Interim report – first nine months 2019

Danske Bank Group

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Danske Bank first nine months 2019 at a glance

10.0bn
Net profit

32.8bn
Total income

Changes in Executive Leadership Team

New partnership
HSB Bospar

New 2023 ambitions

3%
Lending growth

8.5%
Return on equity

High **remortgaging** activity

Customer satisfaction improved

Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Net interest income	16,336	17,676	92	5,445	5,371	101	5,852	93	23,571
Net fee income	11,681	11,324	103	4,111	3,701	111	3,777	109	15,402
Net trading income	2,907	3,738	78	779	829	94	1,236	63	4,676
Other income	1,905	696	274	160	1,630	10	235	68	716
Total income	32,829	33,434	98	10,495	11,532	91	11,100	95	44,365
Operating expenses	19,206	18,767	102	6,382	6,679	96	7,367	87	25,011
Profit before loan impairment charges	13,623	14,667	93	4,113	4,852	85	3,733	110	19,354
Loan impairment charges	813	-607	-	343	113	-	100	-	-650
Profit before tax, core	12,810	15,274	84	3,771	4,739	80	3,632	104	20,004
Profit before tax, Non-core	-248	4	-	22	18	122	-44	-	-282
Profit before tax	12,562	15,278	82	3,793	4,757	80	3,588	106	19,722
Tax	2,531	3,598	70	782	725	108	1,099	71	4,548
Net profit	**10,031**	**11,680**	**86**	**3,011**	**4,031**	**75**	**2,490**	**121**	**15,174**
Attributable to additional tier 1 etc.	587	589	100	197	197	100	198	99	781
Balance sheet (end of period) (DKK millions)									
Due from credit institutions and central banks	84,013	204,884	41	84,013	97,773	86	204,884	41	169,237
Repo loans	374,852	323,131	116	374,852	314,609	119	323,131	116	316,362
Loans	1,817,630	1,757,868	103	1,817,630	1,808,656	100	1,757,868	103	1,769,438
Trading portfolio assets	612,071	443,758	138	612,071	534,030	115	443,758	138	415,811
Investment securities	285,920	275,230	104	285,920	265,507	108	275,230	104	276,424
Assets under insurance contracts	527,979	385,391	137	527,979	459,406	115	385,391	137	377,369
Total assets in Non-core	11,417	15,424	74	11,417	13,155	87	15,424	74	14,346
Other assets	248,837	267,343	93	248,837	285,274	87	267,343	93	239,480
Total assets	**3,962,718**	**3,673,028**	**108**	**3,962,718**	**3,778,409**	**105**	**3,673,028**	**108**	**3,578,467**
Due to credit institutions and central banks	128,422	149,820	86	128,422	127,528	101	149,820	86	148,095
Repo deposits	269,399	270,805	99	269,399	276,071	98	270,805	99	262,181
Deposits	926,318	908,887	102	926,318	931,646	99	908,887	102	894,495
Bonds issued by Realkredit Danmark	813,893	738,336	110	813,893	779,074	104	738,336	110	741,092
Other issued bonds	368,282	369,641	100	368,282	367,244	100	369,641	100	330,477
Trading portfolio liabilities	541,773	401,698	135	541,773	450,930	120	401,698	135	390,222
Liabilities under insurance contracts	563,835	422,288	134	563,835	503,148	112	422,288	134	417,279
Total liabilities in Non-core	4,917	5,282	93	4,917	5,145	96	5,282	93	4,014
Other liabilities	154,467	211,687	73	154,467	149,220	104	211,687	73	204,243
Subordinated debt	25,948	33,882	77	25,948	25,415	102	33,882	77	23,092
Additional tier 1	14,400	14,404	100	14,400	14,239	101	14,404	100	14,299
Shareholders' equity	151,064	146,299	103	151,064	148,748	102	146,299	103	148,976
Total liabilities and equity	**3,962,718**	**3,673,028**	**108**	**3,962,718**	**3,778,409**	**105**	**3,673,028**	**108**	**3,578,467**
Ratios and key figures									
Dividend per share (DKK)	-	-		-	-	-	-	-	8.5
Earnings per share (DKK)	11.1	12.7		3.3	4.5	-	2.7	-	16.5
Return on avg. shareholders' equity (% p.a.)	8.5	10.1		7.6	10.5	-	6.4	-	9.8
Net interest income as % p.a. of loans and deposits	0.80	0.88		0.79	0.79	-	0.88	-	0.88
Cost/income ratio (%)	58.5	56.1		60.8	57.9	-	66.4	-	56.4
Total capital ratio (%)	21.0	20.9		21.0	21.2	-	20.9	-	21.3
Common equity tier 1 capital ratio (%)	16.4	16.4		16.4	16.6	-	16.4	-	17.0
Share price (end of period) (DKK)	95.4	168.7		95.4	103.8	-	168.7	-	128.9
Book value per share (DKK)	176.9	171.0		176.9	174.2	-	171.0	-	174.3
Full-time-equivalent staff (end of period)	21,960	20,530	107	21,960	21,462	102	20,530	107	20,683

The financial highlights represent alternative performance measures that are non-IFRS measures. Note 3 provides an explanation of differences in the presentation between IFRS and the financial highlights. For a description of the alternative performance measures used and definition of ratios, see Definition of Alternative Performance Measures on page 29.

Executive summary

"The first nine months of 2019 were characterised by challenging interest rate levels and margins as well as higher impairment levels and an increase in costs, related especially to compliance. We saw a good underlying business with high customer activity and lending growth, but overall, our performance is under pressure. Therefore, we today present a new set of ambitions for 2023 and the key elements of the plan that will enable us to realise them. Through diligent cost management, significant investments in digitalisation and in our organisation as well as disciplined execution, we are committed to becoming a better bank for all our stakeholders: customers, employees, society and shareholders," says Chris Vogelzang, Chief Executive Officer.

In the first nine months of 2019, Danske Bank posted a net profit of DKK 10.0 billion, against DKK 11.7 billion in the same period in 2018. The return on shareholders' equity in the first nine months of 2019 was 8.5%, against 10.1% in the first nine months of 2018.

The result was affected primarily by a decrease in net interest income, caused mainly by a decrease in lending margins and higher funding costs, as well as challenging financial markets and an increase in loan impairments, which went from a high net reversal to a charge. Increasing operating expenses also affected the result negatively, primarily due to rising regulatory and compliance costs.

In the first nine months of 2019, we saw growth in lending of 3%. In the third quarter, lending was flat with subdued activity across all markets. However, we did see very good customer activity within remortgaging, with the significant declines in interest rates encouraging many customers to remortgage into cheaper fixed-rate mortgages.

At Banking DK, lending was up 1% from year-end 2018, but was flat in the third quarter. The macroeconomic outlook has weakened over the summer, and house prices continue to stagnate in the large cities. In order to maintain our strong and long-term commitment to keeping a high-quality loan book throughout the economic cycle, we are taking a more cautious approach vis-à-vis both retail and commercial customers.

In the first nine months of 2019, we saw a net outflow of approximately 18,900 NemKonto customers in Denmark. In the third quarter, we saw a net outflow of approximately 5,300 NemKonto customers, but at the same time, we saw customer satisfaction among Danish retail customers improve.

At Banking Nordic, lending has gone up 4% since the end of 2018, although there was a decrease of 1% from the second to the third quarter. This reflects lower growth levels in the third quarter, as well as adverse currency effects, which continued to affect the business unit. In Norway, we continued to see a good inflow of new customers in the third quarter, however at a lower pace than in previous quarters. Lending growth in Norway was 2% in local currency, whereas lending in Sweden was down 1% in local currency quarter-on-quarter. In August, we adjusted our mortgage prices in Sweden to offer a more attractive rate to customers choosing longer-term loans. In the third quarter, we also entered into a new partnership in Sweden with HSB Bospar, Sweden's largest association for home savers, with a portfolio of 140,000 members. In Finland, lending was up 1% in local currency from the second quarter, driven mainly by commercial lending.

Trading income was weak at Corporates & Institutions during the third quarter, despite an increase in volatility in core rates markets. The significant decline in interest rates during the summer meant that trading income in especially the rates business in FI&C was challenged during this volatile and illiquid period.

At Wealth Management, profit before tax decreased 45% in the third quarter following the sale of Danica Pension Sweden in the second quarter. Fee income, however, was up 5% quarter-on-quarter and 11% year-on-year. Following the Flexinvest Fri case, Wealth Management is in the process of conducting a full review of the entire product portfolio.

Strategy

It is clear that we are challenged both structurally and in terms of competition. Hence, as promised when we published our report for the second quarter, we have spent the past three months looking at how to improve our financial performance and regain our business momentum.

We have a strong underlying business and position in the Nordics and a desire to serve our customers and do the right thing. The strategic direction is fundamentally right, and so we have a solid foundation for transforming the way we work and do business going forward.

And we need to change. We face pressure on multiple fronts, including external challenges such as negative interest rates, increasing regulation, digitalisation and rising customer expectations. At the same time, we need to address a number of fundamentals internally, such as compliance, momentum and costs.

With this in mind, we have identified four promises on which we will focus our efforts:

- We put customers first
- We care about and develop our employees
- We contribute to society
- We deliver strong returns to our investors

To make sure we deliver on these promises, we have set ambitious targets for all four areas to be met by 2023 at the latest.

Our 2023 ambitions are as follows:

- We want to be among the top two on customer satisfaction in everything we do

- More than 90% of employees should be engaged (as measured in our Employee Engagement Index)

- We operate sustainably, ethically and transparently – and have a positive impact on the societies we are a part of. We will measure progress across seven identified focus categories

- We must achieve a return on shareholders' equity of 9-10% and a cost/income ratio in the low 50s by continuously improving the profitability level – leveraging our full potential

In order to meet these targets, management will focus and start executing on six core pillars in 2020, all related to investment in our future success and deliveries in the short term.

Deliveries in the short term:
- Compliance under control
- Cost base under control
- Commercial momentum gained

Investment in our future success:
- Complexity reduced, agility improved and the business further digitised
- Accountabilities and leadership promoted and developed
- Positive societal impact and sustainability embraced in everything we do

With these investments, we expect to achieve a return on shareholders' equity in the 5-6% range in 2020.

We have a lot of work ahead of us, but the first steps have been taken with the new, committed Executive Leadership Team. Over the next months, we will focus on execution of the ambitious management agenda. We will focus to deliver real change as soon as possible and will continue to provide updates along the way.

Financials
Net interest income was down 8% in the first nine months of 2019 from the level in the same period in 2018. Lending growth in Norway, Sweden and Finland was offset by higher funding costs, and rising interest rates in Norway and Sweden led to increased margin pressure in these markets.

In Denmark, high remortgaging activity meant a further shift towards lower-margin mortgage products among both retail and commercial customers. This is positive for credit quality but puts a downwards pressure on net interest income in the longer term. At the same time, funding costs remained at a more elevated level than in 2018 due to our issuance of non-preferred senior debt. The new funding is necessary to meet the new MREL requirement set by the Danish FSA.

Fee income was up 3% from the first nine months of 2018 and increased 11% from the second to the third quarter of 2019, due mainly to significant remortgaging activity in Denmark and the provision for the compensation payable to Flexinvest Fri customers, which had a negative effect on fee income in the second quarter.

Trading income was significantly lower year-on-year – with a decrease of 22%. Quarter-on-quarter, income was down 6% due to a continuation of challenging market conditions. Our rates business was adversely affected by the decline in interest rates that resulted in highly illiquid markets and a significant negative value adjustment of the trading portfolio. On the positive side, remortgaging activity in Denmark meant a strong increase in net trading income at Banking DK.

Expenses in the first nine months of 2019 were 2% higher than in the year-earlier period, despite the recognition of the DKK 1.5 billion donation to the combating of financial crime in the third quarter of 2018. Excluding this donation, expenses were up 11% year-on-year. Expenses were down 4% from the level in the second quarter of 2019, due mainly to the provision for the compensation to Flexinvest Fri customers being booked in the second quarter.

The increase in expenses year-on-year was due mainly to upstaffing and investments in compliance and AML-related activities. We continue our announced investment programme of up to DKK 2 billion to digitalise and streamline our AML efforts and improve the customer experience.

We saw impairment charges of DKK 813 million in the first nine months, of which DKK 343 million were made in the third quarter. This was due mainly to single-name exposures at Corporates & Institutions. The macroeconomic outlook deteriorated slightly, which is reflected in our impairment models and led to higher impairments in the third quarter. The change in outlook affected impairments in Denmark and Northern Ireland in particular. However, our strong focus on maintaining a high-quality loan book meant that credit quality remained strong. We are, as expected, above the impairment levels in the first nine months of 2018, when we saw significant reversals.

Exit from Baltics and Russia
Danske Bank will be closing down its remaining banking activities in Estonia in accordance with the resolution announced on 19 February 2019 and the precept issued by the Estonian FSA. Danske Bank Estonia Branch has entered into solvent liquidation. This reflects the fact that Danske Bank has essentially exited its banking activities in Estonia, with mainly technical matters outstanding. The management now lies with a liquidation committee.

As previously announced, Danske Bank will also be closing down its banking activities in the rest of the Baltics and Russia, but will continue to operate its shared services centre in Lithuania, which undertakes a number of administrative functions for the Danske Bank Group.

Estonia
Danske Bank remains in dialogue with various international authorities regarding the matters arising out of its Estonian branch. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the US. Danske Bank continues to cooperate with all authorities, which includes sharing information from Danske Bank's ongoing internal investigation. The overall timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain.

By way of update, Danske Bank's internal investigation into the terminated non-resident portfolio is currently expected to conclude by the fourth quarter of 2020. This timing is estimated and could be subject to change, including due to further requests from authorities. This investigation continues to be focused on issues arising out of the non-resident portfolio at the Estonian branch and includes reviewing whether similar issues have been present historically in Danske Bank's other Baltic branches.

A further and important aspect of Danske Bank's ongoing investigation into the historical activities at the Estonian branch relates to sanctions screening. Danske Bank has enhanced its methodology since publishing the Report on the Non-Resident Portfolio in September 2018 and is screening historical data on relevant historical customers of the Estonia branch, including the terminated non-resident portfolio, as well as associated persons and transaction information for possible sanctions violations. Danske Bank will inform the market if there are material developments that require disclosure.

The civil court claims against Danske Bank that were initiated in the US and in Denmark earlier this year are proceeding. Between 16 and 18 October 2019, a further 63 investors joined one of the existing claims in Denmark. Danske Bank is defending itself against these claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

Capital, funding, liquidity and regulation
Our capital position remained strong, with a total capital ratio of 21.0% and a CET1 capital ratio of 16.4%. As a consequence of an increase in the Group's solvency need and due to general uncertainty about future regulatory developments, the Board of Directors has decided to increase the Group's CET1 capital ratio target from around 16% to above 16% in the short term to ensure a sufficiently prudent buffer to the regulatory capital requirement. The total capital target is kept at above 20%. Danske Bank fully meets these capital targets.

On the basis of fully phased-in rules, our CET1 capital ratio stood at 16.3% versus our current fully phased-in regulatory CET1 capital requirement of 14.8%. The increase in our CET1 capital requirement is due partly to increased countercyclical buffers in the markets where we operate.

On 30 September 2019, we received final joint supervisory decisions on capital and liquidity from the supervisory college. As expected, the Danish FSA required us to reassess our solvency need to reflect general product governance risk following the Flexinvest Fri investigation and increased risk following an inspection of our IT governance structure. As of the third quarter of 2019, we have increased our Pillar II add-ons by DKK 4 billion, leading to a 0.5 percentage points increase of the solvency need and a 0.3 percentage points increase of our CET1 capital requirement.

At 30 September 2019, our liquidity coverage ratio stood at 134%.

