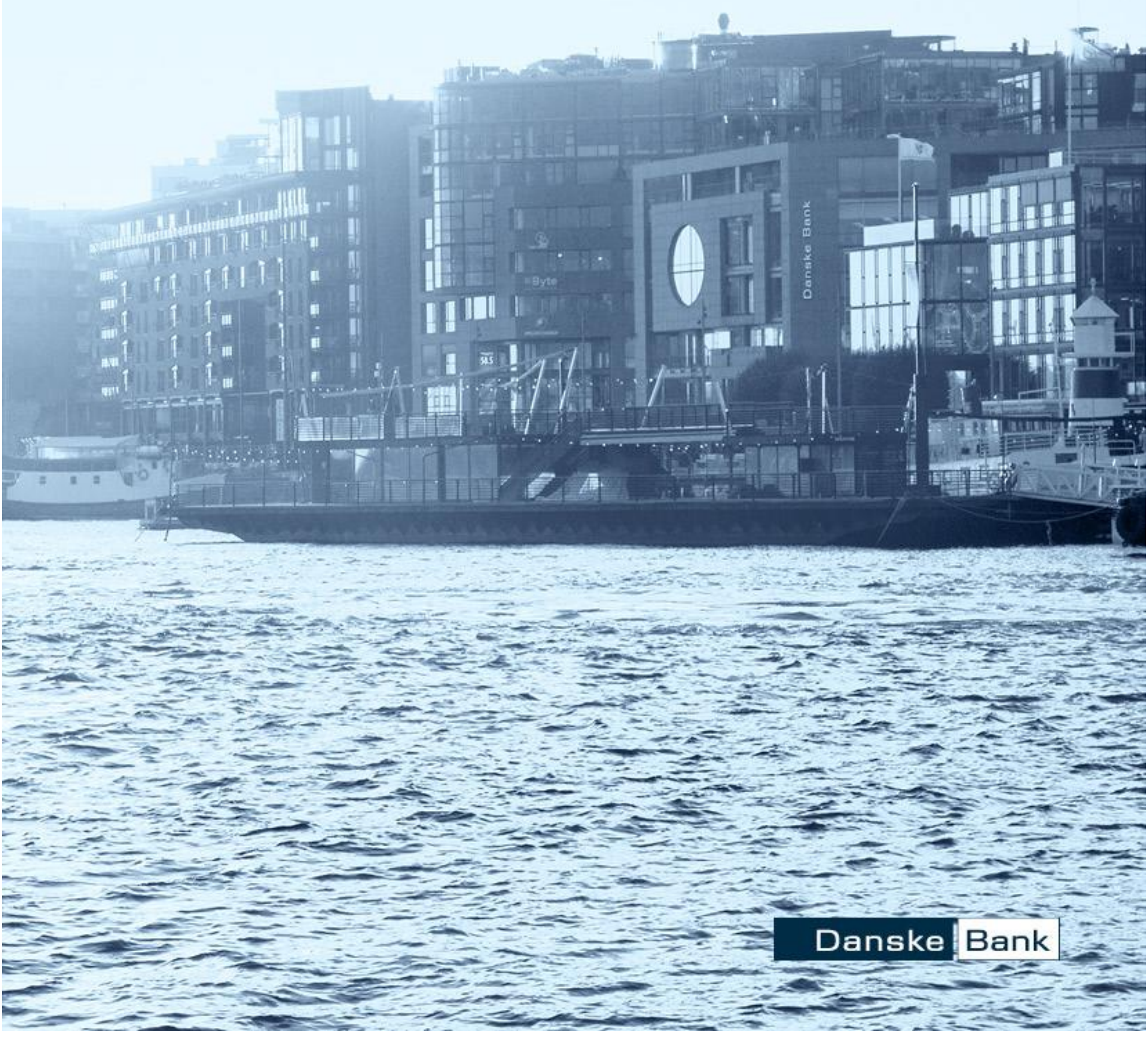
Interim report – first quarter 2018

Danske Bank Group



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Danske Bank first quarter 2018 at a glance

4.9bn
Net profit

11.5bn
Total income

Sustainable investments
Thermal coal and tar sands companies excluded

2%
Lending growth y/y

Strong focus
on customer satisfaction

Strong CET1 ratio of
16.4%

12.6%
Return on equity

10bn
share buy-back programme initiated

Danske Bolig Fri
New flexible bank home loan

Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Net interest income	5,946	5,866	101	6,108	97	23,806
Net fee income	3,762	3,928	96	4,345	87	15,664
Net trading income	1,435	2,500	57	1,346	107	7,087
Other income	309	356	87	420	74	1,591
Total income	11,452	12,649	91	12,219	94	48,149
Operating expenses	5,612	5,724	98	5,757	97	22,722
Profit before loan impairment charges	5,841	6,925	84	6,462	90	25,427
Loan impairment charges	-330	-235	-	-241	137	-
Profit before tax, core	6,171	7,160	86	6,703	92	26,300
Profit before tax, Non-core	32	-19	-	27	119	-12
Profit before tax	6,202	7,140	87	6,729	92	26,288
Tax	1,329	1,610	83	1,081	123	5,388
Net profit	**4,873**	**5,530**	**88**	**5,649**	**86**	**20,900**
Attributable to additional tier 1 etc.	194	194	100	197	98	786
Balance sheet (end of period) (DKK millions)						
Due from credit institutions and central banks	259,510	288,956	90	277,631	93	277,631
Repo loans	267,075	236,614	113	228,538	117	228,538
Loans	1,736,524	1,705,483	102	1,723,025	101	1,723,025
Trading portfolio assets	466,739	463,751	101	449,292	104	449,292
Investment securities	281,317	337,105	83	324,618	87	324,618
Assets under insurance contracts	284,603	289,697	98	296,867	96	296,867
Total assets in Non-core	4,849	18,476	26	4,886	99	4,886
Other assets	237,939	203,457	117	234,672	101	234,672
Total assets	**3,538,555**	**3,543,540**	**100**	**3,539,528**	**100**	**3,539,528**
Due to credit institutions and central banks	157,088	150,017	105	155,528	101	155,528
Repo deposits	235,903	208,196	113	220,371	107	220,371
Deposits	939,988	883,538	106	911,852	103	911,852
Bonds issued by Realkredit Danmark	753,664	734,250	115	758,375	111	758,375
Other issued bonds	388,115	449,234	67	405,080	74	405,080
Trading portfolio liabilities	385,635	446,325	86	400,596	96	400,596
Liabilities under insurance contracts	314,585	314,759	100	322,726	97	322,726
Total liabilities in Non-core	3,078	2,892	106	3,094	99	3,094
Other liabilities	172,021	157,870	109	164,531	105	164,531
Subordinated debt	28,840	35,922	80	29,120	99	29,120
Additional tier 1 etc.	14,462	14,389	101	14,339	101	14,339
Shareholders' equity	145,175	146,149	99	153,917	94	153,917
Total liabilities and equity	**3,538,555**	**3,543,540**	**100**	**3,539,528**	**100**	**3,539,528**

Ratios and key figures						
Dividend per share (DKK)	-	-		-		10.0
Earnings per share (DKK)	5.3	5.8		6.1		22.2
Return on avg. shareholders' equity (% p.a.)	12.6	14.4		14.4		13.6
Return on avg. tangible equity (% p.a.)	12.9	15.4		15.7		14.6
Net interest income as % p.a. of loans and deposits	0.89	0.91		0.93		0.90
Cost/income ratio (%)	49.0	45.3		47.1		47.2
Total capital ratio (%)	21.4	20.4		22.6		22.6
Common equity tier 1 capital ratio (%)	16.4	15.5		17.6		17.6
Share price (end of period) (DKK)	225.4	237.5		241.6		241.6
Book value per share (DKK)	164.4	158.3		172.2		172.2
Full-time-equivalent staff (end of period)	19,709	19,316	102	19,768	100	19,768

See note 3 to the financial statements for an explanation of differences in the presentation between the IFRS financial statements and the financial highlights. For a definition of ratios, see Definition of alternative performance measures on page 26.

Executive summary

"We had a satisfactory start to the year despite financial market developments that caused lower activity compared with the same period last year. Across our business, the underlying trend was good, with customer demand for credit remaining positive, just as our partnership agreements in Norway, Sweden and Finland continued to attract new customers and create good activity. In Denmark, we also saw good activity partly as a result of continued interest in our new home financing solutions. At the same time, we maintained solid credit quality across our markets. We continued to make considerable investments in new innovative solutions, some in cooperation with external partners, which contributes to delivering enhanced customer experiences."

Danske Bank started 2018 with a stable financial performance, posting a net profit of DKK 4.9 billion in the first quarter, against DKK 5.5 billion in the first quarter of 2017. The return on shareholders' equity after tax was 12.6%, against 14.4% in the first quarter of 2017, when trading income was strong.

The result reflects good economic momentum, although activity in the financial markets was modest. The lower level of activity was caused mainly by rising interest rates and turbulence in the financial markets.

The Nordic economies continued to benefit from a positive macroeconomic environment, which along with good customer activity increased lending by 1% in the first quarter of 2018. Lending was up 2% from the level in the year-earlier period. Especially our activities in Sweden contributed to solid lending growth.

In the first quarter, we expanded our partnership with Akava in Finland to include all members of the union, and across the Nordics, our partnership agreements continued to provide a good inflow of customers in Personal Banking. At the same time, we maintained high credit quality on the loan book despite declining prices in some housing markets.

Business Banking also continued to benefit from the positive business customer momentum across the Nordics. This led to lending growth of 3%, reflecting the continuation of the good and stable development in this unit.

Net interest income benefited from loan growth. In Denmark, the FlexLife® mortgage loan continued to be a popular choice among both existing and new customers. Our new bank home loan, Danske Bolig Fri, was also well received by customers looking for a highly flexible alternative to standard mortgage financing.

The activities of both Corporates & Institutions and Wealth Management were affected by uncertainty and lower liquidity in the financial markets. This led to both de-risking and lower activity among our customers, which in turn had a negative effect on fee and trading income. Net trading income in particular was substantially lower than in the year before, when activity was high.

Expenses were lower than in the year-earlier period, partly due to lower activity. Credit quality remained strong, resulting in net reversals of DKK 330 million.

Compliance remains a key priority for Danske Bank, and we continue to invest substantially in improved solutions, capabilities and employee development. The internal investigations into the issues related to our now closed down non-resident portfolio at our Estonian branch are progressing according to plan.

New strategic initiatives and new organisation

On 6 April, we announced organisational changes. The new organisation becomes effective on 2 May, while financial reporting will change to reflect the new organisation with effect from the third quarter. The changes reflect our ambition to become the Nordic Integrator in the financial sector. Becoming the Nordic Integrator entails that we will integrate further with our customers, integrate internally in order to ensure that customers experience us as one bank and integrate more with the societies in which we operate.

Business review Baltics

Building on the Group's strategy of focusing on customers in the Nordic region, we have decided to align our business activities in the Baltic countries accordingly. Going forward, Danske Bank will focus exclusively on supporting subsidiaries of Nordic customers and global corporates with a significant Nordic footprint. As a result, all other local Baltic customers will be transferred to the Non-core unit.

Over time, this will reduce the size of our business in the Baltic countries. However, we will continue to serve our local customers for some time as well as ensure that all our current obligations are fulfilled.

Capital, funding, liquidity and regulation

Our capital position remained strong, with a total capital ratio of 21.4% and a CET1 capital ratio of 16.4%.

The DKK 10 billion share buy-back programme initiated on 5 February 2018 has been deducted in full from CET1 capital.

The Danish government has decided to impose a counter cyclical capital buffer of 0.5% of the REA for Danish exposures, which is expected to increase Danske Bank's CET1 capital requirement by 0.2% from 31 March 2019 when the buffer requirement takes effect. Our current capital buffer is sufficient to meet this new requirement.

On the basis of fully phased-in rules, our CET1 capital ratio stood at 16.2%, versus our current fully phased-in regulatory CET1 capital requirement of 12.3% and our target range of 14-15% in the short to medium term.

At 31 March 2018, our liquidity coverage ratio stood at 144%.

With the implementation of the Bank Recovery and Resolution Directive (BRRD), EU banks are required to have sufficient bail-in-able resources to fulfil the minimum requirement for own funds and eligible liabilities (MREL). The Danish FSA set the MREL for the Group in March 2018 with effect from 1 July 2019. These requirements are as expected, and Danske Bank meets them by a comfortable margin.

Outlook for 2018
The outlook for all items is unchanged.

We expect net profit to be in the range of DKK 18-20 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.

Financial review

In the first quarter of 2018, Danske Bank Group delivered a profit before tax from core activities of DKK 6.2 billion, a decrease of 14% from the level in the first quarter of 2017. The first quarter of 2017 benefited from strong net trading income.

Income

Total income amounted to DKK 11.5 billion, a decrease of 9% from the level in the first quarter of 2017. Continued growth in net interest income had a positive effect, which, however, was more than offset by decreases in net fee income and net trading income as a result of lower activity in the financial markets.

Net interest income totalled DKK 5.9 billion. The increase of 1% was driven by lending and deposit volume growth and lower funding costs, which, however, were partly offset by lower margins on deposits and foreign exchange movements.

Net fee income amounted to DKK 3.8 billion, a decrease of 4% from the level in the first quarter of 2017. Net fee income was adversely affected by lower customer activity at Wealth Management and Corporates & Institutions.

Net trading income totalled DKK 1.4 billion, a decrease of 43% from the level in the first quarter of 2017. Net trading income was negatively affected by lower trading income in FICC and Capital Markets, where customer activity was high in the same period in 2017, and a lower investment result from the health and accident business at Wealth Management.

Other income amounted to DKK 0.3 billion and was at the same level as in the first quarter of 2017.

Expenses

Operating expenses amounted to DKK 5.6 billion, a decrease of 2% from the level in the first quarter of 2017. Operating expenses benefited from lower activity-related costs and efficiency measures, which, however, were partly offset by higher costs related primarily to investments in compliance and our continued initiatives to meet our high ambitions within digital transformation.

Loan impairments

Loan impairment charges remained low, with net reversals in the first quarter of 2018 of DKK 330 million in core activities due to credit quality remaining solid, supported by stable macroeconomic conditions.

At Personal Banking and Business Banking, reversals in the first quarter of 2018 related primarily to facilities in Denmark, which benefited from improved credit quality. At Corporates & Institutions and Wealth Management, there were no new significant impairment charges, and in Northern Ireland, the impairment charges related to a few cases.

Loan impairment charges

	Q1 2018		Q1 2017	
(DKK millions)	Charges	% of loans and guar-antees	Charges	% of loans and guar-antees
Personal Banking	-100	-0.05	56	0.03
Business Banking	-272	-0.15	-286	-0.17
C&I	3	0.00	81	0.08
Wealth Management	-16	-0.08	-25	-0.13
Northern Ireland	62	0.53	-61	-0.54
Other Activities	-7	-1.52	-	-
Total	**-330**	**-0.07**	**-235**	**-0.05**

Tax

Tax on the profit for the period amounted to DKK 1.3 billion, or 21.4% of profit before tax.

