909**
31 December 2017							
Denmark	22,830	-	241,527	-	406	2,220	266,983
Sweden	25,882	-	-	60,360	-	1,855	88,097
UK	5,899	-	-	-	1,787	196	7,883
Norway	4,577	-	3	-	5,781	495	10,855
USA	11,014	158	-	-	-	12	11,184
Spain	12,387	-	-	-	132	-	12,519
France	20,234	-	-	-	955	613	21,802
Luxembourg	-	3,194	-	-	-	4	3,198
Finland	16,390	1,054	-	-	1,685	698	19,827
Ireland	3,252	-	-	-	3	7	3,262
Italy	8,194	-	-	-	-	7	8,201
Portugal	256	-	-	-	-	-	256
Austria	9,070	-	-	-	227	3	9,299
Netherlands	7,457	-	-	-	224	342	8,024
Germany	15,752	-	-	-	1,351	62	17,165
Belgium	7,297	-	-	-	116	4	7,418
Other	234	-	-	-	414	119	768
Total	**170,725**	**4,406**	**241,530**	**60,360**	**13,080**	**6,637**	**496,739**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2018							
AAA	113,604	2,966	215,052	43,781	8,117	10	383,530
AA+	25,011	508	-	-	68	130	25,718
AA	42,662	2,140	-	-	906	1,215	46,923
AA-	5,596	-	39	-	2	101	5,738
A+	-	-	-	-	-	530	530
A	7,658	-	33	-	4	1,694	9,389
A-	1	-	1	-	-	329	331
BBB+	3,645	-	-	-	-	313	3,958
BBB	3,322	-	37	-	-	486	3,846
BBB-	-	-	-	-	-	184	184
BB+	366	-	-	-	-	167	534
BB	-	-	-	-	-	77	77
BB-	-	-	-	-	-	9	9
Sub-inv. grade or unrated	12	-	-	-	-	130	142
Total	**201,878**	**5,615**	**215,162**	**43,781**	**9,098**	**5,375**	**480,909**
31 December 2017							
AAA	84,721	2,699	241,350	60,360	11,561	1,693	402,384
AA+	21,127	343	-	-	336	126	21,932
AA	32,258	1,365	57	-	192	782	34,653
AA-	8,362	-	100	-	-	92	8,554
A+	138	-	-	-	130	256	524
A	3,252	-	14	-	857	1,481	5,604
A-	-	-	-	-	-	427	427
BBB+	85	-	-	-	-	391	476
BBB	20,496	-	6	-	-	486	20,989
BBB-	-	-	-	-	-	197	197
BB+	256	-	-	-	-	141	397
BB	-	-	-	-	-	353	353
BB-	-	-	-	-	-	39	39
Sub-inv. grade or unrated	31	-	3	-	4	172	209
Total	**170,725**	**4,406**	**241,530**	**60,360**	**13,080**	**6,637**	**496,739**

Statement by the management

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

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

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

Copenhagen, 1 November 2018

Executive Board

Jesper Nielsen
Interim CEO

Jacob Aarup-Andersen

Christian Boris Baltzer

James Ditmore

Carsten Rasch Egeriis

Henriette Fenger Ellekrog

Jakob Groot

Glenn Söderholm

Frederik Gjessing Vinten

Board of Directors

Ole Andersen
Chairman

Carol Sergeant
Vice Chairman

Ingrid Bonde

Lars-Erik Brenøe

Jørn P. Jensen

Jens Due Olsen

Rolv Erik Ryssdal

Hilde Tonne

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Thorbjørn Lundholm Dahl
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Independent auditors' review report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the Consolidated Interim Financial Statements
We have reviewed the Consolidated Interim Financial Statements of Danske Bank A/S for the financial period 1 January to 30 September 2018, pp. 30-74 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, for the consolidated cash flow statement and notes.

Management's responsibility for the Consolidated Interim Financial Statements
Management is responsible for the preparation of the Consolidated Interim Financial Statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies, and for such internal control as Management determines is necessary to enable the preparation of the Consolidated Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the Consolidated Interim Financial Statements. We conducted our review in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires that we express a conclusion about whether anything has come to our attention that causes us to believe that the Consolidated Interim Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily consisting of inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Consolidated Interim Financial Statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the Consolidated Interim Financial Statements have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies.

Emphasis of matter
We draw the attention to note 10 of the Consolidated Interim Financial Statements that includes a description of the contingent liability regarding the uncertainty as to the outcome of the investigations by the authorities in Estonia, Denmark and the USA into the terminated non-resident portfolio at Danske Bank's Estonian branch.
We agree to the accounting treatment of the matter in the Consolidated Interim Financial Statements and accordingly our opinion is not modified.

Copenhagen, 1 November 2018

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Supplementary information

Financial calendar

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

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Links

Danske Bank	danskebank.com
Denmark	danskebank.dk
Finland	danskebank.fi
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Realkredit Danmark	rd.dk
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Danske Bank's financial statements are available online at danskebank.com/Reports.