In the first nine months of 2019, we issued DKK 86 billion of our estimated funding need for the year. So far, we have issued DKK 58 billion in non-preferred senior debt, DKK 21 billion in covered bonds and DKK 1.5 billion in senior debt, as well as a DKK 5.6 billion tier 2 issuance. We have thus secured a substantial part of the funding planned for the year, and we expect a similar funding need for 2020. However, we may issue up to around DKK 100 billion this year to cater for future funding and MREL requirements.

On 30 August, the Danish FSA published their decision regarding the Flexinvest Fri case, which included a number of orders. Danske Bank has taken note of the orders and will take the steps necessary to ensure compliance with them. All affected customers are expected to have received compensation before the end of the year. The FSA has also filed a criminal complaint against Danske Bank. We cooperate fully with the authorities.

Changes to the Executive Leadership Team
On 5 September, Danske Bank announced changes in the Executive Leadership Team. CFO Christian Baltzer, COO Jim Ditmore and Head of Group Development Frederik Vinten left their positions. Stephan Engels, currently CFO at Commerzbank, is expected to take up the position as CFO of Danske Bank in April 2020. Berit Behring was appointed Head of Wealth Management, taking over from Jacob Aarup Andersen, who – after a period as interim CFO – will take over as Head of Banking DK when Stephan Engels takes up his position.

Outlook for 2019
The outlook range for net profit has been narrowed from the range announced in the report for the first half of 2019.

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

The outlook is subject to uncertainty and macroeconomic developments.

Financial review

In the first nine months of 2019, Danske Bank Group delivered a profit before tax from core activities of DKK 12.8 billion, a decrease of 16% from the level in the first nine months of 2018. The result was primarily affected by a decrease in net interest income caused mainly by a decrease in lending margins and higher funding costs, an increase in loan impairments – which went from a net reversal to a net charge – and an increase in operating expenses that was due primarily to higher regulatory and compliance costs. The sale of Danica Pension Sweden had a partly offsetting effect.

Profit before tax in the IFRS income statement amounted to DKK 12.6 billion, a decrease of 16% from the level in the first nine months of 2018.

Income

Total income amounted to DKK 32.8 billion, a decrease of 2% from the level in the first nine months of 2018.

Net interest income totalled DKK 16.3 billion, a decrease of 8%. Net interest income was negatively affected by a decrease in lending margins due to developments in market rates in Sweden and Norway. Also contributing negatively was an increase in funding costs attributable primarily to the issuance of non-preferred senior bonds. Deposit margins and growth in lending and deposit volumes had a partly offsetting effect.

Net fee income amounted to DKK 11.7 billion, an increase of 3% from the level in the first nine months of 2018. Net fee income benefited from the acquisition of SEB Pension Danmark, however, the positive effect was partly offset by the provision for the compensation payable in relation to the Flexinvest Fri product and by lower fee income at Corporates & Institutions.

Net trading income totalled DKK 2.9 billion, a decrease of 22% from the level in the first nine months of 2018. The decrease was due primarily to developments at Corporates & Institutions and Wealth Management. At Corporates & Institutions, income decreased as a result of challenging market conditions. At Wealth Management, net trading income was negatively affected by a regulatory change to the discount curve for life insurance provisions and a negative investment result in the health and accident business.

Other income amounted to DKK 1.9 billion, against DKK 0.7 billion in the first nine months of 2018. The increase in other income was due mainly to the sale of Danica Pension Sweden.

Expenses

Operating expenses amounted to DKK 19.2 billion, an increase of 2% from the level in the first nine months of 2018. Adjusted for the expense for the DKK 1.5 billion donation in September 2018, operating expenses increased 11%, primarily as a result of higher regulatory and compliance costs, including for our efforts in the anti-money laundering area, as well as our continued initiatives to meet our ambitions within digital transformation. The provision for the compensation payable in relation to the Flexinvest Fri product and the ordinary operating expenses of SEB Pension Danmark also had an impact.

Loan impairments

Loan impairments in core activities recorded an expense of DKK 813 million in the first nine months of 2019, against a net reversal of DKK 607 million in the first nine months of 2018. The increase in loan impairments was driven mainly by increased impairments against a few single-name exposures at Corporates & Institutions and lower reversals on non-performing loans in Denmark. In addition, loan impairments were adversely affected by adjustments made to take into account the increased downside risk in the macroeconomic outlook for the Nordic countries. Although the risk of a downside to the outlook increased, credit quality remained solid during the third quarter of 2019, supported by stable macroeconomic conditions and stable collateral values in most markets.

Corporates & Institutions saw loan impairments against some single-name exposures, mainly in the shipping, oil & gas and retailing industries. At Banking DK, lower reversals in the first nine months of 2019 were caused mainly by lower reversals on legacy non-performing loans than in the same period of 2018, an increase in impairments caused by model adjustments for retail customers in the first quarter of 2019 and adjustments due to the increased risk of a downside to the macroeconomic outlook in the third quarter of 2019. In general, the Banking DK and Banking Nordic portfolios saw solid credit quality, with few new non-performing loans.

Loan impairment charges

	Q1-Q3 2019		Q1-Q3 2018	
(DKK millions)	Charges	% of net credit exposure*	Charges	% of net credit exposure*
Banking DK	-61	-0.01	-610	-0.09
Banking Nordic	-2	-0.00	-77	-0.02
C&I	889	0.50	103	0.03
Wealth Management	-20	-0.03	-53	-0.09
Northern Ireland	11	0.03	28	0.08
Other Activities	-4	-0.07	3	0.20
Total	**813**	**0.06**	**-607**	**-0.04**

* *Relating to lending activities in core segments.*

Tax

Tax on profit for the period amounted to DKK 2.5 billion, or 20.1% of profit before tax, against 23.5% of profit before tax for the first nine months of 2018. The decrease in the effective tax rate was due primarily to the gain on the sale of Danica Pension Sweden being non-taxable income.

Q3 2019 vs Q2 2019

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

Net interest income amounted to DKK 5.4 billion, a 1% increase from the level in the second quarter of 2019. Net interest income benefited primarily from higher lending and deposit volumes and the full effect of the structural FX hedge established in May 2019. The positive effects were partly offset by a decrease in deposit margins.

Net fee income amounted to DKK 4.1 billion and increased 11% from the level in the second quarter of 2019. The increase was due to higher remortgaging activity during the quarter at Banking DK and higher fees at Danica Pension. Further, the second quarter of 2019 was negatively affected by the provision for the compensation payable in relation to the Flexinvest Fri product.

Net trading income amounted to DKK 0.8 billion, a decrease of 6% from the level in the second quarter of 2019. At Corporates & Institutions, income was negatively affected by challenging market conditions. An increase in net trading income at Wealth Management and at Banking DK had a partly offsetting effect.

Other income amounted to DKK 0.2 billion, a decrease of DKK 1.4 billion from the second quarter of 2019. In the second quarter of 2019, other income benefited from the gain on the sale of Danica Pension Sweden.

Operating expenses amounted to DKK 6.4 billion, a decrease of 4% from the level in the second quarter of 2019. The second quarter of 2019 was affected by the provision for the compensation payable in relation to the Flexinvest Fri product. Lower performance-based compensation at Corporates & Institutions also contributed to the decrease. The third quarter of 2019 saw higher regulatory and compliance costs, including for our continued efforts in the anti-money laundering area.

Loan impairments amounted to DKK 343 million, against DKK 113 million in the second quarter of 2019. Loan impairments were adversely affected by adjustments made to take into account the increased downside risk in the macroeconomic outlook for the Nordic countries. Loan impairments were also adversely affected by higher impairments at Corporates & Institutions, driven primarily by increased charges against a few single-name exposures, mainly in the shipping, oil & gas and retailing industries and a few new non-performing exposures in the consumer goods and construction industries. Banking DK continued to see net reversals on non-performing loans, including reversals of charges made against exposures in the agriculture industry following an improved outlook for the industry and continued high pork prices. Banking Nordic saw net charges mainly against a few single-name exposures, especially in Finland. Wealth Management saw net reversals, and loan impairments were at a low level at the Northern Ireland business unit.

Balance sheet

Lending (end of period) (DKK billions)	Q3 2019	Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Full year 2018	Index 19/FY18
Banking DK	884.7	874.8	101	884.7	881.7	100	878.7	101
Banking Nordic	608.5	590.3	103	608.5	613.1	99	586.7	104
Corporates & Institutions	210.3	186.6	113	210.3	203.0	104	198.3	106
Wealth Management	82.3	77.5	106	82.3	81.8	101	77.7	106
Northern Ireland	52.6	50.9	103	52.6	50.2	105	49.8	106
Other Activities incl. eliminations	-3.2	-4.2	-	-3.2	-3.8	-	-3.8	-
Allowance account, lending	17.5	18.0	97	17.5	17.3	101	17.9	98
Total lending	**1,817.6**	**1,757.9**	**103**	**1,817.6**	**1,808.7**	**100**	**1,769.4**	**103**

Deposits (end of period) (DKK billions)								
Banking DK	296.9	281.7	105	296.9	294.3	101	282.6	105
Banking Nordic	237.6	227.7	104	237.6	241.9	98	226.8	105
Corporates & Institutions	261.6	272.5	96	261.6	270.5	97	260.8	100
Wealth Management	71.9	68.1	106	71.9	73.4	98	66.6	108
Northern Ireland	66.9	63.5	105	66.9	64.1	104	62.6	107
Other Activities incl. eliminations	-8.7	-4.7	-	-8.7	-12.6	-	-4.9	-
Total deposits	**926.3**	**908.9**	**102**	**926.3**	**931.6**	**99**	**894.5**	**104**

Covered bonds (DKK billions)								
Bonds issued by Realkredit Danmark	813.9	738.3	110	813.9	779.1	104	741.1	110
Own holdings of bonds	-2.9	59.1	-	-2.9	27.8	-	57.8	-
Total Realkredit Danmark bonds	**811.0**	**797.4**	**102**	**811.0**	**806.9**	**101**	**798.9**	**102**
Other covered bonds issued	181.0	174.7	104	181.0	196.3	92	182.6	99
Own holdings of bonds	60.1	40.1	150	60.1	58.6	103	57.5	105
Total other covered bonds	**241.1**	**214.8**	**112**	**241.1**	**254.9**	**95**	**240.1**	**100**
Total deposits and issued mortgage bonds etc.	**1,978.4**	**1,921.1**	**103**	**1,978.4**	**1,993.4**	**99**	**1,933.5**	**102**
Lending as % of deposits and issued mortgage bonds etc.	91.9	91.5		91.9	90.7	99	91.5	102

Lending

At the end of September 2019, total lending was up 3% from the level at the end of December 2018. Lending increased in almost all markets and across most geographies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 87.7 billion. Lending to retail customers accounted for DKK 45.4 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased 0.4 percentage points to 26.2%. In Sweden, our market share decreased 0.1 percentage points. In Norway, our market share increased 0.3 percentage points. In Finland, our market share of lending increased 0.1 percentage points.

Market shares of lending (%)	30 September 2019	31 December 2018
Denmark incl. RD (excl. repo)	26.2	26.6
Finland**	9.6	9.5
Sweden (excl. repo)*	5.6	5.7
Norway**	6.3	6.0

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

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

*** The market shares for Finland and Norway are based on data as at 31 August 2019.*

Lending equalled 91.9% of the total amount of deposits, mortgage bonds and other covered bonds, against 91.5% at the end of 2018.

Deposits

At the end of September 2019, total deposits were up 4% from the level at the end of 2018. Our market share in Denmark increased 0.3 percentage points to 28.1%. Our market share in Norway increased 0.9 percentage points. Our market share in Sweden increased 0.3 percentage points. Our market share in Finland decreased 0.3 percentage points. The Group maintained its strong funding position.

Market shares of deposits (%)	30 September 2019	31 December 2018
Denmark (excl. repo)	28.1	27.8
Finland**	10.7	11.0
Sweden (excl. repo)*	4.3	4.0
Norway**	7.3	6.4

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

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

*** The market shares for Finland and Norway are based on data as at 31 August 2019.*

Credit exposure

Credit exposure from lending activities in core segments increased to DKK 2,427 billion, against DKK 2,392 billion at the end of 2018, driven primarily by an increase in loans at Banking Nordic, Norway, and loan commitments at Banking DK. Demand deposits with central banks and due from credit institutions and central banks decreased DKK 33 billion from the end of 2018.

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

Credit quality

Credit quality remained solid in light of stable macroeconomic conditions, although the risk of a downside to the macroeconomic outlook for the Nordic countries increased. Loan impairments were negatively affected by adjustments made to take into account the increased downside risk. Total net non-performing loans (NPL) increased DKK 2.4 billion from the end of 2018, with the increase being driven by a few single-name exposures to the shipping, oil & gas and retailing industries at Corporates & Institutions. The coverage ratio remained high.

The risk management notes on pp. 59-72 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 Sept. 2019	31 Dec. 2018
Gross NPL	32,247	29,923
NPL allowance account	12,896	13,020
Net NPL	**19,351**	**16,903**
Collateral (after haircut)	**15,722**	**15,296**
NPL coverage ratio (%)	78.0	85.0
NPL coverage ratio of which is in default (%)	93.5	96.2
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).

At DKK 20.0 billion, or 1.1% of lending and guarantees, accumulated impairments decreased from the level at 31 December 2018.

Allowance account by business units (DKK millions)	30 Sept. 2019 Accum. impairm. charges	30 Sept. 2019 % of net credit exposure *	31 Dec. 2018 Accum. impairm. charges	31 Dec. 2018 % of net credit exposure *
Banking DK	11,734	1.31	12,185	1.36
Banking Nordic	3,909	0.63	4,134	0.69
C&I	3,264	1.41	2,806	1.26
Wealth Management	400	0.49	423	0.52
Northern Ireland	713	1.34	792	1.53
Other	9	0.02	12	0.02
Total	**20,028**	**1.06**	**20,353**	**1.10**

** Relating to lending activities in core segments.*

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 1,278 billion at 30 September 2019, against DKK 1,012 billion at the end of 2018.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 102.4 billion, against DKK 68.6 billion at the end of 2018. The increase was due to the lower market interest rates.

The value of the bond portfolio was DKK 496 billion. Of the total bond portfolio, 75% was recognised at fair value and 25% at amortised cost.

Bond portfolio (%)	30 Sept. 2019	31 Dec. 2018
Government bonds and bonds guaranteed by central or local governments	37	39
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	51	47
Swedish covered bonds	7	9
Other covered bonds	2	2
Corporate bonds	2	2
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	25	32

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

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 25.6 billion at the end of 2018 to net assets of DKK 70.3 billion at the end of September 2019. The increase in net assets was due mainly to an increase in the bond portfolio.

Other balance sheet items

Due from credit institutions and central banks decreased DKK 85.2 billion from the end of 2018. The decrease was due partly to general liquidity management, as some excess liquidity held with the ECB is now placed in a current account instead of a deposit facility. This decreased Due from credit institutions and central banks and increased Cash in hand and demand deposits with central banks, which is presented as part of Other assets.

Other assets is the sum of several small line items. Other assets increased DKK 9.4 billion, or 4%, from the end of 2018. Other liabilities decreased DKK 49.8 billion, or 24%, from the end of 2018. Danica Pension Sweden, which was presented as part of Other assets and Other liabilities at the end of 2018, was sold in the second quarter of 2019. The DKK 1.5 billion donation is presented as part of Other liabilities.

Assets under insurance contracts and Liabilities under insurance contracts increased DKK 150.6 billion and DKK 146.6 billion, respectively, from the end of 2018, primarily as a result of an increased market value of derivatives and higher returns on customer funds.

Capital ratios

At the end of September 2019, the total capital ratio was 21.0%, and the CET1 capital ratio was 16.4%, against 21.3% and 17.0%, respectively, at the end of 2018. The movement in the capital ratios during the first nine months of 2019 was caused mainly by increases in the total REA as well as in the capital deduction related to Danica Pension's solvency requirement. The deduction increased mainly as a result of regulatory changes, lower interest rates and the merger of Danica Pensionsforsikring A/S and Danica Pension A/S. The total capital ratio was supported by net issuances of tier 2 capital amounting to DKK 2.1 billion.