Q1 2018 vs Q4 2017

In the first quarter of 2018, Danske Bank posted a net profit of DKK 4.9 billion, against DKK 5.5 billion in the fourth quarter of 2017.

Net interest income amounted to DKK 5.9 billion, a decrease of 3% from the level in the fourth quarter of 2017. Net interest income was positively affected by growth in lending and deposit volumes, which was offset by fewer interest days in the first quarter and lower margins.

Net trading income amounted to DKK 1.4 billion, an increase of 7% from the level in the fourth quarter of 2017, however, net trading income remained subdued. The increase was due partly to an increase in customer activity in FICC.

Other income decreased 26% to DKK 0.3 billion. In the fourth quarter of 2017, other income benefited from a higher risk result and higher income from market-based products at Danica Pension and by fair value adjustments of investment properties.

Operating expenses amounted to DKK 5.6 billion and were down 3% from the level in the fourth quarter of 2017. Staff-related costs increased in the first quarter, as the fourth quarter benefited from a one-off gain relating to the amended pension liability in Northern Ireland. The increase in staff costs was more than offset by lower activity-related costs and lower external costs.

Loan impairments showed net reversals of DKK 0.3 billion, continuing the stable trend from the level in the fourth quarter of 2017 and reflecting consistently strong credit quality supported by higher collateral values.

Balance sheet

Lending (end of period) (DKK billions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4
Personal Banking	758.9	745.9	102	757.9	100
Business Banking	701.7	681.7	103	697.4	101
Corporates & Institutions	174.7	189.1	92	175.2	100
Wealth Management	75.8	73.4	103	75.0	101
Northern Ireland	49.0	46.5	105	46.3	106
Other Activities incl. eliminations	-3.9	-9.6	41	-9.4	41
Allowance account, lending	19.7	21.6	91	19.4	102
Total lending	**1,736.5**	**1,705.5**	**102**	**1,723.0**	**101**

Deposits (end of period) (DKK billions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4
Personal Banking	276.7	267.3	104	273.5	101
Business Banking	247.6	237.9	104	248.3	100
Corporates & Institutions	290.2	251.1	116	267.8	108
Wealth Management	67.7	61.9	109	65.8	103
Northern Ireland	60.5	58.9	103	59.0	103
Other Activities incl. eliminations	-2.8	6.4	-	-2.5	112
Total deposits	**940.0**	**883.5**	**106**	**911.9**	**103**

Covered bonds (DKK billions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4
Bonds issued by Realkredit Danmark	753.7	734.3	103	758.4	99
Own holdings of bonds	37.7	41.2	92	33.6	112
Total Realkredit Danmark bonds	**791.4**	**775.4**	**102**	**792.0**	**100**
Other covered bonds issued	173.1	158.6	109	168.1	103
Own holdings of bonds	41.9	62.5	67	33.5	125
Total other covered bonds	**215.1**	**221.1**	**97**	**201.7**	**107**
Total deposits and issued mortgage bonds etc.	**1,946.4**	**1,880.0**	**104**	**1,905.5**	**102**
Lending as % of deposits and issued mortgage bonds etc.	89.2	90.7		90.4	

Lending

At the end of March 2018, total lending was up 1% from the level at the end of 2017. Lending increased in almost all markets and across almost all geographies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 24.6 billion. Lending to personal customers accounted for DKK 10.0 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, increased slightly from 26.6% at the end of 2017 to 26.7%. Our market share of lending in Sweden increased slightly from 5.6% at the end of December 2017 to 5.7%. Our market shares in Finland was maintained.

Market shares of lending (%)	28 February 2018	31 December 2017
Denmark incl. RD (excl. repo)	26.7	26.6
Finland	9.6	9.6
Sweden (excl. repo)	5.7	5.6
Norway *	6.1	6.1

Source: Market shares are based on data from the central banks.

** As of January 2018, the monthly market share figures issued by Statistics Norway are deferred until June due to major IT system changes. Consequently, Danske Bank has not received updated data, and the market shares for Norway are thus based on data at 31 December.*

Lending equalled 89.2% 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 March 2018, total deposits were up 3% from the level at the end of 2017. Our market shares in Denmark and Sweden increased slightly. Our market share in Finland fell from the seasonally high level of institutional deposits at the end of 2017. The Group maintained its strong funding position.

Market shares of deposits (%)	28 February 2018	31 December 2017
Denmark (excl. repo)	28.0	27.9
Finland	13.1	13.5
Sweden (excl. repo)	4.2	4.0
Norway*	6.6	6.6

Source: Market shares are based on data from the central banks.
** As of January 2018, the monthly market share figures issued by Statistics Norway are deferred until June due to major IT system changes. Consequently, Danske Bank has not received updated data, and the market shares for Norway are thus based on data at 31 December.*

Credit exposure
Credit exposure from lending activities in core segments totalled DKK 2,480 billion, against DKK 2,688 billion at the end of 2017. The decrease in credit exposure from lending activities was owing primarily to the reclassification of repos and other loans in the trading units of Corporates & Institutions from 1 January 2018, thus excluding this exposure from credit exposure from lending activities. The reclassification is a result of the implementation of IFRS 9. At the end of 2017, such loans amounted to DKK 223 billion. Note 2 provides further information. The decrease was partly offset by including committed loan offers of DKK 69 billion in credit exposure from lending activities. Excluding the impact from IFRS 9 and the committed loan offers, the credit exposure decreased DKK 52 billion, and it related primarily to exposures with central banks and committed lines.

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

Credit quality
Credit quality remains solid in light of stable macroeconomic conditions. While the IFRS 9 implementation resulted in an unchanged total gross NPL level, net NPL increased DKK 2.3 billion, and the NPL coverage ratio decreased to 78%. The introduction of the new impairment methodology under IFRS 9 included an improved impairment model setup, which led to a somewhat lower allowance account amount for non-performing loans than under IAS 39. In turn, this led to an increase in net NPL and a lower NPL coverage ratio.

The risk management notes on pp. 55-69 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	31 Mar. 2018	31 Dec. 2017
Gross NPL	33,158	33,255
NPL allowance account	13,601	15,965
Net NPL	**19,557**	**17,290**
Collateral (after haircut)	**15,757**	**14,703**
NPL coverage ratio (%)	78.2	86.1
NPL coverage ratio of which is in default (%)	95.4	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 21.7 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	31 March 2018		31 December 2017	
(DKK millions)	Accum. impairm. charges*	% of loans and guarantees	Accum. impairm. charges*	% of loans and guarantees
Personal Banking	5,598	0.73	5,200	0.69
Business Banking	12,188	1.68	11,452	1.68
C&I	2,446	0.64	2,189	0.51
Wealth Management	471	0.60	460	0.60
Northern Ireland	959	2.03	764	1.67
Other	5	0.01	3	0.01
Total	**21,669**	**1.08**	**20,069**	**1.01**

** Relating to lending activities in core segments.*

Realised losses amounted to DKK 0.8 billion. Of these losses, DKK 0.1 billion was attributable to facilities not already subject to impairment.

Trading and investment activities
Credit exposure from trading and investment activities amounted to DKK 1,038 billion at 31 March 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 84.3 billion, against DKK 74.7 billion at the end of 2017.

The value of the bond portfolio was DKK 485 billion. Of the total bond portfolio, 70% was recognised at fair value and 30% at amortised cost.

Bond portfolio (%)	31 March 2018	31 December 2017
Government bonds and bonds guaranteed by central or local governments	38	34
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	45	49
Swedish covered bonds	13	12
Other covered bonds	2	3
Corporate bonds	1	1
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	30	30

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

The net position on repo transactions increased DKK 23.0 billion from an asset of DKK 8.2 billion at the end of 2017 to an asset of DKK 31.2 billion at the end of March 2018.

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 48.7 billion at the end of 2017 to net assets of DKK 81.1 billion at the end of March 2018 as a result of fluctuations in the market value of the derivatives portfolio and an increase in the market value of the bond portfolio.

Other balance sheet items

Total assets in Non-core amounted to DKK 4.8 billion at the end of March 2018. This was the same level as at the end of 2017.

Other assets is the sum of several small line items. Other assets increased DKK 3.3 billion from the end of 2017.

Capital ratios

Our capital management policies support our business strategy and ensure that we are sufficiently capitalised to withstand severe macroeconomic downturns.

In order to position the Group for our ambitions and to absorb potentially adverse effects under stress as well as the inherent regulatory uncertainty, we have set prudent capital targets. For the CET1 capital ratio, the target is set in the range of 14-15% in the short to medium term and for the total capital ratio, the target is set around 19%.

We will reassess the capital targets when future regulatory initiatives have been further clarified, especially in relation to the implementation into EU law of the Basel Committee's revised standards for REA calculations published in December 2017.

At the end of March 2018, the total capital ratio was 21.4%, 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 it was driven primarily by the DKK 10 billion share buy-back programme initiated on 2 February 2018.

During the first quarter of 2018, the REA increased slightly, DKK 2 billion, to DKK 755 billion at the end of March 2018. The movement was attributable primarily to an increased REA for market risk.

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

Capital requirements

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

At the end of March 2018, the Group's solvency need was 10.5%, which was unchanged from the level at the end of 2017. The solvency need consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

A combined buffer requirement applies in addition to the solvency need. At the end of March 2018, the Group's combined capital buffer requirement was 4.8%.

In March 2018, the Danish Government introduced a countercyclical buffer requirement in Denmark of 0.5%, effective as of 31 March 2019, and this will increase the Group's combined buffer requirement by 0.2 percentage points. Consequently, the buffer requirement will be 6.3% when fully phased-in, bringing the fully phased-in CET1 capital requirement to 12.3% and the fully phased-in total capital requirement to 16.9%.

Capital ratios and requirements (% of the total REA)	Q1 2018	Fully phased-in*
Capital ratios		
CET 1 capital ratio	16.4	16.2
Total capital ratio	21.4	20.9
Capital requirements (incl. buffers)**		
CET 1 capital requirement	10.7	12.3
- portion from countercyclical buffer	*0.5*	*0.8*
- portion from capital conservation buffer	*1.9*	*2.5*
- portion from SIFI buffer	*2.4*	*3.0*
Total capital requirement	15.4	16.9
Excess capital		
CET 1 capital	5.7	3.9
Total capital	6.0	4.0

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

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

Danske Bank's long-term ambition is to provide shareholders with a competitive return through share price appreciation and ordinary dividend payments of 40-60% of net profits.

We intend to return excess capital to our shareholders if capital is available after we have met our capital targets and paid out ordinary dividends.

At 31 March 2018, we had bought back 6.8 million shares for a total purchase amount of DKK 1.6 billion (figures at trade date) of our planned DKK 10.0 billion share buy-back programme.

Ratings

Since 1 January 2018, S&P Global and Moody's have undertaken outlook revisions of their ratings of Danske Bank. Furthermore, Moody's downgraded Danske Bank's long-term deposit rating. Fitch Ratings maintained their A/F1 (stable outlook) issuer ratings on Danske Bank.

On 2 February 2018, Moody's affirmed Danske Bank's A1 issuer and senior debt ratings, while changing the outlook to negative from positive. At the same time, Moody's downgraded Danske Bank's long-term deposit rating to A1 from Aa3, while maintaining a stable outlook. The outlook revision and downgrade are the result of a correction of an error made by Moody's when calculating the cushion of debt that can be bailed in under Moody's Loss Given Failure analysis.

On 5 April 2018, S&P affirmed Danske Bank's A issuer and senior debt ratings, while revising the outlook to positive from stable. The outlook revision is the result of S&P's expectation that Danske Bank will build a meaningful buffer of additional loss-absorbing capacity (ALAC) to protect senior debtholders. S&P could raise the long-term issuer and senior debt ratings by one notch if Danske Bank realises its issuance plans throughout 2018 and approaches its target for ALAC buffers.

Danske Bank's ratings

	Moody's	S&P Global	Fitch Ratings
Long-term senior debt	A1	A	A
Short-term senior debt	P-1	A-1	F1
Outlook	Negative	Positive*	Stable
Long-term deposits	A1		
Short-term deposits	P-1		
Outlook	Stable		

*On 5 April 2018

Mortgage bonds and covered bonds (RO+SDRO) issued by Realkredit Danmark are rated AAA (stable outlook) by S&P Global, while Fitch rates bonds issued from capital centre S AAA (stable outlook) and bonds issued from capital centre T AA+ (stable outlook).

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

Funding and liquidity

During the first quarter of 2018, we issued senior debt of only DKK 1 billion – as we await the legislation on non-preferred senior issuance – and covered bonds of DKK 9 billion, bringing total new long-term wholesale funding in the first quarter of 2018 to DKK 10 billion.

Although deposit inflows in the first quarter remained at a high level, we maintain our funding plan for 2018 of DKK 60-80 billion.

We remain dedicated to our strategy of securing more funding directly in our main lending currencies, and most of our issuance has been in NOK and SEK.

The new legislation covering non-preferred senior issuance is currently undergoing the parliamentary process, and the first reading in the Danish parliament was in late March. We expect the new legislation to be passed in the second quarter of 2018, with effect from 1 July 2018.

Importantly, the new legislation will take effect retroactively from 1 January 2018, allowing Danish banks to issue non-preferred senior debt once their documentation has been amended, even if such issuance occurs prior to July 2018.

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 March 2018, our liquidity coverage ratio stood at 144%, with an LCR buffer of DKK 565 billion.

At 31 March 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 315 billion, against DKK 327 billion at the end of 2017.

Danske Bank excluding Realkredit Danmark (DKK billions)	31 March 2018	31 December 2017
Covered bonds	173.1	168.1
Senior unsecured debt	112.6	129.9
Subordinated debt	28.8	29.1
Total	**314.6**	**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 March 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

Beginning on 1 January 2018, the Group implemented IFRS 9, the new accounting standard for financial instruments.

The implementation of IFRS 9 resulted in an increase in the allowance account of DKK 2.6 billion at 1 January 2018 as a result of the introduction of the new expected credit loss impairment model. The total effect of DKK 2.0 billion, including the other changes due to the implementation of IFRS 9 (net of tax), has reduced shareholders' equity at 1 January 2018. Note 2 provides more information. The impact of IFRS 9 on regulatory capital is subject to a five-year phase-in period.

With the implementation of the Bank Recovery and Resolution Directive (BRRD), EU banks are required to have sufficient bail-in-able resources to fulfil the minimum requirement for own funds and eligible liabilities (MREL). In March 2018, the Danish FSA published their decision to set the MREL for the Group. The requirement will become effective from 1 July 2019. As expected, the MREL for the Group was set to be equivalent to two times the capital requirement including capital buffer requirements, and in total this corresponds to 33% of the REA. 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. Furthermore, liabilities and own funds used to fulfil the MREL cannot simultaneously be used to fulfil the capital and debt buffer requirements that apply to Realkredit Danmark.

The Danish FSA also imposes the requirement that all the MREL eligible liabilities and own funds must bear losses before other senior unsecured claims in case of both resolution and insolvency. However, in transition to 2022, the MREL can also be fulfilled with unsecured senior debt issued before 1 January 2018.

A more detailed description of the new regulation is provided in Risk Management 2017, section 3, which is available at danskebank.com/ir.

Changes to the Board of Directors and the Executive Board

Danske Bank's annual general meeting was held on 15 March 2018. Urban Bäckström and Martin Tivéus did not seek re-election. Ingrid Bonde and Jens Due Olsen were elected by the annual general meeting as their replacements. The employees elected two new employee representatives to the Board of Directors, Bente Bank and Thorbjørn Lundholm Dahl, to replace Carsten Eilertsen and Dorthe Bielefeldt.

Information about the composition of the Board of Directors and the board committees is available at danskebank.com/about-us/corporate-governance.

On 5 April 2018, it was announced that Lars Mørch, Head of Business Banking, had resigned from his position as member of the Executive Board. Effective from 21 April 2018, Lars Mørch is no longer a member of the Executive Board.

On 6 April 2018, it was announced that Tonny Thierry Andersen, Head of Wealth Management, had resigned from his position as member of the Executive Board. Tonny Thierry Andersen will leave Danske Bank as at 2 May 2018.

On 6 April 2018, the Group announced that, on 2 May 2018, it will change its organisation and expand its Executive Board by four members, resulting in the following changes to the Executive Board; Jacob Aarup-Andersen, member of the Executive Board, will be Head of Wealth Management (previously CFO), Henriette Fenger Ellekrog, Head of Group HR, is appointed member of the Executive Board, Jakob Groot is appointed member of the Executive Board and Head of Corporates & Institutions (previously Head of FICC), Jesper Nielsen, member of the Executive Board, will be Head of Banking DK (previously Head of Personal Banking), Glenn Söderholm, member of the Executive Board, will be Head of Banking Nordic (previously Head of Corporates & Institutions) and Frederik Gjessing Vinten is appointed member of the Executive Board and Head of Group Development (previously Head of Group Strategy).

Jacob Aarup-Andersen will be replaced as CFO by Christian Baltzer, who will be appointed member of the Executive Board. Christian Baltzer comes from a position as Group CFO of Danish insurance provider Tryg and is expected to join Danske Bank on 15 October 2018.

Personal Banking

In the first quarter of 2018, Personal Banking delivered an increase in profit before tax of 21% from the first quarter 2017 level. The result was driven by a continued increase in business volumes in Sweden and Norway, lower operating expenses and net impairment reversals.

Personal Banking (DKK millions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Net interest income	1,960	1,963	100	1,978	99	7,911
Net fee income	859	841	102	855	100	3,419
Net trading income	195	200	98	179	109	614
Other income	129	178	72	177	73	736
Total income	3,142	3,182	99	3,189	99	12,681
Operating expenses	1,757	1,896	93	1,917	92	7,533
Profit before loan impairment charges	1,385	1,286	108	1,271	109	5,148
Loan impairment charges	-100	56	-	-41	-	-62
Profit before tax	**1,485**	**1,230**	**121**	**1,312**	**113**	**5,211**
Loans, excluding reverse transactions before impairments	758,915	745,903	102	757,937	100	757,937
Allowance account, loans	4,926	5,170	95	4,876	101	4,876
Deposits, excluding repo deposits	276,728	267,266	104	273,478	101	273,478
Bonds issued by Realkredit Danmark	411,102	400,681	103	409,363	100	409,363
Allowance account, guarantees	672	379	177	324	207	324
Allocated capital (average)	25,403	23,838	107	25,350	100	24,450
Net interest income as % p.a. of loans and deposits	0.76	0.78		0.77		0.77
Profit before tax as % p.a. of allocated capital (ROAC)	23.4	20.6		20.7		21.3
Cost/income ratio (%)	55.9	59.6		60.1		59.4
Full-time-equivalent staff	4,161	4,558	91	4,517	92	4,517

Fact Book Q1 2018 provides financial highlights at country level for Personal Banking. Fact Book Q1 2018 is available at danskebank.com/ir.

Q1 2018 vs Q1 2017

Profit before tax amounted to DKK 1.5 billion, an increase of 21% from the level recorded in the first quarter of 2017. The increase reflects higher income from increasing business volumes, especially in Sweden and Norway, lower operating expenses and net loan impairment reversals.

In the first quarter, we sold off Krogsveen, our Norwegian real-estate agency chain. The sale reduced both other income and expenses and thus had a positive impact on costs in the quarter. The sale also contributed to improving the cost/income ratio.

Net interest income was on par with the level in the first quarter of 2017. Growing lending volumes and good business momentum were offset by pressure on deposit margins from persistently low interest rates as well as adverse exchange rate effects.

Total lending rose 2% on the back of our strategic partnerships with Akademikerne in Norway and SACO and TCO in Sweden.

Fee income increased 2% from the level in the first quarter of 2017.

Operating expenses decreased 7%, despite increasing costs for regulatory compliance. The sale of Krogsveen and cost efficiencies contributed to the decrease.

Credit quality

Credit quality was generally stable. Most of our markets are supported by favourable macroeconomic conditions and the low interest rate level.

Loan impairment charges amounted to a net reversal of DKK 100 million for the first quarter of 2018, reflecting strong and stable portfolio credit quality and increased collateral values.

The credit quality at Realkredit Danmark remained strong and stable throughout the first quarter of 2018.

Overall, the loan-to-value (LTV) level fell slightly throughout the period.

Loan-to-value ratio, home loans	31 March 2018		31 December 2017	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	63.6	465	64.2	465
Finland	61.3	85	61.2	85
Sweden	62.0	79	60.6	80
Norway	62.8	97	62.8	93
Total	**63.1**	**725**	**63.3**	**723**

Credit exposure

Credit exposure increased to DKK 814 billion in the first quarter of 2018. Most of the increase was a result of loan offers exposure that was not previously included in total credit exposure. However, the increase was also driven by growth in Sweden and Norway stemming from our strategic partnerships.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 March 2018	31 December 2017	31 March 2018
Denmark	497,899	496,776	-0.08
Finland	92,206	91,566	0.00
Sweden	101,891	88,048	0.00
Norway	122,185	112,678	0.00
Other	-	-	0.04
Total	**814,182**	**789,068**	**-0.05**

Q1 2018 vs Q4 2017

Profit before tax increased 13% to DKK 1.5 billion, owing to lower operating expenses and higher net impairment reversals.

Total lending was at the same level as in the fourth quarter of 2017 owing to the adverse exchange rate effects. Excluding the exchange rate effects, lending continued to rise.

Net trading income was up 9%. The increase reflects the lower level of remortgaging fees in the fourth quarter.

Operating expenses decreased 8%, benefiting from the sale of Krogsveen and cost efficiencies.

The first quarter of 2018 saw a net loan impairment reversal of DKK 100 million, against a net reversal of DKK 41 million in the fourth quarter of 2017. The continued reversal of loan impairment charges reflects strong and improved credit quality and increased collateral values.

Business Banking

Profit before tax increased 5% from the level in the first quarter of 2017, driven by higher income, which offset an increase in operating expenses. An 8% improvement in net interest income was driven by higher margins and good activity in all our Nordic markets. Loan impairment reversals of DKK 272 million were on a par with the level in the same period last year and were owing to good credit quality supported by higher property prices and stable macroeconomic conditions.

Business Banking (DKK millions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Net interest income	2,336	2,171	108	2,328	100	8,973
Net fee income	494	475	104	477	104	1,888
Net trading income	176	173	102	180	98	638
Other income	146	141	104	146	100	551
Total income	3,152	2,961	106	3,131	101	12,051
Operating expenses	1,213	1,145	106	1,263	96	4,736
Profit before loan impairment charges	1,939	1,816	107	1,868	104	7,316
Loan impairment charges	-272	-286	-	-51	-	-823
Profit before tax	**2,211**	**2,101**	**105**	**1,920**	**115**	**8,139**
Loans, excluding reverse transactions before impairments	701,676	681,693	103	697,387	101	697,387
Allowance account, loans	11,197	12,327	91	11,014	102	11,014
Deposits, excluding repo deposits	247,631	237,922	104	248,292	100	248,292
Bonds issued by Realkredit Danmark	331,338	323,903	102	335,944	99	335,944
Allowance account, guarantees	989	409	242	437	226	437
Allocated capital (average)	43,878	45,829	96	44,867	98	45,432
Net interest income as % p.a. of loans and deposits	1.00	0.96		1.00		0.96
Profit before tax as % p.a. of allocated capital (ROAC)	20.2	18.3		17.1		17.5
Cost/income ratio (%)	38.5	38.7		40.3		39.3
Full-time-equivalent staff	2,773	2,763	100	2,760	100	2,760

Fact Book Q1 2018 provides financial highlights at country level for Business Banking. Fact Book Q1 2018 is available at danskebank.com/ir.

Q1 2018 vs Q1 2017

Business Banking continued its good and stable development. Positive business momentum and good activity across the Nordic markets resulted in an increase in profit before tax of 5% to DKK 2.2 billion. The increase was driven mainly by improvements in income, where total income rose 6% from the level in the same period last year.

Net interest income rose 8%, and lending grew 3%, with bank lending accounting for most of the increase. Good business momentum, improved margins and increasing lending volumes were the main drivers of the improvement in net interest income. Deposit margins were stable but continued to be under pressure due to the persistently low level of interest rates.

Net fee income was up 4%, partly due to increased lending volumes and high activity in general. Net trading income increased 2%, driven by mortgage refinancing activity.

Net impairment reversals amounted to DKK 272 million, remaining on a par with the level in the first quarter of 2017.

Operating expenses rose 6%, driven partly by rising regulatory costs and IT investments that were made to improve the customer experience and meet regulatory requirements.

Credit quality

Positive macroeconomic conditions in the Nordic countries and our ongoing efforts to improve credit quality resulted in net impairment reversals of DKK 272 million in the first quarter of 2018, and we thus saw a continuation of the positive trend in impairments from 2017.

Net reversals were primarily attributable to facilities in Denmark, but facilities in Sweden, Finland and the Baltics also contributed.

The positive development in Denmark was driven mainly by positive collateral value adjustments and improved market conditions.

Credit exposure

Credit exposure decreased from DKK 1,017 billion in the fourth quarter of 2017 to DKK 1,011 billion in the first quarter of 2018.

(DKK millions)	Net credit exposure 31 March 2018	Net credit exposure 31 December 2017	Impairments (ann.) (%) 31 March 2018
Denmark	481,272	475,436	-0.19
Finland	83,162	79,412	-0.19
Sweden	170,074	162,600	-0.16
Norway	83,905	80,796	0.22
Baltics	19,123	19,893	-0.87
Other	172,987	198,675	-
Total	**1,010,523**	**1,016,812**	**-0.15**

Q1 2018 vs Q4 2017

Profit before tax increased 15% due to higher income, net impairment reversals, as well as lower operating expenses than in the fourth quarter of 2017.

Total income rose 1%, as we continued to see good business momentum, particularly in Sweden.

Net interest income and net trading income were stable, whereas net fee income rose in all our Nordic markets.

Operating expenses decreased 4%, owing partly to seasonality.

Loan impairments remained at a low level, amounting to net reversals of DKK 272 million in the first quarter of 2018, against DKK 51 million in the fourth quarter of 2017.

Corporates & Institutions

In the first quarter of 2018, Corporates & Institutions generated a profit before tax of DKK 1.4 billion. Compared with the figure for the same period last year, profit decreased 35%. The decrease was due primarily to lower trading income in FICC and Capital Markets, where customer activity was high in the same period in 2017. Operating expenses decreased 3% from the same period last year due to lower activity and a continuous focus on cost efficiency gains.

Corporates & Institutions (DKK millions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Net interest income	893	849	105	914	98	3,438
Net fee income	690	780	88	852	81	2,929
Net trading income	999	1,843	54	851	117	4,842
Other income	3	-	-	1	300	1
Total income	2,585	3,472	74	2,618	99	11,210
Operating expenses	1,154	1,184	97	1,228	94	4,664
Profit before loan impairment charges	1,431	2,287	63	1,390	103	6,546
Loan impairment charges	3	81	2	-33	-	353
Profit before tax	**1,429**	**2,207**	**65**	**1,422**	**100**	**6,193**
Loans, excluding reverse trans. before impairments	174,724	189,129	92	175,161	100	175,161
Allowance account, loans	1,917	2,139	90	2,044	94	2,044
Allowance account, credit institutions	14	13	108	10	140	10
Deposits, excluding repo deposits	290,171	251,120	116	267,797	108	267,797
Bonds issued by Realkredit Danmark	15,202	18,620	82	14,373	106	14,373
Allowance account, guarantees	515	288	179	134	-	134
Allocated capital (average)	32,234	38,110	85	32,310	100	34,949
Net interest income as % p.a. of loans and deposits	0.77	0.78		0.83		0.78
Profit before tax as % p.a. of allocated capital (ROAC)	17.7	23.2		17.6		17.7
Cost/income ratio (%)	44.6	34.1		46.9		41.6
Full-time-equivalent staff	1,708	1,657	103	1,673	102	1,673

Total income (DKK millions)						
FICC	1,068	1,853	58	900	119	4,879
Capital Markets	393	540	73	543	72	1,956
General Banking	1,124	1,078	104	1,175	96	4,375
Total income	**2,585**	**3,472**	**74**	**2,618**	**99**	**11,210**

Q1 2018 vs Q1 2017

Corporates & Institutions saw subdued customer activity in the first quarter of 2018, due to uncertainty in the financial markets sidelining many investors. Corporates & Institutions generated total income of DKK 2.6 billion in the first quarter of 2018 - a decrease of 26% from the same period last year, which was characterised by a number of geopolitical events that drove customer activity to a high level.

During the first quarter of 2018, interest rate levels increased, which created significant uncertainty in the financial markets. A number of investors reduced their trading activity in the expectation of a further rise in interest rates. Customers in the primary markets in Debt Capital Markets responded with an increased level of bond issues, however not as high as in the first quarter of 2017. In addition, the fall in the equity markets gave rise to good customer activity within derivatives sales in Equities.

Net interest income increased 5% due to refinancing activities and deposit volumes.

Loans, excluding reverse transactions, decreased 8% due to changes in collateral management agreements. Excluding reverse transactions (repos) and collateral management agreements, lending volumes were stable. Deposits increased 16% due to collateral management agreements and new deposits from customers in Sweden and Finland in particular.

Net fee income decreased 12% owing to a decline in event-driven activity, mainly in Corporate Finance and Debt Capital Markets (DCM), from the high level in the same period last year.

Net trading income fell 46% to DKK 1.0 billion. The decrease was due primarily to lower customer activity in DCM and

FICC than in the first quarter of last year, when activity was at a very high level.

Total income from FICC amounted to DKK 1.1 billion; a decrease of 42% from the same period in 2017. The decrease was driven by lower customer activity than in the first quarter of 2017. In addition, the higher interest rates created uncertainty in the financial markets, which sidelined many investors.

Capital Markets income amounted to DKK 0.4 billion, a decrease of 27% from the same period last year. Corporate Finance and DCM saw a more subdued level of customer activity in DCM, especially within trading.

Equities saw a quarter slightly below the same period last year due to lower income from research and advisory services. This was, however, somewhat mitigated by income from derivatives sales because of volatility in the equity markets.