During the first nine months of 2019, the total REA increased approximately DKK 34 billion, due mainly to increased volatility on the financial markets, low interest rates and an increasing REA for market risk and counterparty risk. Changes to the recognition of right-of-use assets as a result of the implementation of IFRS 16 during the first half of 2019 had an increasing effect on the total REA as well.

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

Capital requirements

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

At the end of September 2019, the Group's solvency need was 12.5%, an increase of 0.7 percentage points from the level at the end of 2018. As a result of general product governance risk following the Flexinvest Fri investigation and inspection of our IT governance structure, the solvency need increased by 0.5 percentage points during the third quarter of 2019.

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

A combined buffer requirement applies in addition to the solvency need. At the end of September 2019, the Group's combined capital buffer requirement was 6.7%.

Announced increases to the national countercyclical buffer rates in Denmark and Norway in particular will increase the Group's combined buffer requirement by 0.5 percentage points. Consequently, the fully phased-in countercyclical buffer requirement will be 1.7%, bringing the fully phased-in CET1 requirement to 14.8%. This is a 0.8 percentage point increase from the level at the end of 2018, which is driven by the announced increases in the Danish countercyclical buffer rate from 1.0% to 2.0% during 2020 as well as the increase in the solvency need during the first nine months of 2019.

Capital ratios and requirements

(% of the total REA)	30 Sept. 2019	Fully phased-in*
Capital ratios		
CET 1 capital ratio	16.4	16.3
Total capital ratio	21.0	20.8
Capital requirements (incl. buffers)**		
CET 1 requirement	14.3	14.8
- portion from countercyclical buffer	1.2	1.7
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Total capital requirement	**19.2**	**19.7**
Excess capital		
CET 1 capital	2.2	1.5
Total capital	1.8	1.1

** Based on fully phased-in rules and requirements incl. the 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 announced buffer rates.*

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

Minimum requirement for own funds and eligible liabilities

The minimum requirement for own funds and eligible liabilities (MREL) came into effect on 1 July 2019. The requirement is set as two times the total capital requirement, but includes the institution-specific countercyclical buffer only once. At the end of September 2019, the requirement was 37.1%. The MREL ratio was 37.9%, supported by issuance of DKK 58.0 billion non-preferred senior debt in 2019.

Capital targets

As a consequence of the increase in the Group's solvency need and due to general uncertainty about future regulatory developments, the Board of Directors has decided to change the Group's CET1 capital target from around 16% to above 16% in the short term to ensure a sufficiently prudent buffer to the regulatory capital requirement. The total capital target is kept at above 20%. Danske Bank fully meets these capital targets.

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

Capital distribution policy

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

Credit ratings

On 23 October 2019, S&P revised the outlook on Danske Bank and Danica Pension to stable from negative, while affirming the 'A/A-1' long- and short-term issuer credit rating. The stable outlook reflects the Group's solid capitalisation, driven by S&P's reassessment of leverage in the Danish market and the sizeable loss-absorbing buffer established by Danske Bank through the issuance of non-preferred senior debt. This in itself would have resulted in an upgrade of the issuer credit rating, however, S&P continues to see risks associated with the ongoing investigations relating to the Estonia case, which has resulted in a one-notch negative adjustment to the issuer credit rating.

Moody's and Fitch took no rating actions in the first nine months of 2019.

On 23 September 2019, Moody's published a credit opinion on Danske Bank ('A2' issuer rating). The outlook remains negative due to the uncertainty relating to the ultimate impact of the Estonia case on Danske Bank's capitalisation, franchise, cost of funding and operational expenses.

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

Danske Bank's ratings 30 September 2019

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

** On 23 October 2019, S&P revised the outlook on Danske Bank to stable from negative.*

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

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

ESG ratings

ESG (Environmental, Social and Governance) ratings cover a range of analytical activities that address a business's societal impact. Each concept may include a broad range of sub-assessments, and definitions vary considerably among analysis providers.

Danske Bank has chosen to focus on six providers selected on the basis of their importance to our investors:

ESG rating agency	Score at 30 Sept. 2019	Score at 31 Dec. 2018
CDP Worldwide, UK	C Prime	C Prime
Imug, Germany	Positive (B)	Positive (B)
ISS ESG, USA	C Prime	C Prime
MSCI ESG Ratings, USA	B	B
Sustainalytics, USA		
ESG Risk Rating (new)	27.2	27.0
ESG Rating (old)	73	74
Vigeo Eiris, France	Not public to Danske Bank	Not public to Danske Bank

ESG ratings are updated annually, and interim updates are limited. Unlike the credit rating agencies, ESG rating agencies do not engage in dialogue with issuers between annual updates. The CDP, Imug, ISS and MSCI scores have not changed in 2019 to date, whereas the Sustainalytics ESG Risk Rating score was downgraded to 27.2 from 27.0 (score from 100 (severe risk) to 1 (negligible risk)) on 13 September 2019, and the ESG Rating score was downgraded to 73 from 74 (score from 1 to 100) on 12 June 2019.

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

Funding and liquidity

By the end of the third quarter of 2019, the Group had issued non-preferred senior bonds of DKK 58.0 billion, senior debt of DKK 1.5 billion, covered bonds of DKK 20.7 billion and tier 2 capital of DKK 5.6 billion, bringing total long-term wholesale funding to DKK 85.8 billion.

We have thus secured a substantial part of the funding planned for the year, and we expect a similar funding need for 2020. However, we may issue up to around DKK 100 billion this year to cater for future funding and MREL requirements. We remain dedicated to our strategy of securing more funding directly in our main lending currencies, including NOK and SEK.

The significant funding activity, primarily in the first and third quarters of 2019, has caused funding costs to rise. The rise was primarily the result of our issuance of non-preferred senior bonds, as we issued less such funding in the first nine months of 2018 and at a lower cost than that of the issues made during 2019.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of September 2019, our liquidity coverage ratio stood at 134%, with an LCR reserve of DKK 439 billion.

At 30 September 2019, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 370 billion, against DKK 326 billion at the end of 2018.

Danske Bank excluding Realkredit Danmark (DKK billions)	30 Sept. 2019	31 Dec. 2018
Covered bonds	181.0	182.6
Preferred senior bonds	77.3	93.9
Non-preferred senior bonds	86.0	26.4
Subordinated debt	25.8	23.1
Total	**370.0**	**326.0**

The Supervisory Diamond

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

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

Realkredit Danmark also complies with all threshold values.

New regulation

In May 2019, the EU Banking Package (CRD V, CRR II and BRRD II) was adopted. The CRD V and BRRD II are to be implemented into national legislation by the end of 2020, whereas the CRR II will apply from the end of the second quarter of 2021. Further, level 2 regulation (ITS, RTS) related to the EU Banking Package will be issued in the coming years. The Group assesses the CRR II and CRD V and related regulation to have a limited capital and REA effect on the Group.

Changes to executive management

Effective from 5 September 2019, CFO Christian Baltzer, COO James Ditmore and Head of Group Development Frederik Gjessing Vinten left their positions as members of the Executive Board. Frederik Gjessing Vinten will leave Danske Bank in mid-November 2019.

Effective from 5 September 2019, the Executive Board was renamed the Executive Leadership Team.

On 5 September 2019, it was announced that Stephan Engels will be appointed member of the Executive Leadership Team and CFO. Stephan Engels comes from a position as CFO of Commerzbank and is expected to join Danske Bank in April 2020. Jacob Aarup-Andersen will act as interim CFO until Stephan Engels takes up his position.

On 5 September 2019, it was also announced that Berit Behring had been appointed member of the Executive Leadership Team and Head of Wealth Management. Jacob Aarup-Andersen, previously Head of Wealth Management, was appointed Head of Banking DK and will take up his position when Stephan Engels joins Danske Bank.

Banking DK

Banking DK posted a profit before tax of DKK 4.4 billion for the first nine months of 2019, a decrease of 21% from the level in 2018. The strong competition and the increase in regulatory costs and compliance investments continued into the third quarter of the year, adversely affecting the result. As expected, we also continued to see higher impairments. However, these effects were somewhat mitigated by significant remortgaging activity, fuelled by historically low interest rates, increasing business activity and lending growth.

Banking DK (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Net interest income	6,400	6,703	95	2,095	2,125	99	2,245	93	8,955
Net fee income	2,483	2,597	96	997	697	143	848	118	3,400
Net trading income	767	606	127	257	230	112	156	165	852
Other income	175	172	102	59	60	98	57	104	234
Total income	9,824	10,078	97	3,408	3,111	110	3,306	103	13,442
Operating expenses	5,442	5,071	107	1,806	1,867	97	1,698	106	6,860
Profit before loan impairment charges	4,382	5,007	88	1,602	1,244	129	1,608	100	6,582
Loan impairment charges	-61	-610	-	-114	-153	75	-16	-	-758
Profit before tax	**4,444**	**5,617**	**79**	**1,716**	**1,397**	**123**	**1,624**	**106**	**7,340**
Loans, excluding reverse transactions before impairments	884,704	874,789	101	884,704	881,684	100	874,789	101	878,689
Allowance account, loans	10,307	10,880	95	10,307	10,464	98	10,880	95	10,790
Deposits, excluding repo deposits	296,909	281,747	105	296,909	294,330	101	281,747	105	282,640
Covered bonds issued*	763,497	754,059	101	763,497	757,957	101	754,059	101	754,621
Allowance account, guarantees	1,425	1,630	87	1,425	1,555	92	1,630	87	1,393
Allocated capital (average)	33,569	34,274	98	33,496	33,667	99	34,028	98	34,032
Net interest income as % p.a. of loans and deposits	0.74	0.79		0.72	0.73		0.79		0.79
Profit before tax as % p.a. of allocated capital (avg.)	17.7	21.9		20.5	16.6		19.1		21.6
Cost/income ratio (%)	55.4	50.3		53.0	60.0		51.4		51.0
Full-time-equivalent staff	3,574	3,352	107	3,574	3,465	103	3,352	107	3,341

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

Fact Book Q3 2019 provides financial highlights at customer type level. Fact Book Q3 2019 is available at danskebank.com/ir.

First nine months 2019 vs first nine months 2018

The period was characterised by strong competition and lower risk appetite following the slowdown in the housing market, but also by high remortgaging activity caused by historically low interest rates, increasing business activity and lending growth.

Growth in lending was driven primarily by our large real estate segment, mainly subsidised housing and commercial property, and personal customers' demand for FlexLife® and Danske Bolig Fri® home loans. Remortgaging activity was evident across all segments but especially prevalent in our commercial and large real estate segments.

Since the beginning of the year, the number of customers with a NemKonto account has decreased by a net 18,900. However, satisfaction among our retail customers continued to improve for the second quarter running. Satisfaction among our commercial customers also increased in the third quarter.

Our share of the retail market declined, reflecting the customer outflow, while our share of the commercial market increased slightly.

Net interest income was adversely affected by strong competition and increasing funding costs to meet the new MREL requirement set by the Danish FSA. The low interest rate environment in Denmark put pressure on deposit margins and also encouraged customers to switch to loan and mortgage products with lower margins.

Income was positively impacted by extraordinarily high remortgaging activity, which added some DKK 400 million to our top line compared to the same period in 2018. Fees accounted for around half of this amount.

However, fees still decreased from the level in the first nine months of 2018 due to the compensation of approximately DKK 150 million payable to certain Flexinvest Fri customers as well as reduced customer appetite for actively managed investment products in general.

Operating expenses rose 7% owing to increasing costs for regulatory requirements and compliance, primarily for investments in anti-money laundering activities, such as monitoring and controls, staff training and IT.

For example, in the third quarter, one of our new investments made it possible for non-Danish citizens to become customers directly via our website. For the customer, this means a simple process that they can complete whenever it suits them. For Danske Bank, it means less administrative work for advisers and more time for creating value for customers while still obtaining all the information necessary.

Loan impairment charges amounted to a net reversal of DKK 61 million in the first nine months of 2019, primarily because of reversals in the commercial property and agricultural portfolios. However, loan impairments were also negatively affected by changes to the macroeconomic outlook.

Credit quality

Credit quality generally remained stable. The market was supported by the low interest rate level and benign macroeconomic conditions, but there were also early indications of a slowdown.

Credit quality at Realkredit Danmark remained strong in the first nine months of 2019, supported by the stable Danish economy.

The average loan-to-value (LTV) level increased by 0.1 percentage points during the period.

Loan-to-value ratio, home loans	30 September 2019		31 December 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail	61.9	469	61.8	468
Total	**61.9**	**469**	**61.8**	**468**

Credit exposure

Credit exposure increased to DKK 993 billion in the first nine months of 2019, driven by both the commercial and the retail portfolios.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019
Retail	509,520	501,130	0.04%
Commercial	483,462	457,779	-0.07%
Total	**992,982**	**958,909**	**-0.01%**

Business initiatives

Our business is based on our continuous efforts to make daily banking and financial decision-making easy for our customers.

In 2019 to date, we have issued DKK 0.8 billion in green mortgage loans funded by green bonds issued by Realkredit Danmark. The loan type, launched in March, was the first of its kind on the Danish market and is available to customers to finance climate-friendly commercial property. The bonds offer climate-conscious investors a new way to expand their green portfolio.

In July, we launched our partnership with Nordic insurer Tryg Forsikring. Our new insurance offering was off to a good start with keen interest from both retail and commercial customers. Feedback from customers shows that they are very satisfied with the advice given and the fact that they can quickly and easily book a meeting with an adviser.

We also entered into a collaboration with five leading Nordic banks to develop a shared platform for handling data about commercial customers. The purpose is to improve the customer experience, simplify processes, reduce costs and combat financial crime in the Nordic region.

Q3 2019 vs Q2 2019

Profit before tax increased 23% to DKK 1.7 billion owing primarily to income from remortgaging activity.

Lending volumes were largely flat during the period, while deposits increased 1%.

Operating expenses fell 3% due to seasonality during the summer months.

The third quarter of 2019 saw a net reversal of DKK 114 million, against a net reversal of DKK 153 million in the second quarter of 2019. We saw continued impairment reversals in the agricultural portfolio in the third quarter but also a negative effect from the change in the macroeconomic outlook.

Banking Nordic

Banking Nordic delivered a profit before tax of DKK 3.3 billion, equivalent to a decrease of 22% from the level in the same period in 2018. The decrease was caused mainly by a decline in net interest income due to higher interest rates in Norway and Sweden putting pressure on margins and an increase in operating expenses caused by investments in compliance and higher costs for regulatory requirements.

Banking Nordic (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Net interest income	5,672	5,946	95	1,898	1,873	101	1,993	95	7,957
Net fee income	1,186	1,199	99	409	379	108	384	107	1,605
Net trading income	195	228	86	56	73	77	84	67	302
Other income	455	522	87	133	168	79	145	92	648
Total income	7,508	7,896	95	2,496	2,493	100	2,606	96	10,512
Operating expenses	4,181	3,696	113	1,377	1,403	98	1,217	113	5,029
Profit before loan impairment charges	3,327	4,200	79	1,120	1,090	103	1,389	81	5,483
Loan impairment charges	-2	-77	-	80	-35	-	-79	-	-159
Profit before tax	**3,329**	**4,277**	**78**	**1,040**	**1,125**	**92**	**1,468**	**71**	**5,642**
Loans, excluding reverse transactions before impairments	608,513	590,280	103	608,513	613,070	99	590,280	103	586,679
Allowance account, loans	3,529	3,851	92	3,529	3,492	101	3,851	92	3,746
Deposits, excluding repo deposits	237,634	227,730	104	237,634	241,932	98	227,730	104	226,808
Covered bonds issued*	219,854	193,628	114	219,854	234,240	94	193,628	114	218,143
Allowance account, guarantees	378	404	94	378	382	99	404	94	388
Allocated capital (average)	33,583	32,678	103	33,737	33,720	100	33,192	102	32,701
Net interest income as % p.a. of loans and deposits	0.90	0.99		0.89	0.89		0.99		0.99
Profit before tax as % p.a. of allocated capital (avg.)	13.2	17.4		12.3	13.3		17.7		17.2
Cost/income ratio (%)	55.7	46.8		55.2	56.3		46.7		47.8
Full-time-equivalent staff	2,536	2,522	101	2,536	2,593	98	2,522	101	2,442

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

Fact Book Q3 2019 provides financial highlights at customer level for Banking Nordic. Fact Book Q3 2019 is available at danskebank.com/ir.

First nine months 2019 vs first nine months 2018

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

Overall, the financial results were adversely affected by currency effects, as the Norwegian krone and the Swedish krona depreciated vis-à-vis the Danish krone from the first nine months of 2018 to the first nine months of 2019. In addition, rising interest rates in Norway and Sweden led to increased margin pressure. In combination with increased operating expenses and increased funding costs to meet the new MREL requirement set by the Danish FSA, profit before tax decreased 22% from the level in the same period last year.

Banking Nordic saw growth in lending in local currency in all market areas from the levels at the end of 2018. However, whereas Finland and Norway in particular saw a pick-up at the end of the first nine months of 2019, Sweden saw a decline. The decline was due largely to a revision of the risk and pricing strategy in the second and third quarters of 2019. Hence, Sweden saw only a modest increase in retail volumes from the level at the end of 2018, whereas volumes from medium-sized and large commercial customers declined in the third quarter. In Norway, growth was driven by retail customers and large commercial customers, and in Finland by medium-sized and large commercial customers.

Net interest income was adversely affected by increased margin pressure. The pressure came mainly from an environment of increasing interest rates in Norway and Sweden as well as more intense competition. Furthermore, net interest income was adversely affected by increased funding costs to meet the new MREL requirement.

Net fee income decreased from the level of the first nine months of 2018, mainly because of lower retail activity in Finland. However, fee income grew in Norway, primarily as a result of investment and services fees.

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

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

Loan impairments were at a very low level, amounting to a net reversal of DKK 2 million in the first nine months of 2019. The retail portfolio showed higher impairments driven by model changes, while the commercial portfolio showed high reversals, primarily in Norway.

Credit quality

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

The overall loan-to-value (LTV) ratio increased by 0.2 percentage points during the period.

Loan-to-value ratio, home loans	30 Sept. 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail Sweden	65.2	81	65.0	87
Retail Norway	62.4	114	62.0	97
Retail Finland	61.4	83	61.1	84
Total	**62.9**	**277**	**62.7**	**268**

Credit exposure

Credit exposure increased to DKK 725 billion in the third quarter of 2019. The growth came mainly from the retail portfolio in Norway and was driven by the partnership with the trade union Tekna.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sept. 2019	31 Dec. 2018*	30 Sept. 2019
Sweden	270,218	277,483	-0.10%
Norway	233,826	203,751	-0.01%
Finland	165,422	163,010	0.18%
Other	55,902	57,584	0.01%
Total	**725,368**	**701,828**	**0.00%**

Business initiatives

During the first nine months of 2019, Banking Nordic expanded its retail customer portfolio through partnership agreements. In Norway, we experienced a steady inflow of new customers from our agreement with Tekna, which drove lending volumes up. In Sweden, we entered into a new partnership with HSB Bospar, Sweden's largest association for home savers with a portfolio of 140,000 members. We entered into the partnership agreement in the third quarter of 2019, and customers will be onboarded during 2020.

In the third quarter of 2019, we also added Apple Pay to our offering of payment solutions for retail and commercial customers. The solution enables easy, accessible and secure payments for our customers.

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

In Asset Finance, we entered into a new partnership with Interdan, which will broaden our offerings within the vendor car financing industry from 2020.

Q3 2019 vs Q2 2019

Profit before tax decreased 8% due to higher impairment charges, against reversals in the second quarter of 2019.

Total income was on par with the level in the second quarter of 2019.

Net interest income increased 1% due to lower margin pressure, especially in Sweden, as well as lower funding costs in the third quarter. Net fee income increased 8% because of increased investment activity in Sweden.

Lending decreased 1% from the second quarter to the third quarter of 2019 due to a decline in Sweden caused by our revised risk and pricing strategy.

Loan impairments amounted to a charge of DKK 80 million in the third quarter of 2019, against a net reversal of DKK 35 million in the second quarter of 2019. The impairment charges for the third quarter came primarily from model changes in the retail portfolio.

Corporates & Institutions

Corporates & Institutions contributed a profit before tax of DKK 1.9 billion in the first nine months of 2019, a decrease of 48% from the same period last year. The decline was driven by increased loan impairment charges, lower trading income and negative developments in value adjustments. Operating expenses were unchanged from the same period in 2018 despite underlying cost pressure from regulatory compliance-related activities.

Corporates & Institutions (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Net interest income	2,671	2,974	90	885	857	103	992	89	3,928
Net fee income	2,074	2,159	96	673	709	95	681	99	2,914
Net trading income	1,528	2,057	74	182	432	42	529	34	2,440
Other income	1	5	20	-	1	-	-4	-	7
Total income	6,275	7,196	87	1,739	1,999	87	2,199	79	9,289
Operating expenses	3,516	3,511	100	1,128	1,184	95	1,107	102	4,689
Profit before loan impairment charges	2,759	3,685	75	612	815	75	1,092	56	4,600
Loan impairment charges	889	103	-	369	300	123	235	157	278
Profit before tax	**1,870**	**3,581**	**52**	**243**	**516**	**47**	**857**	**28**	**4,322**
Loans, excluding reverse trans. before impairments	210,254	186,627	113	210,254	202,984	104	186,627	113	198,320
Allowance account, loans	2,653	2,135	124	2,653	2,260	117	2,135	124	2,223
Allowance account, credit institutions	11	17	65	11	8	138	17	65	13
Deposits, excluding repo deposits	261,607	272,480	96	261,607	270,529	97	272,480	96	260,781
Covered bonds issued*	16,597	17,376	96	16,597	17,061	97	17,376	96	18,713
Allowance account, guarantees	601	564	107	601	21	-	564	107	133
Allocated capital (average)	32,268	34,032	95	33,781	31,412	108	32,663	103	33,629
Net interest income as % p.a. of loans and deposits	0.77	0.82		0.76	0.75		0.86		0.83
Profit before tax as % p.a. of allocated capital (avg.)	7.7	14.0		2.9	6.6		10.5		12.9
Cost/income ratio (%)	56.0	48.8		64.9	59.2		50.3		50.5
Full-time-equivalent staff	1,704	1,847	92	1,704	1,675	102	1,847	92	1,858

Total income (DKK millions)									
FI&C	1,690	2,261	75	287	429	67	623	46	2,541
Capital Markets	1,180	1,153	102	309	462	67	325	95	1,556
General Banking	3,405	3,783	90	1,143	1,108	103	1,250	91	5,192
Total income	**6,275**	**7,196**	**87**	**1,739**	**1,999**	**87**	**2,199**	**79**	**9,289**

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

First nine months 2019 vs first nine months 2018

Corporates & Institutions saw a decline in profit before tax from the level in the first nine months of 2018. The decrease was driven primarily by higher loan impairments, weak trading income in FI&C and negative developments in value adjustments.

Customer activity slowed from the level in the first nine months of 2018 in areas such as Equities and Liquidity & Securities Finance, while other areas such as Investor Services continued to see growth in income and volumes.

Total income amounted to DKK 6.3 billion, a decrease of 13% from the same period in 2018. The decrease was driven mainly by lower trading income in FI&C and negative developments in value adjustments. Moreover, the transfer of the portfolios in the Baltics and Russia to the Non-core unit had a negative impact that did not exist in the same period in 2018.

Net interest income declined 10% from the level in the first nine months of 2018. Adjusted for the portfolio transfers, net interest income fell 6% as the result of a decline in activity-driven income and increased funding costs. Loans excluding reverse transactions before impairments increased 6% from the level at year-end 2018, driven by changes in the gross value of collateral related to derivatives exposure, whereas underlying bank lending was unchanged. Deposits excluding repo deposits were broadly flat from the end-2018 level.

Net fee income declined 4% from the same period last year, mainly as a result of lower income from Equities.

Net trading income fell 26% from the same period in 2018 as a result of weak trading income in FI&C during the summer months as well as negative developments in value adjustments of the derivatives portfolio (xVA).

Operating expenses were broadly unchanged from the level in the first nine months of 2018, driven by the portfolio transfers and a continued focus on costs. Investments in anti-money laundering activities and regulatory compliance continued to put an upward pressure on operating expenses.

Fixed Income & Currencies

Income in FI&C amounted to DKK 1.7 billion, a decrease of 25% from the level in the first nine months of 2018.

Trading income was weak in FI&C during the third quarter, despite an increase in volatility in core rates markets. The significant decline in interest rates during the summer had a negative impact on trading income from the Danish fixed income business in FI&C, with income adversely affected by high volatility and illiquidity. Client activity in the Rates business as well as in Currencies remained high, whereas activity in Liquidity & Securities Finance decreased from the level in the same period in 2018.

The decrease seen in FI&C income since 2016-2017 is a result of both structural and cyclical headwinds with an increasing likelihood that the latter will prove more persistent. In addition, income in 2019 was negatively affected by value adjustments of the derivatives portfolio (xVA).

Capital Markets

Capital Markets income increased 2% from the level in the first three quarters of 2018, driven by a continuously strong deal flow with large customer transactions in Loan Capital Markets and strong secondary credit markets in Debt Capital Markets.

While activity at the beginning of the year was below the 2018 level, Debt Capital Markets has experienced normalised client activity in the primary market in recent quarters. Secondary market income continued to benefit from strong credit markets. Additionally, Debt Capital Markets is a key component of our sustainable finance activities, with Danske Bank ranking seventh globally as an arranger of green bonds in Bloomberg league tables at the end of the third quarter.

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

In Loan Capital Markets, our underwrite-to-distribute strategy continued to yield positive results, while income from Corporate Finance was unchanged from the first three quarters of 2018.

General Banking

Income from General Banking was 10% lower than in the first nine months of 2018. The portfolio transfers to the Non-core unit accounted for nearly half of the decline. The underlying decrease in total income was 6%, due mainly to lower activity-driven income and higher funding costs. Lending and deposits in General Banking remained stable.

Credit quality

In the first three quarters of 2019, loan impairments amounted to DKK 889 million as a result of a few charges made against single-name exposures, due primarily to accumulated charges against exposure to the shipping, oil & gas and retailing industries. Loan impairment charges increased DKK 369 million in the third quarter of 2019 from the level in the first two quarters of 2019.

Net credit exposure from lending activities amounted to DKK 502 billion at the end of the third quarter of 2019, a decrease of DKK 61 billion from the level at the end of 2018, which was due to a reduction in exposure to central banks.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019
Sovereign	88,638	154,101	0.00%
Financial institutions	75,843	73,791	0.06%
Corporate	337,058	334,651	0.62%
Other	38	250	-
Total	**501,577**	**562,793**	**0.50%**

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

Q3 2019 vs Q2 2019

Profit before tax decreased 53%, mainly as a result of lower trading income in FI&C and Capital Markets.

FI&C income fell 33% from the level in the second quarter as income in the Rates business fell. The significant decline in interest rates during the summer had a negative impact on trading income in the Danish fixed income business in FI&C, with income adversely affected by the high volatility and illiquidity.

Capital Markets income decreased 33% from the level in the second quarter, due primarily to a seasonal decrease in activity during the summer months.

General Banking income increased 3% from the second-quarter level, driven mainly by net interest income from lending.

Operating expenses decreased 5% from the level in the second quarter, driven primarily by lower performance-based compensation.

The third quarter of 2019 saw net loan impairment charges of DKK 369 million, against charges of DKK 300 million in the second quarter. Most of the charges in the third quarter related to the shipping, oil & gas and retailing industries.

Wealth Management

Profit before tax amounted to DKK 3.6 billion, an increase of 39% from the level in the first nine months of 2018, due mainly to the gain of DKK 1.3 billion from the sale of Danica Pension Sweden. Net fee income benefited from the inclusion of SEB Pension Danmark. Trading income saw a negative impact from a regulatory change to the discount curve for life insurance provisions in the first quarter of 2019. The increase in operating expenses was due mainly to the operation of SEB Pension Danmark and the provision for the compensation payable to certain Flexinvest Fri customers.

Wealth Management (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Net interest income	483	545	89	148	160	93	179	83	725
Net fee income	5,834	5,251	111	1,993	1,894	105	1,828	109	7,353
Net trading income	-124	110	-	146	-156	-	94	155	66
Other income	1,173	-29	-	-120	1,342	-	18	-	-193
Total income	7,366	5,877	125	2,167	3,241	67	2,119	102	7,950
Operating expenses	3,813	3,362	113	1,150	1,438	80	1,216	95	4,810
Profit before loan impairment charges	3,553	2,515	141	1,017	1,803	56	903	113	3,140
Loan impairment charges	-20	-53	-	10	-27	-	-21	-	-42
Profit before tax	**3,573**	**2,568**	**139**	**1,007**	**1,830**	**55**	**924**	**109**	**3,183**
Loans, excluding reverse trans. before impairments	82,277	77,464	106	82,277	81,786	101	77,464	106	77,704
Allowance account, loans	358	374	96	358	352	102	374	96	392
Deposits, excluding repo deposits	71,920	68,143	106	71,920	73,403	98	68,143	106	66,641
Covered bonds issued*	52,227	47,019	111	52,227	52,356	100	47,019	111	47,368
Allowance account, guarantees	42	40	105	42	34	124	40	105	32
Allocated capital (average)	19,021	14,756	129	20,113	19,098	105	17,187	117	15,434
Net interest income as % p.a. of loans and deposits	0.43	0.50		0.39	0.42		0.49		0.50
Profit before tax as % p.a. of allocated capital (avg.)	25.0	23.2		20.0	38.3		21.5		20.6
Cost/income ratio (%)	51.8	57.2		53.1	44.4		57.4		60.5
Full-time-equivalent staff	2,218	2,180	102	2,218	2,180	102	2,180	102	2,201

Breakdown of assets under management** (DKK billions)									
Life conventional	210	201	104	210	205	102	201	104	200
Asset management	951	968	98	951	900	106	968	98	927
Assets under advice	450	499	90	450	482	93	499	90	449
Total assets under management	**1,610**	**1,668**	**97**	**1,610**	**1,587**	**101**	**1,668**	**97**	**1,575**

Breakdown of net fee income (DKK millions)									
Management fees	4,754	4,344	109	1,562	1,563	100	1,502	104	6,043
Performance fees	42	50	84	22	15	147	21	105	204
Risk allowance fees	1,039	857	121	409	316	129	305	134	1,105
Total net fee income	**5,834**	**5,251**	**111**	**1,993**	**1,894**	**105**	**1,828**	**109**	**7,353**

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

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

First nine months 2019 vs first nine months 2018

Profit before tax amounted to DKK 3.6 billion, up 39% from the level in the first nine months of 2018, due mainly to the gain from the sale of Danica Pension Sweden. The financial performance benefited from improved conditions in the equity markets but was negatively affected by lower interest rates and a regulatory change by the European pensions authority (EIOPA) to the discount curve for life insurance provisions. The provision for the compensation payable to certain customers with Flexinvest Fri also had an adverse effect on the result. The financial results of SEB Pension Danmark were only partially included in the result for the first nine months of 2018 and hence had a more positive effect on the result for the first nine months of 2019.

Net interest income was down 11% from the level in the first nine months of 2018 due to a significant reduction in the volatility adjustment (VA) component and the inclusion of SEB Pension Danmark, which resulted in higher funding costs.

Net fee income amounted to DKK 5.8 billion and was up 11% from the level in the first nine months of 2018, primarily due to the inclusion of SEB Pension Danmark. The sale of Danica Pension Sweden decreased fee income by approximately DKK140 million compared to the same period in 2018. Asset Management fees were DKK 78 million below the year-earlier level due to lower assets under management and a product shift in the Asset Management business.