Income from General Banking increased 4% owing to refinancing activities and deposit volumes.

Operating expenses were down 3% in the first quarter of 2018 from the level in the same period last year. This was due primarily to a continuous focus on cost efficiency gains and lower performance-based compensation.

Credit quality

Total loan impairments at Corporates & Institutions amounted to DKK 3 million in the first quarter of 2018, reflecting a more stable situation for offshore companies active on the Norwegian continental shelf. At the end of the first quarter of 2018, total credit exposure from lending activities amounted to DKK 466 billion, a decrease of around 34% 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.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 March 2018	31 December 2017	31 March 2018
Sovereign	86,035	171,942	-0.04
Financial Institutions	61,914	179,410	-0.06
Corporate	317,529	359,073	0.06
Other	320	291	-
Total	**465,799**	**710,717**	**0.01**

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.

Q1 2018 vs Q4 2017

Profit before tax for the first quarter of 2018 was on par with the profit in the fourth quarter of 2017.

At FICC, income increased 19% due to a subdued fourth quarter of 2017, when customer activity was impacted by seasonality.

At Capital Markets, total income fell 28%, owing mainly to a fall in income from Corporate Finance in the beginning of the year.

Operating expenses were down 6% from the level in the preceding quarter, owing mainly to seasonality, lower performance-based compensation and cost efficiency gains.

Wealth Management

Profit before tax amounted to DKK 0.9 billion, a decrease of 18% from the level in the first quarter of 2017. The financial performance was influenced by uncertainty in the financial markets, causing a lower investment result from the health and accident business and slightly lower assets under management. The financial performance included strong premium growth in Danica Pension and operating expenses on the same level as in the first quarter of 2017.

Wealth Management (DKK millions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Net interest income	179	182	98	176	102	709
Net fee income	1,701	1,749	97	2,149	79	7,281
Net trading income	-19	103	-	55	-	403
Other income	16	28	57	53	30	174
Total income	1,877	2,062	91	2,433	77	8,567
Operating expenses	1,015	1,016	100	1,107	92	4,082
Profit before loan impairment charges	863	1,046	83	1,326	65	4,485
Loan impairment charges	-16	-25	-	-23	-	-93
Profit before tax	**878**	**1,070**	**82**	**1,350**	**65**	**4,579**
Loans, excluding reverse trans. before impairments	75,798	73,399	103	75,028	101	75,028
Allowance account, loans	438	475	92	434	101	434
Deposits, excluding repo deposits	67,696	61,911	109	65,849	103	65,849
Bonds issued by Realkredit Danmark	33,716	32,226	105	32,278	104	32,278
Allowance account, guarantees	33	38	87	26	127	26
Allocated capital (average)	13,524	13,529	100	13,610	99	13,894
Net interest income as % p.a. of loans and deposits	0.50	0.54		0.50		0.50
Profit before tax as % p.a. of allocated capital (ROAC)	26.0	31.6		39.7		33.0
Cost/income ratio (%)	54.1	49.3		45.5		47.6
Full-time-equivalent staff	1,898	1,946	98	1,851	103	1,851
Breakdown of assets under management* (DKK billions)						
Life conventional	151	158	96	155	97	155
Asset management	890	875	102	911	98	911
Assets under advice	472	429	110	464	102	464
Total assets under management	**1,513**	**1,463**	**103**	**1,530**	**99**	**1,530**
Breakdown of net fee income (DKK millions)						
Management fees	1,421	1,466	97	1,440	99	5,737
Performance fees	23	16	144	368	6	415
Risk allowance fees	256	268	96	342	75	1,130
Total net fee income	**1,701**	**1,749**	**97**	**2,149**	**79**	**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.*

Q1 2018 vs Q1 2017

Profit before tax amounted to DKK 0.9 billion, a decrease of 18% from the level in the first quarter of 2017. The financial performance was influenced by uncertainty in the financial markets, leading to a lower investment result from the health and accident business included in the net trading income of DKK -19 million.

Net interest income was down 2% to DKK 0.2 billion.

Net fee income amounted to DKK 1.7 billion and was 3% below the level in the first quarter of 2017, due mainly to the fact that product launches supported net fee income in the year-earlier period. However, net fee income benefited from an increase in assets under management from the level in the first quarter of 2017.

Operating expenses were on the same level as in the first quarter of 2017 despite increased regulatory costs.

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 16 million in the first quarter of 2018.

Overall, the loan-to-value (LTV) level was stable throughout the first quarter of 2018.

Loan-to-value ratio, home loans	31 March 2018		31 December 2017	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	60.0	40	60.0	40
Finland	65.4	2	65.5	2
Sweden	59.5	4	58.9	4
Norway	59.8	7	59.3	7
Total	**60.0**	**54**	**60.0**	**53**

Credit exposure

Credit exposure increased to DKK 87 billion in the first quarter of 2018. A part of the increase was a result of loan offers exposure that was not previously included in total credit exposure. However, the increase was also driven by growth in all markets with the exception of Finland.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 March 2018	31 December 2017	31 March 2018
Denmark	57,499	56,818	-0.03
Finland	3,356	3,415	-0.04
Sweden	6,324	6,292	-0.03
Norway	11,196	10,628	0.33
Luxembourg	8,247	8,028	-1.04
Total	**86,624**	**85,180**	**-0.08**

Assets under management

Assets under management consist 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. At the end of March 2018, assets under management totalled DKK 1,513 billion.

Net premiums for Danica Pension amounted to DKK 12.9 billion, against DKK 11.4 billion in the first quarter of 2017. The increase was driven primarily by positive developments in Denmark and Sweden. For Asset Management, net sales in the first quarter of 2018 amounted to DKK 0.8 billion, against DKK 8.9 billion in the same period of 2017, due to lower institutional net sales.

Investment return on customer funds

Looking at the first quarter of 2018, the financial markets were characterised by geopolitical uncertainty and concerns regarding interest rates. This led to our equity funds recording an average performance, with 49% of investment products generating above-benchmark returns. On a 3-year horizon, 70% of all investment products generated above-benchmark results.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	2018	3-year
All funds	55	70
Equity funds	49	62
Fixed-income funds	67	83
Balanced funds etc.	42	63

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

Customers with *Danica Balance Mix* achieved returns on investments of -4.3% to -1.0%. The return for customers with *Danica Balance* (medium risk profile with 20 years to retirement) was -3.1%.

Q1 2018 vs Q4 2017

In the first quarter of 2018, profit before tax decreased to DKK 0.9 billion, down 35% from the level in the fourth quarter of 2017.

Total income decreased 23%. The decrease was owing to lower net fee income due to performance fees being booked in the fourth quarter and booking of the remaining shadow account balance.

Net trading income was at the same level as in the fourth quarter.

Net sales for Asset Management, excluding Danica Pension, amounted to DKK 0.8 billion, against DKK 9.9 billion in the fourth quarter. The decrease was due to lower institutional sales. Net premiums in Danica Pension amounted to DKK 12.9 billion, against DKK 10.4 billion in the fourth quarter.

Operating expenses were 8% lower in the first quarter due to lower consultancy costs.

Northern Ireland

Despite ongoing macroeconomic uncertainty, the underlying performance was satisfactory with continued growth in lending and deposits. However, profit before tax declined to DKK 125 million on the basis of higher loan impairment charges and adverse movements in the GBP/DKK exchange rate.

Northern Ireland (DKK millions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Net interest income	364	342	106	347	105	1,374
Net fee income	95	115	83	101	94	429
Net trading income	15	24	63	56	27	111
Other income	3	3	100	40	8	48
Total income	477	484	99	544	88	1,961
Operating expenses	290	309	94	46	-	957
Profit before loan impairment charges	187	176	106	499	37	1,004
Loan impairment charges	62	-61	-	-93	-	-247
Profit before tax	**125**	**237**	**53**	**591**	**21**	**1,251**
Loans, excluding reverse transactions before impairments	48,985	46,541	105	46,272	106	46,272
Allowance account, loans	858	1,164	74	757	113	757
Deposits, excluding repo deposits	60,529	58,912	103	58,971	103	58,971
Allowance account, guarantees	101	9	-	7	-	7
Allocated capital (average)*	6,700	5,980	112	6,684	100	6,215
Net interest income as % p.a. of loans and deposits	1.34	1.31		1.33		1.32
Profit before tax as % p.a. of allocated capital (ROE)	7.5	15.9		35.4		20.1
Cost/income ratio (%)	60.8	63.8		8.5		48.8
Full-time-equivalent staff	1,257	1,306	96	1,260	100	1,260

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

Q1 2018 vs Q1 2017

The underlying performance was satisfactory, with profit before loan impairment charges 6% higher than in the year-earlier period.

Profit before tax decreased 47% to DKK 125 million on the basis of a return to loan impairment charges in the quarter, against reversals in recent years. The impairments stem from a few individual cases.

Total income was almost flat, amounting to DKK 477 million, as a result of balanced growth. The benefit from higher UK interest rates was offset by a decline in income following the sale of our Wealth business in the fourth quarter of 2017 and adverse GBP/DKK exchange rate movements.

While uncertainty remains around Brexit, customer activity levels were high, and our business continued to perform well as evidenced by growth in both business and personal lending as well as deposit volumes.

At DKK 290 million, operating expenses were 6% lower than in the year-earlier period, reflecting the impact of restructuring initiatives begun in 2017, which was partially offset by increased investment in IT and customer solutions, as well as a weaker GBP/DKK exchange rate.

Q1 2018 vs Q1 2017 in local currency

In local currency, while profit before tax decreased, reflecting the movement in impairments described above, profit before loan impairments grew 11%, reflecting income growth of 2% and a 4% reduction in operating expenses.

Lending and deposits grew 9% and 6%, respectively, in local currency with growth among both business and personal customers.

Credit quality

Loan impairment charges showed an expense owing to negative developments on a few cases, with the majority of the credit exposure continuing to show an improvement in credit quality.

(DKK millions)	Net credit exposure 31 March 2018	Net credit exposure 31 December 2017	Impairments (ann.) (%) 31 March 2018
Personal customers	21,331	19,312	-0.18
Public institutions	14,992	13,163	-0.13
Financial customers	164	189	-1.85
Commercial customers	32,290	30,356	1.17
Total	**68,776**	**63,019**	**0.53**

Q1 2018 vs Q4 2017

Profit before tax was lower in the first quarter of 2018. The result for the fourth quarter of 2017 included a one-off benefit from a change in pension liabilities following derisking of pension arrangements for staff as well as the proceeds from the sale of our Wealth business.

The underlying business momentum was maintained with continued lending and deposit growth.

Non-core

Profit before tax for the first quarter of 2018 was DKK 32 million. The winding-up of the Non-core portfolios is proceeding according to plan. Total lending stood at DKK 5.3 billion at the end of March 2018.

Non-core (DKK millions)	Q1 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Total income	7	44	16	41	17	169
Operating expenses	54	62	87	484	11	890
Profit before loan impairment charges	-47	-18	261	-443	11	-722
Loan impairment charges	-79	1	-	-470	-	-710
Profit before tax	**32**	**-19**	-	**27**	**119**	**-12**
Loans, excluding reverse transactions before impairments	5,270	20,723	25	5,380	98	5,380
Allowance account, loans	570	2,405	24	653	87	653
Deposits, excluding repo deposits	1,940	2,241	87	1,925	101	1,925
Allowance account, guarantees	11	28	39	27	41	27
Allocated capital (average)	1,315	2,776	47	2,382	55	2,604
Net interest income as % p.a. of loans and deposits	0.54	0.91		2.35		2.63
Profit before tax as % p.a. of allocated capital (ROAC)	9.7	-2.7		4.5		-0.5
Cost/income ratio (%)	771.4	140.9		1,180.5		526.6
Full-time-equivalent staff	123	143	86	122	101	122

Loan impairment charges (DKK millions)						
Non-core banking*	-67	1	-	-556	14	-796
Non-core conduits etc.	-12	-	-	86	-	86
Total	**-79**	**1**	-	**-470**	**17**	**-710**

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

Q1 2018 vs Q1 2017

Profit before tax amounted to DKK 32 million, against a loss of DKK 19 million in the first quarter of 2017. The decrease in income was the result of the continued reduction of the loan portfolio, which, however, was more than offset by net loan impairment reversals.

Operating expenses decreased from DKK 62 million to DKK 54 million in the first quarter of 2018. The decrease was due to the continued reduction in the number of full-time employees.

Total lending, which amounted to DKK 5.3 billion, consisted mainly of exposure to personal mortgages and conduits. Personal mortgages in Estonia and Ireland will mature according to contractual terms.

The Non-core conduits portfolio amounted to DKK 4.3 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.

(DKK millions)	Net credit exposure 31 Mar. 2018	Net credit exposure 31 Dec. 2017	Accumulated impairment charges 31 Mar. 2018	Accumulated impairment charges 31 Dec. 2017
Non-core banking	3,652	3,610	-16	201
-of which Personal customers	3,652	3,610	-86	31
Non-core conduits etc.	4,346	4,583	596	479
Total	**7,997**	**8,193**	**580**	**680**

Total impairments amounted to a net reversal of DKK 79 million, against a charge of DKK 1 million in the first quarter of 2017, primarily reflecting continued reversals and work-outs in Non-core banking.

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

With effect from 1 April 2018, it has been decided to reposition our business activities in the Baltic countries to focus exclusively on supporting subsidiaries of Nordic customers and global corporates with a significant Nordic footprint. All other local Baltic customers will be transferred to the Non-core unit. These are primarily Business Banking customers. At the end of March 2018, the lending volume to be transferred from Business Banking to Non-core totalled DKK 13 billion.

Q1 2018 vs Q4 2017

Profit before tax amounted to DKK 32 million, against DKK 27 million in the fourth quarter of 2017.

Operating expenses amounted to DKK 54 million, a decrease from DKK 484 million in the fourth quarter of 2017, which reflected various activities and costs related to portfolio sales.

Loan impairment charges amounted to net reversals of DKK 79 million, against net reversals of DKK 470 million in the fourth quarter of 2017. Most of the reversals in the fourth quarter of 2017 were of charges against Non-core banking facilities, including the Irish portfolio.

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 additional tier 1 capital, reported as an interest expense in the business segments, differences at 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 2018	Q1 2017	Index 18/17	Q4 2017	Index Q1/Q4	Full year 2017
Net interest income	214	358	60	364	59	1,402
Net fee income	-76	-33	230	-89	85	-282
Net trading income	68	157	43	24	283	479
Other income	12	6	200	4	300	80
Total income	218	488	45	304	72	1,678
Operating expenses	183	174	105	196	93	750
Profit before loan impairment charges	35	314	11	108	32	928
Loan impairment charges	-7	-	-	1	-	1
Profit before tax	**42**	**314**	**13**	**107**	**39**	**927**

Profit before tax (DKK millions)						
Group Treasury	87	427	20	177	49	1,283
Own shares	28	-112	-	34	82	-127
Additional tier 1 capital	194	194	100	197	98	786
Group support functions	-266	-195	136	-301	88	-1,016
Total Other Activities	**42**	**314**	**13**	**107**	**39**	**927**

Q1 2018 vs Q1 2017

Other Activities posted a profit before tax of DKK 42 million, against DKK 314 million in the first quarter of 2017.

Net interest income amounted to DKK 214 million, against DKK 358 million in the first quarter of 2017. The decrease in the first quarter of 2018 was driven primarily by Internal Bank, where the lower funding costs continued to reduce the allocation of liquidity costs.

Net trading income amounted to DKK 68 million, against DKK 157 million in the first quarter of 2017. The first quarter of 2018 was affected by allocations to the business units of accrued income on lending floors previously retained at Group Treasury.

Q1 2018 vs Q4 2017

Profit before tax was DKK 42 million, against DKK 107 million in the fourth quarter of 2017.

Net interest income amounted to DKK 214 million, against DKK 364 million in the fourth quarter of 2017. The decrease was driven primarily by Internal Bank where allocated liquidity costs decreased as a result of lower funding costs.

Net trading income amounted to DKK 68 million, against DKK 24 million in the fourth quarter of 2017.

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. In general, there are no adjusting items, which means that 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 fair value of the credit risk continues to be based on the same approach as that used for impairment on loans at amortised cost (page 135 in Annual Report 2017 provides more information). 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. To recognise the changes in RD due to IFRS 9 similarly to all the 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 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 2 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 to be paid in 2018.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by quarterly average shareholders' equity. 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 194 million and tax thereon (2017: DKK 194 million before tax).
Return on average tangible equity (% p.a.)	As above, but with shareholders' equity reduced by intangible assets and net profit adjusted for amortisation of intangible assets.
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. All amounts are from the financial highlights.
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 -330 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 denominator is calculated as in the ratio above plus the allowance account of DKK 21.7 billion.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	Q1 2018	Q1 2017	Full year 2017
4	Interest income	15,290	14,097	58,495
	Interest expense	7,716	7,053	28,631
	Net interest income	7,574	7,045	29,863
4	Fee income	4,213	4,496	17,572
	Fee expenses	1,532	1,440	6,749
	Net trading income	-2,900	7,798	19,332
4	Other income	1,066	1,297	5,181
4	Income from holdings in associates	140	122	566
	Net premiums	6,962	7,423	25,935
	Net insurance benefits	3,476	13,521	41,119
	Operating expenses	6,254	6,313	25,877
	Profit before loan impairment charges	5,793	6,907	24,705
5	Loan impairment charges	-9	-234	-1,582
	Profit before tax	5,802	7,140	26,288
	Tax	1,241	1,610	5,388
	Net profit for the period	**4,561**	**5,530**	20,900
	Portion attributable to			
	shareholders of Danske Bank A/S (the Parent Company)	4,367	5,336	20,114
	additional tier 1 capital holders	194	194	786
	Net profit for the period	**4,561**	**5,530**	20,900
	Earnings per share (DKK)	5.3	5.8	22.2
	Diluted earnings per share (DKK)	5.3	5.8	22.1
	Proposed dividend per share (DKK)	-	-	10.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1 2018	Q1 2017	Full year 2017
Net profit for the period	4,561	5,530	20,900
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans	-186	-254	14
Tax	151	15	-92
Items that will not be reclassified to profit or loss	**-35**	**-239**	**-78**
Items that are or may be reclassified subsequently to profit or loss			
Translation of units outside Denmark	-6	89	-473
Hedging of units outside Denmark	-19	-93	425
Unrealised value adjustments of bonds at fair value (OCI)	4	80	17
Realised value adjustments of bonds at fair value (OCI)	-8	-8	-74
Tax	-15	-9	-82
Items that are or may be reclassified subsequently to profit or loss	**-44**	**59**	**-187**
Total other comprehensive income	**-79**	**-180**	**-265**
Total comprehensive income for the period	**4,482**	**5,350**	**20,635**
Portion attributable to			
shareholders of Danske Bank A/S (the Parent Company)	4,288	5,156	19,849
additional tier 1 capital holders	194	194	786
Total comprehensive income for the period	**4,482**	**5,350**	**20,635**

Balance sheet – Danske Bank Group

Note	(DKK millions)	31 March 2018	31 December 2017	31 March 2017
	Assets			
	Cash in hand and demand deposits with central banks	82,023	82,818	57,917
	Due from credit institutions and central banks	311,583	333,975	333,239
	Trading portfolio assets	466,739	449,292	463,752
	Investment securities	281,317	324,618	337,105
	Loans at amortised cost	955,335	1,112,752	1,145,705
6	Loans at fair value	1,000,923	787,223	770,440
	Assets under pooled schemes and unit-linked investment contracts	110,648	112,065	105,125
	Assets under insurance contracts	284,603	296,867	289,697
	Intangible assets	7,174	7,177	6,852
	Tax assets	4,282	1,419	2,730
9	Other assets	33,928	31,324	30,979
	Total assets	**3,538,555**	**3,539,528**	**3,543,540**
	Liabilities			
	Due to credit institutions and central banks	250,140	242,887	248,298
	Trading portfolio liabilities	385,635	400,596	446,325
7	Deposits	1,085,108	1,046,858	996,055
8	Issued bonds at fair value	828,415	758,375	734,250
8	Issued bonds at amortised cost	313,364	405,080	449,234
	Deposits under pooled schemes and unit-linked investment contracts	119,809	119,901	112,298
	Liabilities under insurance contracts	314,585	322,726	314,759
	Tax liabilities	8,494	8,634	8,000
9	Other liabilities	44,527	37,097	37,861
8	Subordinated debt	28,840	29,120	35,922
	Total liabilities	**3,378,918**	**3,371,272**	**3,383,002**
	Equity			
	Share capital	9,368	9,368	9,837
	Foreign currency translation reserve	-706	-681	-637
	Reserve for bonds at fair value through OCI	126	130	259
	Retained earnings	136,387	135,731	136,690
	Proposed dividends	-	9,368	-
	Shareholders of Danske Bank A/S (the Parent Company)	145,175	153,916	146,149
	Additional tier 1 capital holders	14,462	14,339	14,389
	Total equity	**159,637**	**168,256**	**160,538**
	Total liabilities and equity	**3,538,555**	**3,539,528**	**3,543,540**

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	153,917	14,339	168,256
Effect from changed accounting practice (IFRS9)	-	-	-	-1,655	-	-1,655	-	-1,655
Restated equity 1 January 2018	9,368	-681	130	134,077	9,368	152,262	14,339	166,601
Net profit for the period	-	-	-	4,367	-	4,367	194	4,561
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	-186	-	-186	-	-186
Translation of units outside Denmark	-	-6	-	-	-	-6	-	-6
Hedging of units outside Denmark	-	-19	-	-	-	-19	-	-19
Unrealised value adjustments	-	-	4	-	-	4	-	4
Realised value adjustments	-	-	-8	-	-	-8	-	-8
Transfer between reserves	-	-	-	-	-	-	-	-
Tax	-	-	-	136	-	136	-	136
Total other comprehensive income	**-**	**-26**	**-4**	**-50**	**-**	**-79**	**-**	**-79**
Total comprehensive income for the year	**-**	**-26**	**-4**	**4,317**	**-**	**4,288**	**194**	**4,482**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-34	-34
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Share capital reduction	-	-	-	-	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-14,551	-	-14,551	-37	-14,587
Sale of own shares and additional tier 1 capital	-	-	-	11,972	-	11,972	-	11,972
Tax	-	-	-	56	-	56	-	56
Total equity at 31 March 2018	**9,368**	**-706**	**126**	**136,387**	**-**	**145,175**	**14,462**	**159,637**

On 5 February 2018, the Group initiated a share buy-back programme of DKK 10 billion, which may run until 1 February 2019. At the end of March 2018, the Group had acquired 6,771,000 shares for a total amount of DKK 1,633 million under the share buy-back programme based on trade date.

On 15 March 2018, the annual general meeting of Danske Bank A/S adopted the proposal to reduce Danske Bank's share capital by DKK 408,741,010 nominally by cancelling 40,874,101 shares from Danske Bank's holding of own shares. The reduction of the share capital has been carried out and registered at 18 April 2018. After the reduction, Danske Banks A/S' share capital amounts to DKK 8,959,536,210 nominally, corresponding to 895,953,621 shares of DKK 10 each.

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company) Share capital	Foreign currency translation reserve	Reserve for 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	-	-	-	5,336	-	5,336	194	5,530
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	-254	-	-254	-	-254
Translation of units outside Denmark	-	89	-	-	-	89	-	89
Hedging of units outside Denmark	-	-93	-	-	-	-93	-	-93
Unrealised value adjustments	-	-	80	-	-	80	-	80
Realised value adjustments	-	-	-8	-	-	-8	-	-8
Tax	-	-	-	6	-	6	-	6
Total other comprehensive income	**-**	**-4**	**72**	**-248**	**-**	**-180**	**-**	**-180**
Total comprehensive income for the year	**-**	**-4**	**72**	**5,088**	**-**	**5,156**	**194**	**5,350**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-35	-35
Dividends paid	-	-	-	521	-8,853	-8,332	-	-8,332
Share capital reduction	-	-	-	-	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-12,958	-	-12,958	-113	-13,071
Sale of own shares and additional tier 1 capital	-	-	-	9,981	-	9,981	-	9,981
Tax	-	-	-	30	-	30	-	30
Total equity at 31 March 2017	**9,837**	**-637**	**259**	**136,690**	**-**	**146,149**	**14,389**	**160,538**

Statement of capital – Danske Bank Group

(DKK)	31 March 2018	31 December 2017
Share capital	9,368,277,220	9,368,277,220
Number of shares	936,827,722	936,827,722
Number of shares outstanding	883,083,087	894,050,822
Average number of shares outstanding for the period	886,875,948	915,423,922
Average number of shares outstanding, including dilutive shares, for the period	887,564,896	915,981,212

Total capital and total capital ratio

(DKK millions)	31 March 2018	31 December 2017
Total equity	159,637	168,256
Revaluation of domicile property at fair value	227	267
Tax effect of revaluation of domicile property at fair value	-32	-32
Total equity calculated in accordance with the rules of the Danish FSA	159,832	168,491
Additional tier 1 capital instruments included in total equity	-14,219	-14,158
Accrued interest on additional tier 1 capital instruments	-329	-169
Tax on accrued interest on additional tier 1 capital instruments	72	37
Common equity tier 1 capital instruments	145,357	154,202
Adjustment to eligible capital instruments	-8,422	-1,060
IFRS 9 reversal due to transition rules	1,643	-
Prudent valuation	-898	-759
Prudential filters	-238	-211
Expected/proposed dividends	-2,737	-9,368
Intangible assets of banking operations	-7,095	-7,100
Deferred tax on intangible assets	377	377
Deferred tax assets that rely on future profitability excluding temporary differences	-321	-335
Defined benefit pension fund assets	-1,520	-1,343
Statutory deduction for insurance subsidiaries	-1,870	-1,349
Other statutory deductions	-287	-308
Common equity tier 1 capital	**123,990**	**132,744**
Additional tier 1 capital instruments	18,433	18,574
Statutory deduction for insurance subsidiaries	-	-169
Tier 1 capital	**142,422**	**151,150**
Tier 2 capital instruments	19,159	19,343
Statutory deduction for insurance subsidiaries	-	-169
Total capital	**161,581**	**170,324**
Total risk exposure amount	**755,276**	**753,409**
Common equity tier 1 capital ratio (%)	16.4	17.6
Tier 1 capital ratio (%)	18.9	20.1
Total capital ratio (%)	21.4	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 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 review.

Cash flow statement – Danske Bank Group

(DKK millions)	Q1 2018	Q1 2017	Full year 2017
Cash flow from operations			
Profit before tax	5,802	7,140	26,288
Tax paid	-3,316	-3,117	-5,482
Adjustment for non-cash operating items	-1,154	-525	-1,093
Total	1,332	3,498	19,713
Changes in operating capital			
Amounts due to/from credit institutions and central banks	8,546	-25,528	-31,337
Trading portfolio	-32,407	13,951	-17,318
Acquisition/sale of own shares and additional tier 1 capital	-242	-1,423	-241
Other financial instruments	23,297	8,347	26,854
Loans at amortised cost	-56,274	-8,342	9,177
Deposits	38,251	52,191	102,993
Issued bonds at amortised cost and fair value	-21,675	7,518	31,643
Assets/liabilities under insurance contracts	4,123	-4,518	-3,720
Other assets/liabilities incl. sale of businesses	25,061	57,929	10,919
Cash flow from operations	**-9,988**	**103,623**	**148,683**
Cash flow from investing activities			
Acquisition of intangible assets	-145	-157	-1,022
Acquisition of tangible assets	-77	-118	-623
Sale of tangible assets	3	1	74
Cash flow from investing activities	**-219**	**-274**	**-1,571**
Cash flow from financing activities			
Issues of subordinated debt	-	5,139	5,087
Redemption of subordinated debt	-	-6,824	-12,577
Dividends	-8,852	-8,332	-8,332
Share buy back programme*	-2,373	-1,667	-9,958
Paid interest on additional tier 1 capital	-34	-35	-786
Cash flow from financing activities	**-11,259**	**-11,719**	**-26,566**
Cash and cash equivalents at 1 January	413,593	296,830	297,078
Foreign currency translation	-426	-106	-4,031
Change in cash and cash equivalents	-21,468	91,630	120,546
Cash and cash equivalents, end of period	**391,699**	**388,354**	**413,593**
Cash and cash equivalents, end of period			
Cash in hand	8,813	8,367	9,051
Demand deposits with central banks	73,210	49,551	73,766
Amounts due from credit institutions and central banks within three months	309,676	330,436	330,776
Total	**391,699**	**388,354**	**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 the implementation of IFRS 9 and IFRS 15 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.

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 100 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 31 March 2018, the adjustments totalled DKK 0.9 billion (31 December 2017: DKK 0.9 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. Note 30 in Annual Report 2017 provides more details.

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 31 March 2018 amounted to DKK 22.3 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 0.4 billion.

Note 39 in Annual Report 2017 and the risk management notes provide more details on expected credit losses. At 31 March 2018, loans accounted for about 55% of total assets (31 December 2017: 54%).

Measurement of goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. At 31 March 2018, goodwill amounted to DKK 5.3 billion (31 December 2017: DKK 5.3 billion). No goodwill at the banking units remains. For Wealth Management, Danske Capital, the carrying amount of goodwill is DKK 1.8 billion (31 December 2017: DKK 1.8 billion) and relates to the activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the impairment test for Wealth Management amounted to DKK 0.3 billion (31 December 2017: DKK 0.3 billion). It has been assessed that no indication of impairment exists at 31 March 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. 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 31 March 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 shareholder's 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 business model assessment resulted in loans, including reverse transactions, in FICC 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 bond 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, will reduce shareholder's 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 CET1capital ratio of 0.2 percentage points.

The impact from reclassifications and remeasurements on the opening IFRS balance sheet at 1 January 2018, that is excluding the impact on loans granted by Realkredit Danmark, is shown in the table below. The comparative information has not been restated.