Net trading income amounted to a negative DKK 124 million and decreased from the level in the first nine months of 2018 when trading income was positive by DKK 110 million. In the first quarter of 2019, trading income was adversely affected by a DKK 140 million one-off that was due to a regulatory change in the VA component. In the third quarter, income benefited from a positive investment result in the health and accident business.

Other income amounted to DKK 1,173 million, against a negative DKK 29 million in the first nine months of 2018. The increase was due to the gain of DKK 1.3 billion from the sale of Danica Pension Sweden.

Operating expenses were up 13% from the level in the first nine months of 2018. This was due to the addition of the ordinary operating expenses of SEB Pension Danmark, increased costs for regulatory compliance, and the provision for the approximately DKK 210 million one-off compensation payable to certain customers with the Flexinvest Fri product. The sale of Danica Pension Sweden lowered costs by approximately DKK 100 million from the level in the same period in 2018.

Credit quality

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

Loan impairments amounted to a net reversal of DKK 20 million in the first nine months of 2019.

Loan-to-value ratio, home loans	30 Sept. 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	58.4	42	58.0	42
Sweden	59.8	3	59.1	4
Norway	60.2	8	60.2	8
Finland	62.2	2	66.0	2
Total	**59.2**	**57**	**58.9**	**56**

Credit exposure

Credit exposure increased to DKK 95 billion in the first nine months of 2019. The increase was driven mainly by growth in the Danish market.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019
Denmark	65,373	57,943	-0.03%
Sweden	7,012	6,886	0.05%
Norway	11,663	11,296	-0.02%
Finland	3,022	3,160	0.00%
Luxembourg	7,473	8,062	-0.19%
Total	**94,544**	**87,347**	**-0.03%**

Assets under Management

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

Assets under Management, including SEB Pension Danmark, decreased DKK 58 billion, primarily because of the sale of Danica Pension Sweden, which accounted for DKK 64 billion. At the end of September 2019, Assets under Management totalled DKK 1,610 billion.

Premiums in Danica Pension amounted to DKK 25.8 billion, against DKK 33.7 billion in the first nine months of 2018. The decrease was driven primarily by the sale of Danica Pension Sweden.

Investment return on customer funds

In the first nine months of 2019, the financial markets were characterised by high returns. Looking overall at our funds, 66% of investment products generated above-benchmark returns, against 53% in the first nine months of 2018. On a 3-year horizon, 63% of all investment products generated above-benchmark results.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	2019	3-year
All funds	66%	63%
Equity funds	55%	46%
Fixed-income funds	73%	80%
Balanced funds etc.	78%	67%

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

Customers with *Danica Balance Mix* achieved returns on investments of between 9.0% for low-risk profiles with 0 years to retirement and 18.6% for high-risk profiles with 30 years to retirement. The return for customers with a *Danica Balance* medium risk profile with 20 years to retirement was 15.0%.

Q3 2019 vs Q2 2019

In the third quarter of 2019, profit before tax decreased DKK 0.8 billion to DKK 1.0 billion. This was due primarily to the gain from the sale of Danica Pension Sweden benefiting the second quarter but also to a positive trading result in the third quarter and lower costs.

Total income decreased 33% to DKK 2.2 billion but was at the same level as in the second quarter excluding the gain from the sale of Danica Pension Sweden.

Net fee income was up 5% from the level in the second quarter owing to higher fees from Danica Pension, and net trading income increased on the back of a higher investment return in the health and accident business.

Operating expenses fell 20% from the second to the third quarter of 2019, since DKK 0.2 billion in costs relating to the estimated compensation payable to certain customers with the Flexinvest Fri product was recognised in the second quarter.

Northern Ireland

At DKK 648 million, profit before tax was 16% higher than in the same period last year, despite continued Brexit uncertainty. The increase reflects a combination of higher income, reduced costs and lower loan impairment charges.

Northern Ireland (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Net interest income	1,133	1,109	102	368	379	97	372	99	1,491
Net fee income	274	298	92	86	93	92	97	89	392
Net trading income	113	60	188	43	40	108	20	215	82
Other income	11	9	122	4	4	100	3	133	12
Total income	1,530	1,476	104	500	516	97	492	102	1,978
Operating expenses	872	889	98	277	293	95	299	93	1,207
Profit before loan impairment charges	658	587	112	222	223	100	193	115	770
Loan impairment charges	11	28	39	-4	28	-	-22	18	26
Profit before tax	**648**	**560**	**116**	**226**	**195**	**116**	**215**	**105**	**744**
Loans, excluding reverse transactions before impairments	52,563	50,902	103	52,563	50,189	105	50,902	103	49,805
Allowance account, loans	663	757	88	663	702	94	757	88	762
Deposits, excluding repo deposits	66,944	63,461	105	66,944	64,060	105	63,461	105	62,555
Allowance account, guarantees	49	101	49	49	36	136	101	49	30
Allocated capital (average)*	6,453	6,822	95	6,066	6,735	90	6,786	89	6,843
Net interest income as % p.a. of loans and deposits	1.27	1.31		1.24	1.26		1.31		1.31
Profit before tax as % p.a. of allocated capital (avg.)	13.4	10.9		14.9	11.6		12.7		10.9
Cost/income ratio (%)	57.0	60.2		55.4	56.8		60.8		61.0
Full-time-equivalent staff	1,323	1,319	100	1,323	1,335	99	1,319	100	1,322

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

First nine months 2019 vs first nine months 2018

Profit before tax increased 16% to DKK 648 million in the first nine months of 2019. This included a reduction in loan impairments, with profit before loan impairment charges being 12% higher at DKK 658 million.

Total income amounted to DKK 1,530 million and was 4% higher than in the first nine months of 2018. Despite continued Brexit uncertainty, both lending and deposit volumes increased. Retail customer activity levels remained satisfactory, supported by ongoing improvements to our mortgage finance proposition, although new lending to businesses was impacted by Brexit, with some larger customers delaying investment decisions. Uncertainty is further evident from the volatility in trading income, which was higher in the first nine months of 2019 than in the year-earlier period. Alongside balance sheet growth and higher UK interest rates, this resulted in increased income.

At DKK 872 million, operating expenses were lower than in the same period last year, as we continue to manage our cost base while investing in improved solutions and skills designed to ensure customer expectations are fully met.

First nine months 2019 vs first nine months 2018 in local currency

Profitability also improved in local currency, with income maintained alongside lower costs and lower impairment charges as described.

Credit quality

There was no significant movement in credit quality during the period. The possibility that the United Kingdom may exit the European Union without a withdrawal agreement has been factored into the forward-looking macroeconomic scenarios as part of the application of IFRS 9.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019
Retail customers	25,042	23,012	0.00%
Public institutions	18,863	14,919	0.00%
Financial customers	741	101	-16.22%
Commercial customers	31,247	31,156	0.08%
Total	**75,893**	**69,187**	**0.03%**

Q3 2019 vs Q2 2019

The continued depreciation of the British pound sterling was evident in the third quarter, but underlying profitability performance was positive quarter-on-quarter, with income maintained and reduced costs.

Profit before tax was further improved quarter-on-quarter, reflecting reduced impairment charges in the third quarter.

Non-core

Profit before tax for the first nine months of 2019 was a negative DKK 248 million. Total lending stood at DKK 11.5 billion at the end of September 2019, against DKK 14.9 billion at the end of December 2018. The winding-up of the Non-core portfolios is proceeding according to plan.

Non-Core (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Total income	164	176	93	55	42	131	78	71	213
Operating expenses	93	303	31	83	-83	-	127	65	632
Profit before loan impairment charges	70	-127	-	-28	126	-	-49	57	-419
Loan impairment charges	319	-131	-	-50	108	-	-5	-	-137
Profit before tax	**-248**	**4**	**-**	**22**	**18**	**122**	**-44**	**-**	**-282**
Loans, excluding reverse transactions before impairments*	11,528	16,158	71	11,528	13,109	88	16,158	71	14,906
Allowance account, loans	790	786	101	790	769	103	786	101	784
Deposits, excluding repo deposits	1,734	4,600	38	1,734	3,565	49	4,600	38	2,399
Allowance account, guarantees	19	18	106	19	23	83	18	106	32
Allocated capital (average)	2,465	2,016	122	2,218	2,580	86	2,707	82	2,115
Net interest income as % p.a. of loans and deposits	1.32	1.11		1.70	1.01		1.20		1.02
Profit before tax as % p.a. of allocated capital (avg.)	-13.4	0.3		4.0	2.8		-6.5		-13.3
Cost/income ratio (%)	56.7	172.2		150.9	-197.6		162.8		296.7
Full-time-equivalent staff	284	332	86	284	320	89	332	86	259

Loan impairment charges (DKK millions)									
Non-core banking**	225	-167	-	-50	1	-	-46	109	-137
Non-core conduits etc.	94	36	-	-	107	-	41	-	-
Total	**319**	**-131**	**-**	**-50**	**108**	**-**	**-5**	**-**	**-137**

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

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

First nine months 2019 vs first nine months 2018

The Non-core unit posted a loss before tax of DKK 248 million, against a profit before tax of DKK 4 million in the first nine months of 2018, primarily as a result of a negative value adjustment due to the repositioning of the Baltic activities to Non-core.

Operating expenses amounted to DKK 93 million, a decrease of DKK 210 million from the level in the first nine months of 2018. The first nine months of 2019 benefited from an adjustment of VAT regarding previous years.

Net credit exposure totalled DKK 14.8 billion, against DKK 18.4 billion at the end of 2018.

At the end of September 2019, total lending amounted to DKK 11.5 billion and consisted mainly of exposure to commercial and personal customers in the Baltics as well as conduits. This includes Danske Bank's loan portfolio of local personal customers in Estonia, for which the Group in June 2019 entered into an agreement with AS LHV Pank with the intention for the counterparty to acquire the portfolio. The sale is expected to settle before the end of November 2019.

The winding-up of the remaining Baltic and Russian portfolios is well underway and is proceeding according to plan. We continue our cooperation with the relevant authorities in order to make sure that the process takes customer interests into account in the best possible way.

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

At the end of September 2019, total deposits amounted to DKK 1.7 billion.

(DKK millions)	Net credit exposure 30 Sept. 2019	31 Dec. 2018	Expected credit loss 30 Sept. 2019	31 Dec. 2018
Non-core banking	11,095	14,516	304	394
-of which personal customers	3,793	4,816	85	153
-of which commercial customers	5,723	7,620	219	240
-of which public institutions	1,578	2,081	1	2
Non-core conduits etc.	3,730	3,916	553	422
Total	**14,825**	**18,432**	**857**	**816**

Total impairments amounted to a net charge of DKK 319 million, against a net reversal of DKK 131 million in the first nine months of 2018. The increase was due primarily to a negative value adjustment.

Q3 2019 vs Q2 2019

Profit before tax amounted to DKK 22 million, against DKK 18 million in the second quarter of 2019.

Operating expenses amounted to DKK 83 million, an increase of DKK 166 million, as the second quarter of 2019 benefited from an adjustment of VAT regarding previous years.

Other Activities

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

Other Activities (DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Index Q3/Q2	Q3 2018	Index 19/18	Full year 2018
Net interest income	-23	400	-	52	-23	-	71	73	515
Net fee income	-170	-181	94	-47	-70	67	-62	76	-261
Net trading income	428	676	63	96	209	46	353	27	933
Other income	90	16	-	83	55	151	15	-	7
Total income	325	910	36	184	172	107	378	49	1,194
Operating expenses	1,382	2,238	62	643	495	130	1,829	35	2,416
Profit before loan impairment charges	-1,057	-1,327	80	-459	-323	142	-1,452	32	-1,222
Loan impairment charges	-4	3	-	1	-	-	4	25	5
Profit before tax	**-1,054**	**-1,330**	**79**	**-460**	**-323**	**142**	**-1,455**	**32**	**-1,227**

Profit before tax (DKK millions)									
Group Treasury	-79	252	-	22	-37	-	79	28	223
Own shares	177	286	62	86	73	118	155	55	500
Additional tier 1 capital	588	589	100	197	197	100	198	99	782
Group support functions	-1,739	-2,457	71	-765	-557	137	-1,888	41	-2,731
Total Other Activities	**-1,054**	**-1,330**	**79**	**-460**	**-323**	**142**	**-1,455**	**32**	**-1,227**

First nine months 2019 vs first nine months 2018

Other Activities posted a loss before tax of DKK 1,054 million, against a loss before tax of DKK 1,330 million in the first nine months of 2018.

Net interest income amounted to a negative DKK 23 million, against a positive DKK 400 million in the first nine months of 2018. The decrease was caused primarily by differences between actual and allocated funding costs at the Internal Bank, which, among other things, were affected by the increase in liquidity costs attributable to the Estonia case being retained at the Internal Bank rather than being allocated to business units.

Net trading income amounted to DKK 428 million, against DKK 676 million in the first nine months of 2018. The decrease was due partly to the effect of the elimination of losses on the Group's holdings of own shares.

Operating expenses amounted to DKK 1,382 million, against DKK 2,238 million in the first nine months of 2018. The first nine months of 2018 were affected by the expense for the DKK 1.5 billion donation. The first nine months of 2019 saw higher regulatory and compliance costs, including for our continued efforts in the anti-money laundering area.

Q3 2019 vs Q2 2019

Other Activities posted a loss before tax of DKK 460 million, against a loss before tax of DKK 323 million in the second quarter of 2019.

Net interest income amounted to a positive DKK 52 million, against a negative DKK 23 million in the second quarter of 2019, driven partly by the full effect of the structural FX hedge established in May 2019.

Net trading income amounted to DKK 96 million, against DKK 209 million in the second quarter of 2019. The level in the second quarter of 2019 was driven partly by positive market value adjustments of the private equity portfolio.

Operating expenses amounted to DKK 643 million, against DKK 495 million in the second quarter of 2019. The third quarter of 2019 saw higher regulatory and compliance costs, including for our continued efforts in the anti-money laundering area.