Notes – Danske Bank Group

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

(DKK millions)	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 amortised cost	405,080	-66,052	-	-	339,028
Issued bonds at fair value	758,375	66,052	-	-52	824,375
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 divideds	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

Danske Bank is a Nordic universal bank with bridges to the rest of the world. The Group offers 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.

Personal Banking serves personal customers. The unit offers advice that is based on the individual customer's needs as well as a broad range of solutions for day-to-day banking, home financing, retirement planning and other aspects of personal finance.

Business Banking serves small and medium-sized businesses. The unit provides advice and targeted solutions to business customers based on the individual business' situation and size, and provides specialised advice where needed, for instance during international expansion, acquisitions or a change of ownership. The unit offers innovative digital solutions to make the customer's daily operations easier.

Corporates & Institutions serves the most complex financing and transaction needs of large corporate and institutional customers. This wholesale division carries out banking activities in General Banking and provides funding, risk management, investment services, corporate finance advisory services and comprehensive transaction banking solutions in Capital Markets, Fixed Income, Currencies and Commodities (FICC), and Transaction Banking. Each customer of Corporates & Institutions is served by a key relationship manager supported by product specialists to ensure proactive advice on the various wholesale banking services offered.

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 personal and business customers through a network of branches in Northern Ireland and 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 and divestment of this part of the loan portfolio. The portfolio consists primarily of loans to personal banking 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.

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 changes:

1. We have decided to integrate International banking into the business units in order to further ensure a seamless and value-creating experience for our international customers. In this process, we transferred our business activities in Germany, Poland and Russia from C&I to Business Banking effective from 1 January 2018.
2. Income on derivatives with customers is split between the business segment to which the customer belongs and FICC (part of C&I) as payment for performing the trade. Historically, this income has been presented as Net trading income in FICC, 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 FICC 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 Q1 2017	Transfer of Russia, Poland and Germany to Business Banking: Business Banking	Transfer of Russia, Poland and Germany to Business Banking: C&I	Profit share derivatives in FICC (C&I)	Adjusted highlights Q1 2017
Net interest income	5,739	37	-37	127	5,866
Net fee income	3,850	20	-20	78	3,928
Net trading income	2,705	27	-27	-205	2,500
Other income	356	-	-	-	356
Total income	12,649	84	-84	-	12,649
Operating expenses	5,724	33	-33	-	5,724
Profit before loan impairment charges	6,925	51	-51	-	6,925
Loan impairment charges	-235	-1	1	-	-235
Profit before tax, core	7,160	52	-52	-	7,160
Profit before tax, non-core	-19	-	-	-	-19
Profit before tax	**7,140**	**52**	**-52**	**-**	**7,140**

On 6 April 2018, we announced organisational changes. The new organisation becomes effective on 2 May 2018, while financial reporting will change to reflect the new organisation with effect from third quarter of 2018.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments Q1 2018

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	1,960	2,336	893	179	364	-	186	28	5,946	1,628	7,574
Net fee income	859	494	690	1,701	95	-	-75	-2	3,762	-1,081	2,681
Net trading income	195	176	999	-19	15	-	39	29	1,435	-4,335	-2,900
Other income	129	146	3	16	3	-	42	-30	309	897	1,206
Net premiums	-	-	-	-	-	-	-	-	-	6,962	6,962
Net insurance benefits	-	-	-	-	-	-	-	-	-	3,476	3,476
Total income	3,142	3,152	2,585	1,877	477	-	193	25	11,452	595	12,047
Operating expenses	1,757	1,213	1,154	1,015	290	-	224	-41	5,612	642	6,254
Profit before loan impairment charges	1,385	1,939	1,431	863	187	-	-31	66	5,841	-47	5,793
Loan impairment charges	-100	-272	3	-16	62	-	-7	-	-330	321	-9
Profit before tax, core	1,485	2,211	1,429	878	125	-	-24	66	6,171	-368	5,802
Profit before tax, Non-core	-	-	-	-	-	32	-	-	32	-32	-
Profit before tax	**1,485**	**2,211**	**1,429**	**878**	**125**	**32**	**-24**	**66**	**6,202**	**-400**	**5,802**
Tax	-	-	-	-	-	-	1,329	-	1,329	-88	1,241
Net profit for the period	**1,485**	**2,211**	**1,429**	**878**	**125**	**32**	**-1,353**	**66**	**4,873**	**-312**	**4,561**
Loans, excluding reverse transactions	753,989	690,479	172,807	75,360	48,127	-	30,287	-34,524	1,736,524	217,829	1,954,353
Other assets	196,719	309,689	2,598,165	468,934	28,832	-	2,998,635	-4,803,791	1,797,182	-212,981	1,584,201
Total assets in Non-core	-	-	-	-	-	4,849	-	-	4,849	-4,849	-
Total assets	**950,708**	**1,000,168**	**2,770,971**	**544,294**	**76,959**	**4,849**	**3,028,922**	**-4,838,315**	**3,538,555**	**-**	**3,538,555**
Deposits, excluding repo deposits	276,728	247,631	290,171	67,696	60,529	-	12,239	-15,006	939,988	1,940	941,928
Other liabilities	648,226	708,767	2,448,303	462,948	10,072	-	2,995,306	-4,823,309	2,450,313	1,138	2,451,451
Allocated capital	25,754	43,769	32,497	13,650	6,358	-	23,147	-	145,175	-	145,175
Total liabilities in Non-core	-	-	-	-	-	3,078	-	-	3,078	-3,078	-
Total liabilities and equity	**950,708**	**1,000,168**	**2,770,971**	**544,294**	**76,959**	**3,078**	**3,030,692**	**-4,838,315**	**3,538,555**	**-**	**3,538,555**
Profit before tax as % of allocated capital (avg.)	23.4	20.2	17.7	26.0	7.5	-	-0.3	-	16.6	-	16.6
Cost/income ratio (%)	55.9	38.5	44.6	54.1	60.8	-	116.1	-	49.0	-	51.9
Full-time-equivalent staff, end of period	4,161	2,773	1,708	1,898	1,257	123	7,790	-	19,709	-	19,709

Our 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 in the items profit before tax and tax corresponds to the IFRS 9 implementation effect on loans granted by Realkredit Danmark.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments Q1 2017

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	1,963	2,171	849	182	342	-	349	9	5,866	1,179	7,045
Net fee income	841	475	780	1,749	115	-	-32	-1	3,928	-872	3,056
Net trading income	200	173	1,843	103	24	-	288	-131	2,500	5,299	7,798
Other income	178	141	-	28	3	-	38	-32	356	1,063	1,418
Net premiums	-	-	-	-	-	-	-	-	-	7,423	7,423
Net insurance benefits	-	-	-	-	-	-	-	-	-	13,521	13,521
Total income	3,182	2,961	3,472	2,062	484	-	643	-155	12,649	570	13,219
Operating expenses	1,896	1,145	1,184	1,016	309	-	216	-42	5,724	588	6,313
Profit before loan impairment charges	1,286	1,816	2,287	1,046	176	-	427	-113	6,925	-18	6,907
Loan impairment charges	56	-286	81	-25	-61	-	-	-	-235	1	-234
Profit before tax, core	1,230	2,101	2,207	1,070	237	-	427	-113	7,160	-19	7,140
Profit before tax, Non-core	-	-	-	-	-	-19	-	-	-19	19	-
Profit before tax	**1,230**	**2,101**	**2,207**	**1,070**	**237**	**-19**	**427**	**-113**	**7,140**	**-**	**7,140**
Loans, excluding reverse transactions	740,733	669,365	186,991	72,924	45,377	-	22,607	-32,514	1,705,483	18,318	1,723,802
Other assets	179,111	357,832	3,370,412	458,008	25,559	-	2,674,903	-5,246,246	1,819,581	157	1,819,738
Total assets in Non-core	-	-	-	-	-	18,476	-	-	18,476	-18,476	-
Total assets	**919,844**	**1,027,197**	**3,557,403**	**530,933**	**70,936**	**18,476**	**2,697,510**	**-5,278,760**	**3,543,540**	**-**	**3,543,540**
Deposits, excluding repo deposits	267,266	237,922	251,120	61,911	58,912	-	15,708	-9,301	883,538	2,241	885,779
Other liabilities	629,418	743,102	3,268,147	454,890	6,168	-	2,678,695	-5,269,459	2,510,961	651	2,511,612
Allocated capital	23,160	46,173	38,136	14,132	5,857	-	18,691	-	146,149	-	146,149
Total liabilities in Non-core	-	-	-	-	-	2,892	-	-	2,892	-2,892	-
Total liabilities and equity	**919,844**	**1,027,197**	**3,557,403**	**530,933**	**70,936**	**2,892**	**2,713,094**	**-5,278,760**	**3,543,540**	**-**	**3,543,540**
Profit before tax as % of allocated capital (avg.)	20.6	18.2	23.0	31.6	15.9	-	6.3	-	19.1	-	19.1
Cost/income ratio (%)	59.6	38.7	34.1	49.3	63.8	-	33.6	-	45.3	-	47.8
Full-time-equivalent staff, end of period	4,558	2,763	1,657	1,946	1,306	143	6,944	-	19,316	-	19,316

Comparative figures have been restated, as described above.

In 2018 there is a difference between the financial highlights and the IFRS financial statement in profit before tax and tax, corresponding to the IFRS 9 implementation effect on loans granted by Realkredit Danmark. 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

3. Business model and business segmentation continued

Reconciliation of Financial highlights and segment reporting to IFRS financial statements

The 'Reclassification' column in the tables above shows the reconciliation between the presentation in the financial highlights 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:

a) 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 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.

b) FICC and Capital Markets (both part of C&I) and Group Treasury (part of Other Activities

In the IFRS income statement, income from FICC, Capital Markets and Group Treaury 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 FICC, excluding FICC'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

c) 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.

d) Non-core

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

The Non-core segment includes certain customer segments that are no longer considered part of the Group's core business. To better reflect activities from our 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.

e) 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 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 reclassification is shown in the table below. The letters that appear in front of each reclassification refers to the policy for that specific reclassification.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Reclassifications Q1 2018

(DKK millions)	IFRS financial statements	a) Sale of operating lease assets	b) FICC, Capital Markets and Group Treasury	c) Danica Pension	d) Non-core	e) IFRS 9mpact	Reclassification	Financial Highlights
Net interest income	7,574	-	-544	-1,074	-9	-	-1,628	5,946
Net fee income	2,681	-	33	1,046	1	-	1,081	3,762
Net trading income	-2,900	-	520	3,815	1	-	4,335	1,435
Other income	1,206	-691	-9	-197	-	-	-897	309
Net premiums	6,962	-	-	-6,962	-	-	-6,962	-
Net insurance benefits	3,476	-	-	-3,476	-	-	-3,476	-
Total income	12,047	-691	-	104	-7	-	-595	11,452
Operating expenses	6,254	-691	-	104	-54	-	-642	5,612
Profit before loan impairment charges	5,793	-	-	-	47	-	47	5,841
Loan impairment charges	-9	-	-	-	79	-400	-321	-330
Profit before tax, core	5,802	-	-	-	-32	400	368	6,171
Profit before tax, Non-core	-	-	-	-	32	-	32	32
Profit before tax	5,802	-	-	-	-	400	400	6,202
Tax	1,241	-	-	-	-	88	88	1,329
Net profit for the period	**4,561**	**-**	**-**	**-**	**-**	**312**	**312**	**4,873**

Reclassifications Q1 2017

(DKK millions)	IFRS financial statements	a) Sale of operating lease assets	b) FICC, Capital Markets and Group Treasury	c) Danica Pension	d) Non-core	Reclassification	Financial Highlights
Net interest income	7,045	-	-161	-971	-46	-1,179	5,866
Net fee income	3,056	-	96	773	4	872	3,928
Net trading income	7,798	-	107	-5,406	-	-5,299	2,499
Other income	1,418	-623	-41	-397	-2	-1,063	356
Net premiums	7,423	-	-	-7,423	-	-7,423	-
Net insurance benefits	13,521	-	-	-13,521	-	-13,521	-
Total income	13,219	-623	-	97	-44	-570	12,649
Operating expenses	6,313	-623	-	97	-62	-588	5,724
Profit before loan impairment charges	6,906	-	-	-	18	18	6,925
Loan impairment charges	-234	-	-	-	-1	-1	-235
Profit before tax, core	7,140	-	-	-	19	19	7,160
Profit before tax, Non-core	-	-	-	-	-19	-19	-19
Profit before tax	**7,140**	**-**	**-**	**-**	**-**	**-**	**7,141**

In 2018 there is a difference between the financial highlights and the IFRS financial statement in profit before tax and tax, corresponding to the IFRS 9 implementation effect on loans granted by Realkredit Danmark. 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 6.6 billion in the first quarter 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.

- Investmen
- 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 Personal Banking, Business Banking, 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 FICC and Capital Markets. Fee income derived from FICC is reclassified to net trading income in the segment reporting, however, FICC'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 1,066 million at 31 March 2018 (31 March 2017: DKK 1,097 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)	31 March 2018	31 March 2017
IFRS 9 impact on loans granted by Realkredit Danmark 1 January 2018	400	
ECL on new assets	1,390	
ECL on assets derecognised	-1,520	
Impact of net remeasurement of ECL (incl. changes in models)	-173	
New and increased impairment charges		2,153
Reversals of impairment charges		-2,210
Write-offs charges directly to income statement	147	95
Received on claims previously written off	-171	-199
Interest income, effective interest method	-81	-73
Total	**-9**	**-234**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Collective and individual impairment charges under IAS 39				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	505	-449	-56	-
Transferred to Stage 2 during the period	-27	126	-99	-
Transferred to Stage 3 during the period	-21	-135	156	-
ECL on new assets	164	432	794	1,390
ECL on assets derecognised	-127	-516	-876	-1,520
Impact of net remeasurement of ECL (incl. changes in models)	-468	482	-187	-173
Write-offs debited to the allowance account	-3	-3	-724	-730
Foreing exchange adjustments	-6	-16	-50	-72
Other changes	-	-	35	35
Balance at 31 March 2018	**1,516**	**5,499**	**15,235**	**22,250**

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 items*	-519
Balance 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 FICC and Capital Markets (part of Corporates & Institutions). The latter is a consequence of the implementation of IFRS 9. The loans in FICC and Capital Markets consist primarily of reverse transactions and short-term loans. At 31 March 2018, these loans amounted to DKK 214,306 million.

7. Deposits

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

(DKK millions)	31 March 2018	31 December 2017
Deposits from other credit institutions	250,140	242,887
hereof repo transactions	92,723	87,291
Other deposits	1,085,108	1,046,858
hereof repo transactions	143,180	133,081
Total deposits excluding repo transactions	**1,099,346**	**1,069,373**

Of total deposits excluding repo transactions, 35% (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 7 days. If deposits from other credit institutions are excluded, the percentage is 29% (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 FICC and Capital Markets (part 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)	31 March 2018	31 December 2017
Bonds issued by Realkredit Danmark	753,664	758,375
Commercial papers and certificates of deposits	74,751	-
Total	**828,415**	**758,375**

Issued bonds at amortised cost (DKK millions)	31 March 2018	31 December 2017
Commercial papers and certificate of deposits	22,005	101,326
Other unsecured bonds	108,592	123,457
Covered bonds	182,767	180,297
Total	**313,364**	**405,080**

Nominal value (DKK millions)	1 January 2018	Issued	Redeemed	Foreign currency translation	31 March 2018
Commercial papers and certificate of deposits	101,319	46,479	46,247	-998	100,553
Other unsecured bonds	127,630	948	13,088	-1,641	113,849
Covered bonds	222,748	9,052	10,790	-326	220,683
Issued bonds	**451,696**	**56,479**	**70,125**	**-2,965**	**435,086**

Notes – Danske Bank Group

8. Issued bonds and subordinated debt 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	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 billion (31 December 2017: DKK 6.6 billion) are excluded. Further, retained and repurchased bonds held by Group Treasury amounting to DKK 43.2 billion (31 December 2017: 47.8 billion) have been excluded.