Definition of alternative performance measures

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

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

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

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend is the dividend related to net profit for the current year and paid to shareholders the subsequent year. Accordingly, for 2018, it is the dividend paid in 2019.
Earnings per share (DKK)	As IFRS, with the exception that for 2018, the net profit used is the net profit in the financial highlights, see explanation above.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights (annualised) divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the nominator, net profit is reduced by interest expenses of DKK 587 million (2018: DKK 589 million). The denominator represents equity, excluding additional tier 1 capital and other non-controlling interests equal to a reduction in the average of the quarterly average of equity of DKK 16,724 million (2018: 16,871 million) compared to a simple average of total equity (beginning and the end of the period).
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights (annualised) divided by the daily average of the sum of loans and deposits. Previously, the sum of loans and deposits end of the period was used as denominator and prior periods have been restated. If the ratio was calculated applying the sum of loans and deposits end of period the ratio for first nine months 2019 would be 0.79% due to the daily average of loans and deposits being DKK 24.9 billion lower than calculating the ratio by applying the end of period sum of loans and deposits. The purpose of the key figure is to show if the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges as % of net credit exposure	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The nominator is the loan impairment charges of DKK 813 million (2018: DKK -607 million) from the financial highlights on an annualised basis. The denominator is the sum of Loans at amortised cost of DKK 972.1 billion, Loans at fair value of DKK 794.9 billion and guarantees of DKK 83.1 billion at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of net credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The nominator is the allowance account of DKK 20.0 billion at the end of the period, as disclosed in the "Allowance account in core activities broken down by segment" table in the notes to the financial statements. The denominator is the sum of. Loans at amortised cost of DKK 1,011.3 billion, Loans at fair value of DKK 808.2 billion, and guarantees of DKK 69.8 billion, at the end of the period, as disclosed in the column "Lending activities –core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	Full year 2018
4	Interest income calculated using the effective interest method	18,508	18,384	6,223	6,255	24,661
4	Other interest income	32,824	26,215	11,025	9,074	35,106
4	Interest expense	30,594	22,240	10,416	7,749	30,746
	Net interest income	20,739	22,358	6,832	7,579	29,022
4	Fee income	11,813	13,016	4,129	4,283	17,312
	Fee expenses	4,528	5,314	1,471	1,893	6,932
	Net trading income	28,766	9,209	-1,057	6,950	-10,237
4	Other income	4,725	3,848	1,347	1,512	5,228
	Net premiums	18,763	19,302	6,310	6,396	25,963
	Net insurance benefits	44,998	27,049	4,675	13,046	13,400
	Operating expenses	21,587	20,830	7,330	8,096	28,020
	Profit before loan impairment charges	13,693	14,539	4,085	3,683	18,936
5	Loan impairment charges	1,131	-338	292	95	-387
	Profit before tax	12,562	14,878	3,793	3,588	19,322
	Tax	2,531	3,510	782	1,099	4,460
	Net profit for the period	**10,031**	**11,368**	**3,011**	**2,490**	**14,862**
	Portion attributable to					
	shareholders of Danske Bank A/S (the Parent Company)	9,443	10,779	2,814	2,292	14,081
	additional tier 1 capital holders	587	589	197	198	781
	Net profit for the period	**10,031**	**11,368**	**3,011**	**2,490**	**14,862**
	Earnings per share (DKK)	11.1	12.3	3.3	2.7	16.2
	Diluted earnings per share (DKK)	11.1	12.3	3.3	2.7	16.2
	Proposed dividend per share (DKK)	-	-	-	-	8.5

Statement of comprehensive income – Danske Bank Group

Note	(DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	Full year 2018
	Net profit for the period	10,031	11,368	3,011	2,490	14,862
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Remeasurement of defined benefit pension plans	30	-21	-100	20	-291
	Tax	28	7	43	5	42
	Items that will not be reclassified to profit or loss	**58**	**-14**	**-57**	**25**	**-249**
	Items that are or may be reclassified subsequently to profit or loss					
	Translation of units outside Denmark	-326	406	-765	767	-374
	Hedging of units outside Denmark	329	-349	357	-626	309
	Unrealised value adjustments of bonds at fair value (OCI)	119	16	-71	-5	-21
	Realised value adjustments of bonds at fair value (OCI)	6	-18	14	-4	-18
	Tax	-37	-115	1	-4	-129
	Items that are or may be reclassified subsequently to profit or loss	**91**	**-60**	**-463**	**128**	**-233**
	Total other comprehensive income	149	-74	-520	153	-482
	Total comprehensive income for the period	**10,180**	**11,294**	**2,491**	**2,643**	**14,380**
	Portion attributable to					
	Shareholders of Danske Bank A/S (the Parent Company)	9,592	10,706	2,294	2,445	13,599
	Additional Tier 1 capital holders	587	589	197	198	781
	Total comprehensive income for the period	**10,180**	**11,294**	**2,491**	**2,643**	**14,380**

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 September 2019	31 December 2018	30 September 2018
	Assets			
	Cash in hand and demand deposits with central banks	96,803	40,997	70,445
	Due from credit institutions and central banks	121,218	225,600	242,940
	Trading portfolio assets	612,102	415,818	443,767
	Investment securities	285,920	276,424	275,230
	Loans at amortised cost	1,018,773	986,240	978,399
6	Loans at fair value	1,144,030	1,057,340	1,079,927
	Assets under pooled schemes and unit-linked investment contracts	96,921	93,988	149,108
	Assets under insurance contracts	527,979	377,369	385,391
9	Assets held for sale	3,706	60,247	361
	Intangible assets	11,070	11,224	11,185
	Tax assets	4,256	2,981	3,475
10	Other assets	39,941	30,239	32,800
	Total assets	**3,962,718**	**3,578,467**	**3,673,028**
	Liabilities			
7	Due to credit institutions and central banks	218,324	248,601	265,816
	Trading portfolio liabilities	541,809	390,226	401,703
7	Deposits	1,109,773	1,059,119	1,068,829
8	Issued bonds at fair value	827,259	759,588	793,349
8	Issued bonds at amortised cost	267,696	285,629	288,691
	Deposits under pooled schemes and unit-linked investment contracts	101,773	97,840	157,613
	Liabilities under insurance contracts	563,835	417,279	422,288
9	Liabilities in disposal groups held for sale	327	58,467	-
	Tax liabilities	8,445	8,880	9,064
10	Other liabilities	44,846	40,117	45,154
8	Non-preferred senior bonds	87,220	26,353	25,937
8	Subordinated debt	25,948	23,092	33,882
	Total liabilities	**3,797,255**	**3,415,191**	**3,512,325**
	Equity			
	Share capital	8,622	8,960	8,960
11	Foreign currency translation reserve	-742	-745	-623
	Reserve for bonds at fair value (OCI)	190	90	127
	Retained earnings	142,994	133,056	137,836
	Proposed dividends	-	7,616	-
	Shareholders of Danske Bank A/S (the Parent Company)	151,064	148,976	146,299
8	Additional tier 1 capital holders	14,400	14,299	14,404
	Total equity	165,464	163,276	160,703
	Total liabilities and equity	**3,962,718**	**3,578,467**	**3,673,028**

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)							
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 31 December 2018	8,960	-745	90	133,056	7,616	148,976	14,299	163,276
Effect from changes in accounting policies	-	-	-	-288	-	-288	-	-288
Restated total equity as at 1 January 2019	8,960	-745	90	132,768	7,616	148,688	14,299	162,988
Net profit for the period	-	-	-	9,443	-	9,443	587	10,031
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	30	-	30	-	30
Translation of units outside Denmark	-	-326	-	-	-	-326	-	-326
Hedging of units outside Denmark	-	329	-	-	-	329	-	329
Unrealised value adjustments	-	-	119	-	-	119	-	119
Realised value adjustments	-	-	6	-	-	6	-	6
Tax	-	-	-26	16	-	-10	-	-10
Total other comprehensive income	**-**	**3**	**99**	**46**	**-**	**149**	**-**	**149**
Total comprehensive income for the period	**-**	**3**	**99**	**9,490**	**-**	**9,592**	**587**	**10,180**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-428	-428
Dividends paid	-	-	-	393	-7,616	-7,223	-	-7,222
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-13,406	-	-13,406	-60	-13,466
Sale of own shares and additional tier 1 capital	-	-	-	13,364	-	13,364	-	13,364
Tax	-	-	-	48	-	48	-	48
Total equity as at 30 September 2019	**8,622**	**-742**	**190**	**142,994**	**-**	**151,064**	**14,400**	**165,464**

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

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company) Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2018	9,368	-681	130	134,077	9,368	152,262	14,339	166,601
Net profit for the period	-	-	-	10,779	-	10,779	589	11,368
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-21	-	-21	-	-21
Translation of units outside Denmark	-	406	-	-	-	406	-	406
Hedging of units outside Denmark	-	-349	-	-	-	-349	-	-349
Unrealised value adjustments	-	-	16	-	-	16	-	16
Realised value adjustments	-	-	-18	-	-	-18	-	-18
Tax	-	-	-	-108	-	-108	-	-108
Total other comprehensive income	**-**	**57**	**-2**	**-129**	**-**	**-74**	**-**	**-74**
Total comprehensive income for the period	**-**	**57**	**-2**	**10,651**	**-**	**10,706**	**589**	**11,294**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-426	-426
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Share capital reduction	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-41,321	-	-41,321	-97	-41,419
Sale of own shares and additional tier 1 capital	-	-	-	33,421	-	33,421	-	33,421
Tax	-	-	-	83	-	83	-	83
Total equity as at 30 September 2018	**8,960**	**-623**	**127**	**137,836**	**-**	**146,299**	**14,404**	**160,703**

Statement of capital – Danske Bank Group

(DKK millions)	30 September 2019	31 December 2018
Share capital (DKK)	8,621,846,210	8,959,536,210
Number of shares	862,184,621	895,953,621
Number of shares outstanding	853,820,415	854,795,388
Average number of shares outstanding for the period	854,017,216	871,228,931
Average number of shares outstanding, including dilutive shares, for the period	854,607,648	871,764,982

Total capital and total capital ratio

(DKK millions)	30 September 2019	31 December 2018
Total equity	165,464	163,276
Revaluation of domicile property at fair value	265	269
Tax effect of revaluation of domicile property at fair value	-29	-32
Total equity calculated in accordance with the rules of the Danish FSA	165,699	163,513
Additional tier 1 capital instruments included in total equity	-14,072	-14,133
Accrued interest on additional tier 1 capital instruments	-327	-166
Tax on accrued interest on additional tier 1 capital instruments	72	37
Common equity tier 1 capital instruments	151,371	149,250
Adjustment to eligible capital instruments	-212	-225
IFRS 9 reversal due to transitional rules	1,386	1,544
Prudent valuation	-926	-779
Prudential filters	-183	-356
Expected/proposed dividends	-6,019	-7,616
Intangible assets of banking operations	-7,412	-7,466
Deferred tax on intangible assets	487	201
Deferred tax assets that rely on future profitability, excluding temporary differences	-30	-329
Defined benefit pension plan assets	-1,736	-1,270
Statutory deduction for insurance subsidiaries	-8,010	-5,987
Other statutory deductions	-195	-141
Common equity tier 1 capital	**128,521**	**126,827**
Additional tier 1 capital instruments	24,158	23,677
Tier 1 capital	**152,679**	**150,505**
Tier 2 capital instruments	11,282	9,161
Total capital	**163,961**	**159,666**
Total risk exposure amount	**782,059**	**748,104**
Common equity tier 1 capital ratio (%)	16.4	17.0
Tier 1 capital ratio (%)	19.5	20.1
Total capital ratio (%)	21.0	21.3

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

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

In May 2019 the Group established so-called structural FX hedge positions in SEK, NOK and EUR for the purpose of hedging against adverse currency effects on the Group's capital ratios in accordance with article 352(2) in the CRR. The hedge positions will thus reduce the impact on the Group's CET1 capital ratio resulting from changes in the risk exposure amount due to changes in relevant currency rates. As at 30 September 2019 the hedge positions totalled DKK 29,987 million and effect equity through Other comprehensive income, which as at 30 September 2019 included a loss of DKK 47 million (see further details in note 11).

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

Cash flow statement – Danske Bank Group

(DKK millions)	Q1-Q3 2019	Q1-Q3 2018	Full year 2018
Cash flow from operations			
Profit before tax	12,562	14,878	19,322
Tax paid	-3,877	-4,475	-5,427
Adjustment for non-cash operating items	4,189	1,217	1,997
Total	12,874	11,620	15,892
Changes in operating capital			
Amounts due to/from credit institutions and central banks	-31,522	21,274	7,154
Trading portfolio	-44,700	6,632	23,104
Acquisition/sale of own shares and additional tier 1 capital	-102	-454	-277
Other financial instruments	26,842	38,463	43,615
Loans at amortised cost and fair value	-120,354	-158,014	-143,218
Deposits	50,653	21,972	12,262
Issued bonds at amortised cost and fair value	53,346	-81,294	-117,701
Assets/liabilities under insurance contracts	-4,054	14,038	17,051
Other assets/liabilities	-45,695	12,424	-2,547
Cash flow from operations	**-102,712**	**-113,339**	**-144,665**
Cash flow from investing activities			
Acquisition/sale of businesses	1,668	-5,000	-5,000
Acquisition of intangible assets	-599	-708	-1,120
Acquisition of tangible assets	-417	-361	-549
Sale of tangible assets	6	6	10
Cash flow from investing activities	**658**	**-6,063**	**-6,659**
Cash flow from financing activities			
Issue of subordinated debt	5,550	4,748	4,748
Redemption of subordinated debt	-3,455	-	-10,928
Issue of non-preferred senior bonds	57,259	25,816	25,816
Dividends	-7,223	-8,851	-8,851
Share buy-back programme*	-	-7,544	-7,825
Paid interest on additional tier 1 capital	-428	-426	-784
Principal portion of lessee lease payments	-542	-	-
Cash flow from financing activities	**51,161**	**13,743**	**2,176**
Cash and cash equivalents as at 1 January	264,836	413,593	413,593
Foreign currency translation	1,071	596	393
Change in cash and cash equivalents	-50,893	-105,661	-149,150
Cash and cash equivalents, end of period	**215,014**	**308,529**	**264,836**
Cash and cash equivalents, end of period			
Cash in hand	5,564	8,088	8,799
Demand deposits with central banks	91,239	62,358	32,198
Amounts due from credit institutions and central banks within three months	118,211	238,083	223,839
Total	**215,014**	**308,529**	**264,836**

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

Notes – Danske Bank Group

1. Significant accounting policies and estimates

(a) General

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

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

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

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

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

(b) Significant accounting estimates

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

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

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

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

The expected credit loss is calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and incorporates forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's Executive Leadership Team and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The base case scenario enters with a probability of 60% (31 December 2018: 70%), the upside scenario with a probability of 10% (31 December 2018: 15%) and the downside scenario with a probability of 30% (31 December 2018: 15%). On the basis of these assessments, the allowance account as at 30 September 2019 amounted to DKK 20.9 billion (31 December 2018: DKK 21.2 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.9 billion (31 December 2018: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 2.3 billion (31 December 2018: DKK 3.4 billion), if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 1.4 billion (31 December 2018: DKK 0.6 billion) compared to the base case scenario. However, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit loss (ECL) forecasts.

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

The Group applies post-model adjustments of DKK 4.2 billion (31 December 2018: DKK 4.5 billion). Around half of the adjustments relate to high-risk industries such as Agriculture and Oil & Gas in the Group's Shipping, Oil & Gas exposure, where the Group has no specific expected credit loss models in place, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Remaining adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen for which the macroeconomic forecasts used in the models are based on the Danish property market as a whole and adjustments are therefore made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses.

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

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Fair value measurement of financial instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp would have caused the fair value of the bonds to decrease DKK 114 million (31 December 2018: DKK 110 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. As at 30 September 2019, the adjustments totalled DKK 2.1 billion (31 December 2018: DKK 1.1 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note 31 in Annual Report 2018 provides more details.

The Group uses derivatives to hedge the fixed interest rate on some financial assets and liabilities, thus converting the fixed interest rates on the financial instruments to variable interest rates by the use of swaps. The ongoing Interest Rate Benchmark Reform will replace existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported in some way. As a result of these developments, accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the interest rate risk due to changes in IBORs continue to qualify for hedge accounting. Management's judgement is that those existing hedge accounting relationships continue to be supported at the end of September 2019.

Measurement of goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. As at 30 September 2019, goodwill amounted to DKK 7.8 billion (31 December 2018: DKK 7.8 billion). The carrying amount of goodwill in Wealth Management amounted to DKK 4.2 billion (31 December 2018: DKK 4.2 billion) of which DKK 2.4 billion relates to the Group's acquisition of SEB Pension Danmark and DKK 1.8 million relates to Danske Capital's activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the latest annual impairment test for Wealth Management, Danske Capital, and Wealth Management, Danica Pension, which was performed in the fourth quarter of 2018, amounted to DKK 1.3 billion and DKK 0.3 billion respectively. The remaining amount of goodwill relates to Corporates & Institutions, for which the excess value in the latest test is significant. It has been assessed that no indication of impairment exists at 30 September 2019. Note 19 in Annual Report 2018 provides more information about impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

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

Recognition of deferred tax assets and liabilities

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

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2019

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

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

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

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

IFRS 16, Leases

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

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

In the income statement, expenses related to leases are presented as depreciation expenses (part of operating expenses) and interest expenses. As the interest expenses are calculated on the reducing balance of the lease liabilities while the depreciations are made on a straight-line basis, the costs under IFRS 16 are front loaded compared to under IAS 17. Due to this front loading, net profit before tax for the first nine months of 2019, compared with the net profit under IAS 17, decreased by DKK 80 million hereof DKK 63 million interest expenses and DKK 17 million operating expenses.

Amendment to IFRS 9, Financial Instruments

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

Amendment to IAS 12, Income Taxes

The amendment to IAS 12, Income Taxes, which is part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, requires the income tax consequences of dividends to be recognised in profit or loss if the transactions that generated distributable profit are recognised in profit or loss, and thus not recognised directly in equity. The Group has implemented the clarification at 1 January 2019. The distribution of interest on the Group's equity accounted additional tier 1 capital is deductible for tax purposes, and the tax income is recognised in the income statement when the interest is paid. This has decreased tax in the income statement and increased net profit for the first nine months of 2018 and the first nine months of 2019 by DKK 94 million. For full year 2018, the impact is an increase in net profit of DKK 173 million. There is no impact on earnings per share.

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2019 continued

Change in the accounting for health and accident insurance

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

Retrospective application is impracticable without the use of hindsight and due to lack of data. The cumulative impact is recognised as a reduction in shareholders' equity at 1 January 2019 of DKK 288 million, consisting of an increase in insurance liabilities of DKK 369 million and a decrease in tax liabilities of DKK 81 million. The implementation has decreased net profit in the first nine months of 2019 by DKK 159 million. The effect on earnings per share is insignificant.

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

Notes – Danske Bank Group

3. Business model and business segmentation

(a) Business model and business segmentation

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

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

On 5 September 2019, the Group announced adjustments to its organisation. Group Development, part of Other Activities, is dissolved and most of its activities are transferred to the banking units. The Group's Private Banking activities, which have been part of Wealth Management are transferred to the banking units. The new business segments will be reflected in the Group's internal and external financial reporting from the fourth quarter of 2019 with restatement of comparative information.

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

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

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

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

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

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

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

Presentation in the financial highlights and in the segment reporting

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

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments
First nine months 2019

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights	Reclassi-fication	IFRS financial statements
Net interest income	6,400	5,672	2,671	483	1,133	-	-174	151	16,336	4,403	20,739
Net fee income	2,483	1,186	2,074	5,834	274	-	-170	-	11,681	-4,396	7,285
Net trading income	767	195	1,528	-124	113	-	369	59	2,907	25,859	28,766
Other income	175	455	1	1,173	11	-	451	-362	1,905	2,821	4,725
Net premiums	-	-	-	-	-	-	-	-	-	18,763	18,763
Net insurance benefits	-	-	-	-	-	-	-	-	-	44,998	44,998
Total income	9,824	7,508	6,275	7,366	1,530	-	476	-151	32,829	2,452	35,280
Operating expenses	5,442	4,181	3,516	3,813	872	-	1,504	-122	19,206	2,381	21,587
Profit before loan impair-ment charges	4,382	3,327	2,759	3,553	658	-	-1,028	-29	13,623	70	13,693
Loan impairment charges	-61	-2	889	-20	11	-	-4	-	813	319	1,131
Profit before tax, core	4,444	3,329	1,870	3,573	648	-	-1,024	-29	12,810	-248	12,562
Profit before tax, Non-core	-	-	-	-	-	-248	-	-	-248	248	-
Profit before tax	**4,444**	**3,329**	**1,870**	**3,573**	**648**	**-248**	**-1,024**	**-29**	**12,562**	**-**	**12,562**
Loans, excluding reverse transactions	874,397	604,984	207,601	81,919	51,900	-	29,665	-32,836	1,817,630	7,492	1,825,122
Other assets	371,092	51,959	3,661,253	725,956	31,136	-	3,217,917	-5,925,640	2,133,672	3,925	2,137,597
Total assets in Non-core	-	-	-	-	-	11,417	-	-	11,417	-11,417	-
Total assets	**1,245,489**	**656,943**	**3,868,854**	**807,875**	**83,035**	**11,417**	**3,247,582**	**-5,958,476**	**3,962,718**	**-**	**3,962,718**
Deposits, excluding repo deposits	296,909	237,634	261,607	71,920	66,944	-	2,279	-10,975	926,318	1,734	928,052
Other liabilities	915,190	385,922	3,572,738	715,802	10,153	-	3,228,115	-5,947,501	2,880,419	3,184	2,883,603
Allocated capital	33,390	33,387	34,508	20,153	5,939	-	23,687	-	151,064	-	151,064
Total liabilities in Non-core	-	-	-	-	-	4,917	-	-	4,917	-4,917	-
Total liabilities and equity	**1,245,489**	**656,943**	**3,868,854**	**807,875**	**83,035**	**4,917**	**3,254,081**	**-5,958,476**	**3,962,718**	**-**	**3,962,718**
Profit before tax as % p.a. of allocated capital (avg.)	17.7	13.2	7.7	25.0	13.4	-	-6.0	-	11.2	-	11.2
Cost/income ratio (%)	55.4	55.7	56.0	51.8	57.0	-	316.0	-	58.5	-	61.2
Full-time-equivalent staff, end of period	3,574	2,536	1,704	2,218	1,323	284	10,319	-	21,960	-	21,960

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

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

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments

First nine months 2018

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassi-fication	IFRS financial statements
Net interest income	6,703	5,946	2,974	545	1,109	-	324	75	17,676	4,682	22,358
Net fee income	2,597	1,199	2,159	5,251	298	-	-177	-4	11,324	-3,622	7,702
Net trading income	606	228	2,057	110	60	-	409	267	3,738	5,471	9,209
Other income	172	522	5	-29	9	-	122	-106	696	3,153	3,848
Net premiums	-	-	-	-	-	-	-	-	-	19,302	19,302
Net insurance benefits	-	-	-	-	-	-	-	-	-	27,049	27,049
Total income	10,078	7,896	7,196	5,877	1,476	-	678	232	33,434	1,936	35,370
Operating expenses	5,071	3,696	3,511	3,362	889	-	2,360	-122	18,767	2,063	20,830
Profit before loan impair-ment charges	5,007	4,200	3,685	2,515	587	-	-1,682	355	14,667	-127	14,539
Loan impairment charges	-610	-77	103	-53	28	-	3	-	-607	269	-338
Profit before tax, core	5,617	4,277	3,581	2,568	560	-	-1,685	355	15,274	-396	14,878
Profit before tax, Non-core	-	-	-	-	-	4	-	-	4	-4	-
Profit before tax	5,617	4,277	3,581	2,568	560	4	-1,685	355	15,278	-400	14,878
Tax	-	-	-	-	-	-	3,598	-	3,598	-88	3,510
Net profit for the period	**5,617**	**4,277**	**3,581**	**2,568**	**560**	**4**	**-5,282**	**355**	**11,680**	**-312**	**11,368**
Loans, excluding reverse transactions	863,910	586,429	184,493	77,090	50,145	-	34,880	-39,078	1,757,868	15,373	1,773,241
Other assets	283,995	51,763	2,941,378	623,206	29,696	-	2,922,683	-4,952,984	1,899,736	51	1,899,787
Total assets in Non-core	-	-	-	-	-	15,424	-	-	15,424	-15,424	-
Total assets	**1,147,904**	**638,191**	**3,125,871**	**700,295**	**79,841**	**15,424**	**2,957,562**	**-4,992,062**	**3,673,028**	**-**	**3,673,028**
Deposits, excluding repo deposits	281,747	227,730	272,480	68,143	63,461	-	7,470	-12,144	908,887	4,600	913,487
Other liabilities	832,706	377,766	2,820,751	614,947	9,686	-	2,936,623	-4,979,918	2,612,560	682	2,613,242
Allocated capital	33,451	32,695	32,641	17,206	6,695	-	23,611	-	146,299	-	146,299
Total liabilities in Non-core	-	-	-	-	-	5,282	-	-	5,282	-5,282	-
Total liabilities and equity	**1,147,904**	**638,191**	**3,125,871**	**700,295**	**79,841**	**5,282**	**2,967,704**	**-4,992,062**	**3,673,028**	**-**	**3,673,028**
Profit before tax as % p.a. of allocated capital (avg.)	21.9	17.4	14.0	23.2	10.9	-	-8.2	-	13.6	-	13.2
Cost/income ratio (%)	50.3	46.8	48.8	57.2	60.2	-	348.1	-	56.1	-	58.9
Full-time-equivalent staff, end of period	3,352	2,522	1,847	2,180	1,319	332	8,978	-	20,530	-	20,530

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

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

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

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

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

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

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

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

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

Danica Pension

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

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

Non-core

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

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

IFRS 9 impact in 2018

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

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Reclassifications First nine months 2019

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Reclassifi cation	Financial highlights
Net interest income	20,739	-	-586	-3,673	-144	-4,403	16,336
Net fee income	7,285	-	132	4,273	-9	4,396	11,681
Net trading income	28,766	-	431	-26,282	-9	-25,859	2,907
Other income	4,725	-2,650	23	-191	-2	-2,821	1,905
Net premiums	18,763	-	-	-18,763	-	-18,763	-
Net insurance benefits	44,998	-	-	-44,998	-	-44,998	-
Total income	35,280	-2,650	-	362	-164	-2,452	32,829
Operating expenses	21,587	-2,650	-	362	-93	-2,381	19,206
Profit before loan impairment charges	13,693	-	-	-	-70	-70	13,623
Loan impairment charges	1,131	-	-	-	-319	-319	813
Profit before tax, core	12,562	-	-	-	248	248	12,810
Profit before tax, Non-core	-	-	-	-	-248	-248	-248
Profit before tax	**12,562**	**-**	**-**	**-**	**-**	**-**	**12,562**

Reclassification First nine months 2018

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	IFRS 9 impact	Reclassifi cation	Financial highlights
Net interest income	22,358	-	-750	-3,778	-154	-	-4,682	17,676
Net fee income	7,702	-	155	3,482	-15	-	3,622	11,324
Net trading income	9,209	-	636	-6,101	-6	-	-5,471	3,738
Other income	3,848	-2,199	-41	-912	-1	-	-3,153	696
Net premiums	19,302	-	-	-19,302	-	-	-19,302	-
Net insurance benefits	27,049	-	-	-27,049	-	-	-27,049	-
Total income	35,370	-2,199	-	438	-176	-	-1,936	33,434
Operating expenses	20,830	-2,199	-	438	-303	-	-2,063	18,767
Profit before loan impairment charges	14,539	-	-	-	127	-	127	14,667
Loan impairment charges	-338	-	-	-	131	-400	-269	-607
Profit before tax, core	14,878	-	-	-	-4	400	396	15,274
Profit before tax, Non-core	-	-	-	-	4	-	4	4
Profit before tax	14,878	-	-	-	-	400	400	15,278
Tax	3,510	-	-	-	-	88	88	3,598
Net profit for the period	**11,368**	**-**	**-**	**-**	**-**	**312**	**312**	**11,680**

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

Notes – Danske Bank Group

4. Income

Interest income and interest expenses

Negative interest income during the period ending September 2019 amounted to DKK 1,930 million (30 September 2018: DKK 2,213 million). Negative interest expenses amounted to DKK 1,835 million (30 September 2018: DKK 2,372 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

Fee income

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

Net fee income by fee type (DKK millions)	30 September 2019	30 September 2018
Investment	3,666	4,157
Pension and Insurance	3,330	2,562
Money transfers, account fees and cash management	2,032	2,141
Lending and Guarantees	1,809	1,594
Capital markets	845	870
Total	**11,681**	**11,324**

Net fee income	11,681	11,324
Reclassifications	-4,396	-3,622
IFRS - net fee income	**7,285**	**7,702**
Fee expense	4,528	5,314
IFRS - gross fee income	**11,813**	**13,016**

Other income

Other income amounted to DKK 4,725 million for the period ending 30 September 2019 (30 September 2018: DKK 3,848 million) and includes the gain of DKK 1.3 billion on the sale of Danica Försäkringsaktiebolag. In addition, Other income includes primarily income from lease assets, investment property and real estate brokerage and income from holdings in associates.

Notes – Danske Bank Group

5. Loan impairment charges and reconciliation of total allowance account

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

Loan impairment charges

(DKK millions)	30 September 2019	30 September 2018
IFRS 9 impact on loans granted by Realkredit Danmark as at 1 January 2018	-	400
ECL on new assets	3,377	2,738
ECL on assets derecognised	-3,607	-3,362
Impact of net remeasurement of ECL (incl. changes in models)	951	47
Write-offs charged directly to income statement	1,059	497
Received on claims previously written off	-451	-442
Interest income, effective interest method	-198	-217
Total	**1,131**	**-338**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2018	1,499	5,578	16,242	23,319
Transferred to stage 1 during the period	1,018	-856	-162	-
Transferred to stage 2 during the period	-39	886	-847	-
Transferred to stage 3 during the period	-23	-423	446	-
ECL on new assets	362	1,059	1,663	3,085
ECL on assets derecognised	-358	-1,197	-2,473	-4,027
Impact of net remeasurement of ECL (incl. changes in models)	-828	436	876	484
Write-offs debited to the allowance account	-30	-14	-1,691	-1,734
Foreign exchange adjustments	-12	-6	-16	-34
Other changes	12	-12	80	79
ECL allowance account as at 31 December 2018	**1,601**	**5,450**	**14,118**	**21,170**
Transferred to stage 1 during the period	278	-247	-30	-
Transferred to stage 2 during the period	-71	389	-317	-
Transferred to stage 3 during the period	-9	-248	257	-
ECL on new assets	219	1,121	2,037	3,377
ECL on assets derecognised	-246	-899	-2,462	-3,607
Impact of net remeasurement of ECL (incl. changes in models)	-427	220	1,158	951
Write-offs debited to the allowance account	-1	-8	-755	-763
Foreign exchange adjustments	-2	7	98	103
Other changes	-20	-89	-236	-346
ECL allowance account as at 30 September 2019	**1,323**	**5,695**	**13,867**	**20,885**

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

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

Notes – Danske Bank Group

6. Loans at fair value

Loans at fair value consists of loans granted by the subsidiary Realkredit Danmark and loans in the trading units of Corporates & Institutions. The loans in the trading units consist primarily of reverse transactions and short-term loans. As at 30 September 2019, these loans amounted to DKK 335,849 million (31 December 2018: DKK 262,410 million).

7. Deposits

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

(DKK millions)	30 September 2019	31 December 2018
Deposits from other credit institutions	218,324	248,601
hereof repo transactions	87,679	99,956
Other deposits	1,109,773	1,059,119
hereof repo transactions	181,720	162,225
Total deposits excluding repo transactions	**1,058,698**	**1,045,540**

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

Issued bonds

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

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

Issued bonds at fair value

(DKK millions)	30 September 2019	31 December 2018
Bonds issued by Realkredit Danmark (covered bonds)	813,893	741,092
Commercial papers and certificates of deposits	13,366	18,496
Issued bonds at fair value, total	**827,259**	**759,588**

Issued bonds at amortised cost

(DKK millions)	30 September 2019	31 December 2018
Commercial papers and certificates of deposits	4,073	1,864
Preferred senior bonds	68,067	91,087
Covered bonds	195,556	192,679
Issued bonds at amortised cost, total	**267,696**	**285,629**
Non-preferred senior bonds	**87,220**	**26,353**

Notes – Danske Bank Group

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

Nominal value	1 January 2019	Issued	Redeemed	Foreign currency translation	30 September 2019
Commercial papers and certificate of deposits	20,359	60,191	63,750	571	17,372
Preferred senior bonds	93,941	1,479	20,038	1871	77,253
Covered bonds	188,568	20,665	23,595	-1,450	184,188
Non-preferred senior bonds	26,441	58,013	-	1,521	85,974
Other issued bonds	**329,309**	**140,348**	**107,383**	**2,513**	**364,788**

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

Covered bonds include issued junior covered bonds in Realkredit Danmark A/S of DKK 3.2 billion (31 December 2018: DKK 6.0 billion), which are excluded in the Funding and liquidity section of the Management's report. In March 2019, the Group issued the so-called green non-preferred senior bonds with a nominal value of EUR 500 million (DKK 3,733 million), which in the table is included under non-preferred senior bonds.