Subordinated debt and additional tier 1 capital.

During the first quarter of 2018, the Group did not redeem (full year 2017: DKK 12,556 million), nor issue (full year 2017: DKK 4,655 million) subordinated debt accounted for as liabilities.

At 31 March 2018, the total nominal value of issued additional tier 1 capital amounted to DKK 18,681 million (31 December 2017: DKK 18,823 million), of which DKK 14,176 million (31 December 2017: DKK 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 31 March 2018, distributable items for Danske Bank A/S amounted to DKK 112.0 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. At 31 March 2018, the common equity tier 1 capital ratio was 19.3% (31 December 2017: 20.2%) for Danske Bank A/S. The ratio for Danske Bank Group is disclosed in the Statement of capital.

9. Other assets and other liabilities

Other assets amounted to DKK 33,928 million (31 December 2017: DKK 31,324 million), including holdings in associates of DKK 483 million (31 December 2017: DKK 455 million), investment property of DKK 3,321 million (31 December 2017: DKK 4,461 million), tangible assets of DKK 7,146 million (31 December 2017: DKK 7,047 million) and assets held for sale of DKK 418 million (31 December 2017: DKK 426 million). Other liabilities amounted to DKK 44,527 million (31 December 2017: DKK 37,097 million), including accrued interest and commissions due of DKK 8,694 million (31 December 2017: DKK 8,520 million) and other staff commitments of DKK 2,624 million (31 December 2017: DKK 3,077 million).

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)	31 March 2018	31 December 2017
Financial guarantees	8,813	8,534
Mortgage finance guarantees	650	1,050
Other guarantees	70,991	74,902
Total	**80,453**	**84,487**

Other contingent liabilities (DKK millions)	2018	2017
Loan commitments shorter than 1 year	195,817	142,147
Loan commitments longer than 1 year	160,242	161,824
Other unutilised loan commitments	331	351
Total	**356,389**	**304,322**

Following the extensive data analysis etc. performed during the implementation of IFRS 9, a further DKK 68.9 billion has been included as loan commitments in the table above. The commitments consists of loan offers that previously were included as uncommitted lines. The comparative information has not been restated.

In addition to credit exposure from lending activities, uncommitted loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 190 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.

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. The supervisory authorities conduct ongoing inspections of Danske Bank's compliance with anti-money laundering legislation.

In connection with the acquisition of Sampo Bank in 2007, Danske Bank and Sampo Life (now Mandatum Life) signed an agency agreement that guaranteed Mandatum Life the exclusive right to sell life and pension insurance products through Danske Bank's branch network in Finland. The agency agreement expired at the end of 2016. As part of the agreement, Mandatum Life had a right to sell all or part of the insurance portfolio sold under the agreement to Danske Bank Group. In October 2016, Mandatum Life exercised this right. The parties have agreed on a fair value of the insurance portfolio of DKK 2.5 billion. In April 2018, Mandatum Life and Danske Bank have agreed to continue the co-operation and that the transfer of the insurance portfolio will not take place. The agreed transaction is subject to confirmation of the tax treatment and is expected to close within 3 months.

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. 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.

Notes – Danske Bank Group

10. Contingent liabilities continued

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.

11. Assets provided or received as collateral

At 31 March 2018, Danske Bank A/S had deposited securities worth DKK 10.0 billion as collateral with Danish and international clearing centres and other institutions (31 December 2017: DKK 11.4 billion).

At 31 March 2018, Danske Bank A/S had provided cash and securities worth DKK 62.1 billion as collateral for derivatives transactions (31 December 2017: DKK 71.7 billion).

At 31 March 2018, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 424.4 billion (31 December 2017: DKK 449.0 billion) as collateral for policyholders' savings of DKK 362.1 billion (31 December 2017: DKK 363.8 billion).

At 31 March 2018, the Group had registered loans at fair value and securities worth a total of DKK 787.4 billion (31 December 2017 DKK 788.1 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 828.4 billion (31 December 2017: DKK 758.4 billion). Similarly, the Group had registered loans and other assets worth DKK 254.8 billion (31 December 2017: DKK 268.7 billion) as collateral for covered bonds issued under Danish and Finnish law.

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

	31 March 2018			31 December 2017		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	27,683	27,683	-	24,832	24,832
Trading portfolio securities	216,349	58,260	274,609	206,227	69,614	275,841
Loans at fair value	-	786,618	786,618	-	787,223	787,223
Loans at amortised cost	-	254,073	254,073	-	269,162	269,162
Assets under insurance contracts	-	291,179	291,179	-	323,289	323,289
Other assets	-	72	72	-	90	90
Total	216,349	1,417,885	1,634,234	206,227	1,474,210	1,680,437
Own issued bonds	18,629	88,798	107,427	12,675	81,102	93,777
Total, including own issued bonds	**234,978**	**1,506,683**	**1,741,661**	**218,902**	**1,555,312**	**1,774,214**

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 216.3 billion at 31 March 2018 (31 December 2017: DKK 206.2 billion).

At 31 March 2018, the Group had received securities worth DKK 292.8 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 31 March 2018, the Group had sold securities or provided securities as collateral worth DKK 155.8 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.

	31 March 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	-	82,023	-	82,818
Due from credit institutions and central banks	75,481	236,107	-	333,975
Trading portfolio assets	466,739	2	449,292	-
Investment securities	133,372	147,945	177,921	146,697
Loans at amortised cost	-	955,335	-	1,112,752
Loans at fair value	1,000,923	-	787,223	-
Assets under pooled schemes and unit-linked investment contracts	110,648	-	112,065	-
Assets under insurance contracts	268,068	-	273,425	-
Total	**2,055,231**	**1,421,405**	**1,799,925**	**1,676,242**
Financial liabilities				
Due to credit institutions and central banks	168,633	81,507	-	242,887
Trading portfolio liabilities	385,635	-	400,596	-
Deposits	174,212	910,896	-	1,046,858
Issued bonds at fair value	828,415	-	758,375	-
Issued bonds at amortised cost	-	313,364	4,549	400,531
Deposits under pooled schemes and unit-linked investment contracts	119,809	-	119,901	-
Subordinated debt	-	28,840	-	29,120
Other liabilities (loan commitments and guarantees)	-	1,972	-	647
Total	**1,676,704**	**1,336,579**	**1,283,421**	**1,720,042**

Investment securities at fair value includes bonds measured at fair value through other comprehensive income, see table on bonds in 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 the 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 three months of 2018 amounted to DKK 723 million (31 March 2017: DKK 633 million). Negative interest expenses amounted to DKK 832 million (31 March 2017: DKK 551 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 re-classification between the categories. Some bonds have become illiquid and have therefore been moved from the Quoted prices to the Observable input category, while other bonds have become liquid and have been moved from the Observable input to the Quoted prices category. The amounts transferred are insignificant.

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
31 March 2018				
Financial assets				
Due from credit institutions and central banks	-	75,481	-	75,481
Derivatives				
Interest rate contracts	5,472	154,025	3,571	163,068
Currency contracts etc.	1,170	87,477	664	89,311
Trading portfolio bonds				
Government bonds and other bonds	75,847	2,107	-	77,954
Danish mortgage bonds	25,645	9,457	-	35,102
Other covered bonds	26,864	5,496	-	32,360
Other bonds	58,539	1,210	-	59,749
Trading portfolio shares	9,060	-	135	9,195
Investment securities, bonds	111,804	20,289	-	132,093
Investment securities, shares	44	-	1,235	1,279
Loans at fair value	-	1,000,923	-	1,000,923
Assets under pooled schemes and unit-linked investment contracts	110,648	-	-	110,648
Assets under insurance contracts, bonds				
Danish mortgage bonds	40,299	5,321	-	45,620
Other bonds	109,512	811	3,817	114,140
Assets under insurance contracts, shares	79,286	-	17,204	96,490
Assets under insurance contracts, derivatives	1,091	10,723	4	11,818
Total	**655,281**	**1,297,839**	**26,630**	**2,055,231**
Financial liabilities				
Due to credit institutions and central banks	-	168,633	-	168,633
Derivatives				
Interest rate contracts	5,914	136,392	3,964	146,270
Currency contracts etc.	1,037	82,196	376	83,609
Obligations to repurchase securities	154,039	1,586	131	155,756
Deposits	-	174,212	-	174,212
Issued bonds at fair value	753,664	74,751	-	828,415
Deposits under pooled schemes and unit-linked investment contracts	-	119,809	-	119,809
Total	**914,654**	**588,946**	**4,471**	**1,676,704**

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				
Government bonds and other bonds	64,540	4,305	-	68,845
Danish mortgage bonds	29,383	5,132	-	34,515
Other covered bonds	52,074	1,064	-	53,138
Other bonds	13,336	3,747	-	17,083
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
Issued bonds at fair value	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 31 March 2018, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 18,443 million (31 December 2017: DKK 19,359 million), illiquid bonds of DKK 3,817 million (31 December 2017: DKK 4,016 million) and derivatives with a net market value of DKK -101 million (31 December 2017: DKK -390 million).

Unlisted shares of DKK 17,204 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 1,239 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 124 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 quarter of 2018, the Group recognised DKK 192 million in unrealised losses (2017: DKK 23 million) and DKK 13 million in realised gains (2017: DKK 10 million) on those shares. The unrealised adjustments in the first quarter of 2018 and in 2017 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised losses in the first quarter of 2018 amounted to DKK 187 million (2017: DKK 163 million) and the realised gains to DKK 250 million (2017: DKK 173 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 100 million (31 December 2017: DKK 80 million). If the credit spread narrows 50bp, fair value will increase DKK 100 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

	31 March 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	268	-33	176	1,556	-85	-345
Acquisitions	2,470	195	105	3,073	1,445	251
Sale and redemption	-3,654	-361	5	-6,213	-2,147	1,196
Transferred from quoted prices and observable input	-	-	-	-	-	-
Transferred to quoted prices and observable input	-	-	3	-	-	502
Fair value end of period	**18,443**	**3,817**	**-101**	**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 31 March 2018, the value of unamortised initial margins was DKK 1,109 millions (31 December 2017: DKK 1,054 million).

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) 31 March 2018	Total	Lending activities Core	Non-core	Counter-party credit risk	Trading and in-vestment securities	Customer-funded invest-ments
Balance sheet items						
Demand deposits with central banks	73.2	73.2	-	-	-	-
Due from credit institutions and central banks at amortised cost	311.6	236.1	-	75.5	-	-
Trading portfolio assets	466.7	-	-	252.4	214.4	-
Investment securities	281.3	-	-	-	281.3	-
Loans at amortised cost	955.3	950.6	4.7	-	-	-
Loans at fair value	1,000.9	786.6	-	214.3	-	-
Assets under pooled schemes and unit-linked investment contracts	110.6	-	-	-	-	110.6
Assets under insurance contracts	284.6	-	-	-	-	284.6
Off-balance-sheet items						
Guarantees	80.5	80.5	-	-	-	-
Loan commitments shorter than 1 year	195.8	193.1	2.8	-	-	-
Loan commitments longer than 1 year	160.2	159.8	0.5	-	-	-
Other unutilised commitments	0.3	-	-	-	0.3	-
Total	**3,921.2**	**2,479.8**	**8.0**	**542.2**	**496.0**	**395.3**
31 December 2017						
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 68.9 billion has been included as loan commitments in the table above. The commitments consists of loan offers that previously were included as uncommitted lines. The comparative information has not been restated.

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 190 billion at 31 March 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 later in these notes.

At 1 January 2018, the Group implemented IFRS 9. 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. Large business and financial customers are classified on the basis of rating models, while small business and personal 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

Further, 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 2-year probation 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

(DKK billions)	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
31 March 2018	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	230.6	-	-	-	-	-	230.6	-	-	221.1	-	-
2	0.01	0.03	205.9	0.6	0.1	0.1	-	-	205.8	0.6	0.1	117.7	0.2	-
3	0.03	0.06	428.3	0.6	0.5	-	-	-	428.2	0.6	0.5	150.8	0.2	0.1
4	0.06	0.14	593.3	3.3	0.5	0.1	-	-	593.2	3.3	0.5	240.9	1.3	0.2
5	0.14	0.31	453.9	10.5	1.9	0.2	0.1	-	453.7	10.4	1.9	153.2	5.4	0.2
6	0.31	0.63	243.9	16.8	1.0	0.3	0.3	-	243.6	16.5	1.0	82.0	6.2	0.2
7	0.63	1.90	133.0	46.9	1.5	0.1	1.5	0.1	132.9	45.4	1.4	39.0	15.3	0.3
8	1.90	7.98	18.5	34.2	1.2	0.6	2.2	-	17.8	32.0	1.2	4.0	8.3	0.2
9	7.98	25.70	1.9	8.8	0.4	0.1	1.3	-	1.9	7.5	0.4	0.7	1.6	-
10	25.70	99.99	4.3	1.5	32.6	-	-	5.3	4.3	1.4	27.3	2.2	0.4	7.7
11 (default)	100.00	100.00	1.4	0.7	23.0	-	-	9.3	1.4	0.7	13.7	0.1	0.1	1.8
Total			**2,314.9**	**123.8**	**62.7**	**1.5**	**5.5**	**14.7**	**2,313.4**	**118.4**	**48.0**	**1,011.8**	**39.0**	**10.8**

Credit portfolio in core activities broken down by rating category

(DKK billions)	PD level		Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
31 December 2017	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)

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.

31 March 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	306.4	1.2	-	-	-	-	306.4	1.2	-	300.2	1.2	-
Banks	52.8	0.6	0.1	-	-	-	52.8	0.6	0.1	36.0	0.6	0.1
Credit Institutes	4.4	-	-	-	-	-	4.4	-	-	4.4	-	-
Insurance	9.8	-	-	-	-	-	9.8	-	-	7.4	-	-
Investment funds	21.9	0.5	0.6	-	-	0.1	21.9	0.5	0.4	10.2	0.2	0.1
Other financials	5.5	0.1	-	-	-	-	5.5	0.1	-	5.2	-	-
Agriculture	53.4	12.0	8.3	0.2	1.2	2.2	53.2	10.8	6.1	8.5	3.0	0.9
Commercial property	287.1	17.7	10.1	0.2	0.7	2.2	286.9	17.0	7.9	59.4	5.7	0.6
Construction & building products	37.5	3.5	1.5	-	0.1	0.7	37.5	3.4	0.8	28.0	1.9	0.5
Consumer discretionary	101.7	7.5	3.6	-	0.2	1.2	101.7	7.3	2.3	58.1	3.9	1.0
Consumer staples	56.9	2.5	0.5	-	0.1	0.2	56.8	2.5	0.3	40.5	1.4	-
Energy & Utilities	50.7	1.4	4.3	-	-	0.6	50.7	1.4	3.7	40.8	1.2	2.4
Health care	37.2	0.6	0.2	-	-	-	37.2	0.6	0.1	31.7	0.4	-
Industrial Services, Supplies & Machinery	97.6	5.2	2.8	-	0.2	1.0	97.5	5.1	1.8	81.3	3.0	0.8
IT & telecom	28.5	1.4	0.2	-	-	0.1	28.5	1.4	0.1	25.9	1.0	-
Materials	47.1	2.1	1.4	-	0.1	0.5	47.1	2.1	0.9	35.9	0.7	0.3
Non-profit & Associations	172.4	2.6	4.1	0.1	0.1	0.6	172.3	2.5	3.5	45.2	0.4	0.7
Other commercials	43.3	0.7	0.3	-	-	0.3	43.2	0.6	-	31.4	0.3	-
Shipping	24.5	4.5	6.8	-	0.9	0.8	24.5	3.6	6.0	11.1	0.2	0.8
Transportation	25.6	2.9	0.5	-	0.1	0.1	25.6	2.8	0.4	15.9	1.2	0.1
Personal customers	850.6	56.7	17.6	0.7	1.8	4.0	850.0	54.9	13.6	135.2	12.8	2.6
Total	**2,314.9**	**123.8**	**62.7**	**1.5**	**5.5**	**14.7**	**2,313.4**	**118.4**	**48.0**	**1,011.8**	**39.0**	**10.8**

Notes – Danske Bank Group

Credit exposure continued

(DKK billions) 31 December 2017	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 industry (NACE) and stages in IFRS 9

(DKK billions)	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
31 March 2018	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Denmark	466.5	26.2	9.8	0.6	1.1	2.9	465.9	25.0	6.9	53.8	5.8	1.7
Finland	83.4	5.6	3.7	-	0.1	0.4	83.4	5.5	3.3	5.6	0.8	0.2
Sweden	93.4	8.3	0.5	-	0.2	0.1	93.4	8.1	0.4	28.2	1.9	0.1
Norway	114.6	6.6	1.2	-	0.1	0.1	114.6	6.5	1.0	28.3	2.0	0.1
Personal Banking	**758.0**	**46.7**	**15.1**	**0.6**	**1.5**	**3.4**	**757.4**	**45.1**	**11.7**	**115.9**	**10.5**	**2.2**
Denmark	435.0	29.9	25.3	0.5	2.0	6.4	434.5	27.9	18.9	124.1	9.9	3.0
Finland	71.3	10.5	2.2	-	0.2	0.6	71.3	10.2	1.6	34.5	3.0	0.4
Sweden	160.0	9.6	1.1	0.1	0.3	0.3	159.9	9.4	0.8	72.0	3.8	0.3
Norway	74.4	7.8	3.1	-	0.3	1.1	74.4	7.5	2.0	32.5	4.0	0.7
Baltics	15.3	3.3	0.8	-	0.1	0.2	15.3	3.3	0.6	7.6	1.3	0.2
Other	172.7	0.2	0.1	-	-	-	172.7	0.2	0.1	171.7	0.2	-
Business Banking	**928.8**	**61.3**	**32.6**	**0.7**	**2.8**	**8.7**	**928.1**	**58.5**	**23.9**	**442.4**	**22.3**	**4.7**
C&I	**449.9**	**7.7**	**10.6**	**0.1**	**0.9**	**1.4**	**449.8**	**6.8**	**9.2**	**387.8**	**3.2**	**3.0**
Wealth Management	**82.0**	**3.3**	**1.8**	**-**	**0.1**	**0.4**	**82.0**	**3.2**	**1.4**	**18.7**	**0.9**	**0.4**
Northern Ireland	**63.4**	**3.8**	**2.6**	**0.1**	**0.1**	**0.8**	**63.3**	**3.7**	**1.8**	**32.3**	**1.0**	**0.5**
Other	32.8	1.1	-	-	-	-	32.8	1.1	-	14.7	1.1	-
Total	**2,314.9**	**123.8**	**62.7**	**1.5**	**5.5**	**14.7**	**2,313.4**	**118.4**	**48.0**	**1,011.8**	**39.0**	**10.8**

Notes – Danske Bank Group

Credit exposure continued

(DKK billions) 31 December 2017	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Denmark	500.2	3.4	496.8	62.1
Finland	92.1	0.5	91.6	6.1
Sweden	88.2	0.1	88.0	14.6
Norway	112.8	0.1	112.7	24.4
Other	-	-	-	-
Personal Banking	**793.2**	**4.2**	**789.1**	**107.2**
Denmark	482.7	7.3	475.4	134.2
Finland	80.1	0.7	79.4	35.6
Sweden	163.0	0.4	162.6	68.4
Norway	81.9	1.1	80.8	35.4
Baltics	20.1	0.2	19.9	9.8
Other	198.7	-	198.7	1.3
Business Banking	**1,026.4**	**9.6**	**1,016.8**	**284.6**
C&I*	**711.8**	**1.1**	**710.7**	**633.4**
Wealth Management	**85.6**	**0.4**	**85.2**	**21.9**
Northern Ireland	**63.7**	**0.7**	**63.0**	**29.5**
Other	**23.2**	**-**	**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 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 quarter of 2018, the Group recognised properties taken over in Denmark at a carrying amount of DKK 39 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	31 March 2018		31 December 2017	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active Forbearance	13,710	9,044	8,255	12,718
Under probation	4,253	-	6,472	-
Total	**17,963**	**9,044**	**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, we exclude exposures in stage 3 where the allowance account is considered immaterial to the gross exposure.

(DKK millions)	31 March 2018	31 December 2017
Total non-performing loans	19,557	17,290
- portion in default	6,901	6,049
Coverage ratio (default) (%)	95	97
Coverage ratio (non-default) (%)	59	73
Coverage ratio (total non-performing loans) (%)	78	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	15,603	2,562
Transferred to Stage 1 during the period	480	-425	-56	-
Transferred to Stage 2 during the period	-27	125	-98	-
Transferred to Stage 3 during the period	-21	-134	155	-
ECL on new assets	164	432	792	1,388
ECL on assets derecognised	-127	-516	-858	-1,501
Impact of net remeasurement of ECL (incl. changes in models)	-450	470	-161	-140
Write-offs debited to the allowance account	-3	-3	-679	-685
Foreing exchange adjustments	-6	-16	-38	-60
Other changes	-	-	35	35
ECL allowance 31 March 2018	**1,509**	**5,465**	**14,696**	**21,669**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core-activities broken down by segment

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Management	Northern Ireland	Other	Allowance account Total
1 January 2017	5,584	13,324	2,762	534	1,273	1	23,479
New and increased impairment charges	1,295	2,227	759	83	95	4	4,462
Reversals of impairment charges from previous periods	1,098	2,803	345	152	334	-	4,732
Write-offs debited to allowance account	535	1,321	763	4	207	-	2,831
Foreign currency translation	-16	-98	-205	-3	-38	-	-361
Other items	-29	123	-18	2	-25	-2	51
31 December 2017	5,200	11,452	2,189	460	764	2	20,069
Transition effect (ECL at 1 January), including impact on loans granted by Realkredit Danmark	5,866	12,899	2,484	468	902	12	2,562
ECL on new assets	155	986	185	34	26	2	1,388
ECL on assets derecognised	-323	-864	-236	-43	-26	-8	-1,501
Impact on remeasurement of ECL (incl. change in models)	105	-388	65	11	66	-	-140
Write-offs debited to allowance account	-196	-468	-	-	-20	-	-685
Foreign currency translation	-8	-7	-55	-	11	-	-60
Other items	-	31	3	1	-	-	35
31 March 2018	**5,598**	**12,188**	**2,446**	**471**	**959**	**5**	**21,669**

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 31 March 2018 amounted to DKK 21.7 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 0.4 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 and divestment of exposures that are no longer considered part of the Group's core activities. The portfolio consists of the Non-core exposures in Ireland, the Baltics and conduits etc.

(DKK millions)	Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
31 March 2018	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	3,515.9	33.9	266.1	0.9	0.2	163.0	3,515.0	33.6	103.1	134.2	4.9	19.5
Non-core conduits etc.	3,985.5	6.1	770.3	75.2	-	341.2	3,910.3	6.1	429.2	593.8	-	166.8
Total	**7,501**	**40**	**1,036**	**76**	**-**	**504**	**7,425**	**40**	**532**	**728**	**5**	**186**

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

(DKK millions)	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
31 December 2017	a	b	=a-b	
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

(DKK billions)	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
31 March 2018	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	280	-	-	-	-	-	280	-	-	-	-	-
2	0.01	0.03	1,118	-	-	-	-	-	1,118	-	-	-	-	-
3	0.03	0.06	1,725	-	-	-	-	-	1,725	-	-	462	-	-
4	0.06	0.14	476	5	1	-	-	-	476	5	1	132	-	-
5	0.14	0.31	190	23	3	75	-	-	115	23	3	4	2	-
6	0.31	0.63	243	100	15	-	-	-	243	100	15	9	5	1
7	0.63	1.90	1,456	683	97	-	-	-	1,456	683	97	16	8	2
8	1.90	7.98	376	193	27	-	-	-	376	193	27	39	6	1
9	7.98	25.70	209	97	14	1	-	-	208	97	14	28	2	-
10	25.70	99.99	13	6	786	-	-	344	13	6	442	2	1	175
11 (default)	100.00	100.00	121	64	259	-	-	160	121	64	99	9	5	10
Total			**6,205**	**1,171**	**1,201**	**76**	**-**	**504**	**6,129**	**1,171**	**697**	**701**	**28**	**190**

Notes – Danske Bank Group

Credit exposure continued

(DKK millions)	PD level		Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
31 December 2017	Upper	Lower	a	b	=a-b	
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 606 million at 31 March 2018 (31 December 2017: DKK 645 million), of which the average unsecured portion of non-performing loans was 12.6% at the end of March 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)	31 March 2018	31 December 2017
Counterparty credit risk		
Derivatives with positive fair value	252.4	256.9
Reverse transactions and other loans at fair value	289.8	-
Credit exposure from trading and investment securities		
Bonds	485.2	496.7
Shares	10.5	20.3
Other unutilised commitments	0.3	0.4
Total	**1,038.2**	**774.3**

Other unutilised commitments comprises private equity investment commitments and other obligations.

Loans included as counterparty credit risk are loans in the trading units of C&I and consist of reverse transactions (DKK 214,130 million) and other primarily short-term loans (DKK 1,176 million).

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2018							
Held-for-trading (FVPL)	98,998	2,040	44,039	50,823	2,791	6,474	205,165
Managed at fair value (FVPL)	20,760	648	44,997	4,328	2,426	75	73,234
Held to collect and sell FVOCI)	5,524	959	50,843	457	1,076	-	58,859
Held to collect (AMC)	59,913	1,200	76,768	6,836	2,807	421	147,945
Total	**185,195**	**4,847**	**216,647**	**62,444**	**9,100**	**6,970**	**485,203**
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 31 March 2018, the Group had an additional bond portfolio worth DKK 159,760 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-maturity, fair value exceeded amortised cost at the end of 31 March 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
31 March 2018							
Denmark	30,875	-	216,647	-	401	802	248,725
Sweden	34,727	214	-	62,444	-	2,734	100,119
UK	8,579	-	-	-	1,177	252	10,008
Norway	8,309	144	-	-	4,053	1,474	13,980
USA	7,350	156	-	-	-	15	7,521
Spain	9,468	-	-	-	1	1	9,470
France	18,335	-	-	-	970	554	19,859
Luxembourg	-	3,135	-	-	-	4	3,139
Finland	13,850	1,083	-	-	1,083	551	16,567
Ireland	3,121	-	-	-	5	6	3,132
Italy	7,889	-	-	-	-	2	7,891
Portugal	332	-	-	-	-	-	332
Austria	6,425	-	-	-	-	14	6,439
Netherlands	9,303	-	-	-	188	269	9,760
Germany	21,075	-	-	-	1,088	28	22,190
Belgium	5,411	-	-	-	7	4	5,422
Other	147	113	-	-	128	261	649
Total	**185,195**	**4,847**	**216,647**	**62,444**	**9,100**	**6,970**	**485,203**
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
31 March 2018							
AAA	107,968	3,119	216,558	62,444	8,361	9	398,459
AA+	16,439	580	-	-	71	126	17,216
AA	32,153	1,148	10	-	8	1,136	34,455
AA-	5,983	-	39	-	1	161	6,185
A+	136	-	-	-	-	318	453
A	3,121	-	16	-	660	2,156	5,952
A-	9	-	-	-	-	587	596
BBB+	-	-	-	-	-	707	707
BBB	18,733	-	24	-	-	839	19,596
BBB-	-	-	-	-	-	392	392
BB+	332	-	-	-	-	199	531
BB	-	-	-	-	-	216	216
BB-	-	-	-	-	-	22	22
Sub-inv. grade or unrated	322	-	-	-	-	101	423
Total	**185,195**	**4,847**	**216,647**	**62,444**	**9,100**	**6,970**	**485,203**
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**

Derivatives with positive fair value

(DKK millions)	31 March 2018	31 December 2017
Derivatives with positive fair value before netting	387,145	399,452
Netting (under accounting rules)	134,766	142,561
Carrying amount	252,379	256,891
Netting (under capital adequacy rules)	168,126	182,071
Net current exposure	84,252	74,821
Collateral	54,820	45,032
Net amount	**29,432**	**29,788**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	163,068	167,506
Currency contracts	86,332	86,076
Other contracts	2,979	3,309
Total	**252,379**	**256,891**

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim report – first quarter 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 31 March 2018 and of the results of the Group's operations and the consolidated cash flows for the period starting 1 January 2018 and ending 31 March 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, 26 April 2018

Executive Board

Thomas F. Borgen
CEO

Jacob Aarup-Andersen

Tonny Thierry Andersen

James Ditmore

Carsten Rasch Egeriis

Jesper Nielsen

Glenn Söderholm

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' report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the interim financial statements
We have reviewed the interim financial statements of Danske Bank A/S for the financial period 1 January to 31 March 2018, pp. 28-69 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and selected notes as well as the consolidated cash flow statement.

Management's responsibility for the interim financial statements
Management is responsible for the preparation of consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies and for the preparation of the Parent Company's interim financial statements in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies, and for such internal control as Management determines is necessary to enable the preparation of 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 interim financial statements. We conducted our review in accordance with the International Standard on Review of 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 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 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.

Copenhagen, 26 April 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
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Supplementary information

Financial calendar

18 July 2018	Interim report – first half 2018
1 November 2018	Interim report – first nine months 2018

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Ireland	danskebank.ie
Realkredit Danmark	rd.dk
Danske Capital	danskecapital.com
Danica Pension	danicapension.dk

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