Subordinated debt and additional tier 1 capital

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

As at 30 September 2019, the total nominal value of issued additional tier 1 capital amounted to DKK 24,466 million (31 December 2018: DKK 23,983 million) of which DKK 14,200 million (31 December 2018: 14,201 million) is accounted for as equity. Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 5.5.3 of Risk Management 2018 for further information). As at 30 September 2019, distributable items for Danske Bank A/S amounted to DKK 117.9 billion (31 December 2018: DKK 116.8 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. As at 30 September 2019 the common equity tier 1 capital ratio was 19.1% (31 December 2018: 19.7%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

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

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

Assets held for sale

(DKK millions)	30 September 2019	31 December 2018
Danica Pension Försäkringsaktiebolag	-	58,901
Loans held for sale	3,246	944
Other	460	402
Total	**3,706**	**60,247**

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

At the end of September 2019, loans held for sale consists primarily of a portfolio of loans in Estonia that together with related liabilities was classified as a disposal group held for sale in the first quarter of 2019. In June 2019, the Group entered into an agreement where the counterparty intends to acquire the portfolio. The sale is expected to settle before end of November 2019.

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

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

Liabilities in disposal groups held for sale of DKK 327 million at 30 September 2019 relate to the exit from Estonia. At the end of 2018, liabilities held for sale consisted of deposits under unit-linked contracts and insurance liabilities in Danica Pension Försäkringsaktiebolag.

10. Other assets and other liabilities

Other assets amounted to DKK 39,941 million (31 December 2018: DKK 30,239 million), including holdings in associates of DKK 365 million (31 December 2018: DKK 381 million), investment property of DKK 3,074 million (31 December 2018: DKK 3,167 million), tangible assets of DKK 8,136 million (31 December 2018: DKK 7,768 million) and right-of-use lease assets of DKK 5,852 million, including domicile property of DKK 4,841 million and other tangible assets of DKK 1,012 million. There are no comparatives for right-of-use assets, as the accounting standard IFRS 16 was implemented on 1 January 2019. Refer to note 2 for a description of the implementation of IFRS 16 and the impact to the opening balance sheet as at 1 January 2019.

Other liabilities amounted to DKK 44,846 million (31 December 2018: DKK 40,117 million), including accrued interest and commissions due of DKK 6,873 million (31 December 2018: DKK 7,159 million), lease liabilities of DKK 5,732 million, other staff commitments of DKK 2,788 million (31 December 2018: DKK 2,960 million) and the provision of DKK 1,500 million (31 December 2018: DKK 1,500 million) relating to the donation of the estimated gross income from the non-resident portfolio at the Estonian branch. Any confiscated or disgorged gross income will be deducted from the donation to the foundation.

11. Foreign currency translation reserve

The Group has granted loans to its branches in Sweden, Norway and Finland in the currency of the foreign unit for a total of DKK 33,551 million (31 December 2018: DKK 33,367 million). The loans represent part of the capital allocated to these units. The settlement of the loans is neither planned nor likely to occur in the foreseeable future and the loans are part of the net investment in those units. Therefore, the foreign currency gains/losses on these loans are recognised in Other comprehensive income. Until May 2019, the currency risk on the loans was hedged by establishing funding arrangements with third parties in the matching currencies and the foreign currency gains/losses on these funding arrangements were also recognised in Other comprehensive income. In May 2019, part of the funding was changed to DKK in order to create so-called structural FX hedge positions in accordance with banking regulations, i.e. to reduce the impact on capital ratios resulting from changes in the risk exposure amount due to changes in currency rates. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decreases the hedge of the currency risk on the net investments in those units. As at 30 September 2019, the structural FX hedge position totalled DKK 29,987 million and a loss of DKK 47 million has been recognised in Other comprehensive income.

Notes – Danske Bank Group

12. Contingent liabilities

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

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

(a) Guarantees (DKK millions)	30 September 2019	31 December 2018
Financial guarantees	4,799	6,513
Other guarantees	65,598	77,204
Total	**70,397**	**83,717**

(b) Commitments (DKK millions)	30 September 2019	31 December 2018
Loan commitments shorter than 1 year	204,296	183,767
Loan commitments longer than 1 year	168,834	161,350
Other unutilised loan commitments	284	282
Total	**373,414**	**345,399**

In addition to credit exposure from lending activities, uncommitted loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 219 billion (31 December 2018: DKK 205 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

(c) Regulatory and legal proceedings

Estonia matter

Danske Bank remains in dialogue with various international authorities regarding the terminated non-resident portfolio at the Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the United States. The Bank continues to cooperate with all authorities.

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

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

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

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

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

Based on orders from the Danish FSA, Danske Bank's solvency need has been increased in 2018 by a Pillar II add-on of in total DKK 10 billion to ensure adequate capital coverage of the increased compliance and reputational risks in relation to the Estonian AML matter.

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

Notes – Danske Bank Group

12. Contingent liabilities continued

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action led by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 14 March 2019, 169 separate cases were further initiated simultaneously concerning shareholder claims relating to the Estonian AML matter with claims totalling approximately DKK 3.5 billion. On 16-18 October 2019, claimants' Danish counsel filed a second wave of claims against the Bank, including additional 63 separate cases with claims totalling approximately DKK 2.4 billion. These court actions filed with the Copenhagen City Court relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and alleged failure to timely inform the market of such violations. The Bank intends to defend itself against these claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

Other

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

(d) Further explanation

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

The Group participates in the Danish Guarantee Fund and the Danish Resolution Fund. The funds' capital must amount to at least 0.8% and 1%, respectively, of the covered deposits of all Danish credit institutions by 31 December 2024. The Danish Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5% of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage require the consent of the Danish FSA. Danske Bank A/S and Realkredit Danmark A/S make contributions to the Resolution Fund on the basis of their size and risk relative to other credit institutions in Denmark. The annual contribution is accrued over the year as operating expenses. If the Resolution Fund does not have sufficient means to make the required payments, extraordinary contributions of up to three times the latest annual contributions may be required. Further, Danish banks participate in the Danish Restructuring Fund, which reimburses creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015.

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

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

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

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

Notes – Danske Bank Group

13. Assets provided or received as collateral

As at 30 September 2019, the Group had deposited securities worth DKK 9.1 billion as collateral with Danish and international clearing centres and other institutions (31 December 2018: DKK 9.8 billion).

As at 30 September 2019, the Group had provided cash and securities worth DKK 129.4 billion as collateral for derivatives transactions (31 December 2018: DKK 74.1 billion).

As at 30 September 2019, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 450.7 billion (31 December 2018: DKK 410.1 billion) as collateral for policyholders' savings of DKK 438.1 billion (31 December 2018: DKK 399.5 billion).

As at 30 September 2019, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 822.8 billion (31 December 2018: DKK 811.6 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 304.5 billion (31 December 2018: DKK 310.2 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

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

	30 September 2019			31 December 2018		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	49,868	49,868	-	38,658	38,658
Trading and investment securities	231,373	91,143	322,516	245,428	60,851	306,279
Loans at fair value	-	808,181	808,181	-	794,930	794,930
Loans at amortised cost	-	321,142	321,142	-	317,543	317,543
Assets under insurance contracts and unit-linked investment contracts	-	351,805	351,805	-	325,220	325,220
Other assets	-	72	72	-	81	81
Total	**231,373**	**1,622,211**	**1,853,584**	**245,428**	**1,537,283**	**1,782,711**
Own issued bonds	36,595	88,709	125,304	15,346	79,392	94,737
Total, including own issued bonds	**267,968**	**1,710,920**	**1,978,888**	**260,774**	**1,616,675**	**1,877,448**

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 231.4 billion at 30 September 2019 (31 December 2018: DKK 245.4 billion).

At 30 September 2019, the Group had received securities worth DKK 440.8 billion (31 December 2018: DKK 332.4 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At 30 September 2019, the Group had sold securities or provided securities as collateral worth DKK 154.7 billion (31 December 2018: DKK 149.2 billion).

The Group also receives many other types of assets as collateral in connection with its ordinary lending activities. The Group has not received the ownership of these assets. The risk management notes in Annual report 2018 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

14. Fair value information for financial instruments

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

(DKK millions)	30 September 2019 Fair value	30 September 2019 Amortised cost	31 December 2018 Fair value	31 December 2018 Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	96,803	-	40,997
Due from credit institutions and central banks	44,287	76,931	56,978	168,622
Trading portfolio assets	612,102	-	415,818	-
Investment securities	160,987	124,933	134,004	142,420
Loans at amortised cost	-	1,018,773	-	986,240
Loans at fair value	1,144,030	-	1,057,340	-
Assets under pooled schemes and unit-linked investment contracts	96,921	-	93,988	-
Assets under insurance contracts	483,170	-	341,156	-
Loans held for sale	-	3,246	58,901	944
Total	**2,541,497**	**1,320,686**	**2,158,185**	**1,339,223**
Financial liabilities				
Due to credit institutions and central banks	129,884	88,440	186,097	62,504
Trading portfolio liabilities	541,809	-	390,226	-
Deposits	190,927	918,846	171,591	887,528
Issued bonds at fair value	827,259	-	759,588	-
Issued bonds at amortised cost	-	267,696	-	285,629
Deposits under pooled schemes and unit-linked investment contracts	101,773	-	97,840	-
Liabilities in disposal groups held for sale	-	327	58,467	-
Non-preferred senior bonds	-	87,220	-	26,353
Subordinated debt	-	25,948	-	23,092
Loan commitments and guarantees	-	2,519	-	2,450
Total	**1,791,652**	**1,390,996**	**1,663,809**	**1,287,556**

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

Financial instruments at fair value

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

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

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

Financial instruments at amortised cost

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

Notes – Danske Bank Group

14. Fair value information for financial instruments continued

	Quoted prices	Observable input	Non-observable input	Total
30 September 2019				
Financial assets				
Due from credit institutions and central banks	-	44,287	-	44,287
Derivatives				
Interest rate contracts	5,283	282,722	5,069	293,074
Currency contracts etc.	16	96,526	1,289	97,831
Trading portfolio bonds	196,256	15,303	-	211,559
Trading portfolio shares	9,452	-	186	9,638
Investment securities, bonds	127,573	32,209	-	159,782
Investment securities, shares	41	-	1,164	1,205
Loans at fair value	-	1,144,030	-	1,144,030
Assets under pooled schemes and unit-linked investment contracts	96,921	-	-	96,921
Assets under insurance contracts, bonds				
Danish mortgage bonds	53,624	14,911	443	68,978
Other covered bonds	112,387	12,225	3,934	128,546
Assets under insurance contracts, shares	97,133	2,598	40,008	139,739
Assets under insurance contracts, derivatives	1,031	141,759	3,117	145,907
Total	**699,717**	**1,786,570**	**55,210**	**2,541,497**
Financial liabilities				
Due to credit institutions and central banks	-	129,884	-	129,884
Derivatives				
Interest rate contracts	5,998	263,065	4,237	273,300
Currency contracts etc.	24	113,025	788	113,837
Obligations to repurchase securities	154,100	505	66	154,671
Deposits	-	190,927	-	190,927
Issued bonds at fair value	827,259	-	-	827,259
Deposits under pooled schemes and unit-linked investment contracts	-	101,773	-	101,773
Total	**987,381**	**799,179**	**5,091**	**1,791,652**

Notes – Danske Bank Group

14. Fair value information for financial instruments continued

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

Notes – Danske Bank Group

14. Fair value information for financial instruments continued

Financial instruments valued on the basis of non-observable input

The tables below shows financial instruments valued on the basis of non-observable input.

		Sensitivity (change in fair value)		Gains/losses for the period	
(DKK millions)	Carrying amount	Increase	Decrease	Realised	Unrealised
30 September 2019					
Unlisted shares					
allocated to insurance contract policyholders	40,008	-	-	1,547	2,299
other	1,284	128	128	102	99
Illiquid bonds	4,377	114	114	114	65
Derivatives, net fair value	4,450	-	-	-	963
31 December 2018					
Unlisted shares					
allocated to insurance contract policyholders	33,306	-	-	-826	2,525
other	1,424	142	142	20	186
Illiquid bonds	4,131	110	110	-87	130
Derivatives, net fair value	3,497	-	-	-	272

For unlisted shares allocated to insurance contract policyholders, the policyholders assume most of the risk on the shares. Therefore, changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The Group's remaining portfolio of unlisted shares consists primarily of banking-related investments and holdings in private equity funds. The sensitivity of the fair value measurement to changes in the non-observable input disclosed in the table is calculated as a 10% increase or 10 % decrease in fair value. Under current market conditions, a 10 % decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. The unrealised adjustments in the first nine months of 2019 were attributable to various unlisted shares.

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. In the table, the sensitivity of the fair value measurement to changes in non-observable input is calculated as a 50bp widening or narrowing of the credit spread.

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

Reconciliation from beginning to end of the period

	30 September 2019			31 December 2018		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	34,730	4,131	3,497	19,359	4,016	-389
Value adjustment through profit or loss	4,047	179	963	1,905	43	272
Acquisitions	30,941	7,306	741	15,752	1,348	3,714
Sale and redemption	-28,426	-7,239	-766	-6,914	-1,276	44
Transferred from quoted prices and observable input	-	-	-	4,628	-	-160
Transferred to quoted prices and observable input	-	-	15	-	-	15
Fair value end of period	**41,292**	**4,377**	**4,450**	**34,730**	**4,131**	**3,497**

The valuation of derivatives includes amortisation of the value of initial margins over the remaining term to maturity. The initial margins relate to elements not covered by CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. As at 30 September 2019, the value of unamortised initial margins was DKK 1,324 million (31 December 2018: DKK 1,180 million).

Notes – Danske Bank Group

Risk Management

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

Breakdown of credit exposure

(DKK billions)		Lending activities				
30 September 2019	Total	Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	91.2	91.2	0.1	-	-	-
Due from credit institutions and central banks	121.2	76.5	0.4	44.3	-	-
Trading portfolio assets	612.1	-	-	390.9	221.2	-
Investment securities	285.9	-	-	-	285.9	-
Loans at amortised cost	1,018.8	1,011.3	7.5	-	-	-
Loans at fair value	1,144.0	808.2	-	335.8	-	-
Assets under pooled schemes and unit-linked investment contracts	96.9	-	-	-	-	96.9
Assets under insurance contracts	528.0	-	-	-	-	528.0
Loans held for sale	3.2	-	3.2	-	-	-
Off-balance-sheet items						
Guarantees	70.4	69.8	0.6	-	-	-
Loan commitments shorter than 1 year	204.3	201.8	2.5	-	-	-
Loan commitments longer than 1 year	168.8	168.3	0.5	-	-	-
Other unutilised commitments	0.3	-	-	-	0.3	-
Total	**4,345.2**	**2,427.1**	**14.8**	**771.0**	**507.4**	**624.9**
31 December 2018						
Balance sheet items						
Demand deposits with central banks	32.2	32.2	-	-	-	-
Due from credit institutions and central banks	225.6	168.6	-	57.0	-	-
Trading portfolio assets	415.8	-	-	244.3	171.5	-
Investment securities	276.4	-	-	-	276.4	-
Loans at amortised cost	986.2	972.1	14.1	-	-	-
Loans at fair value	1,057.3	794.9	-	262.4	-	-
Assets under pooled schemes and unit-linked investment contracts	94.0	-	-	-	-	94.0
Assets under insurance contracts	377.4	-	-	-	-	377.4
Off-balance-sheet items						
Guarantees	83.7	83.1	0.7	-	-	-
Loan commitments shorter than 1 year	183.8	181.0	2.7	-	-	-
Loan commitments longer than 1 year	161.3	160.4	0.9	-	-	-
Other unutilised commitments	0.3	-	-	-	*0.3*	-
Total	**3,894.1**	**2,392.3**	**18.4**	**563.7**	**448.2**	**471.4**

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 219 billion at 30 September 2019 (31 December 2018: DKK 205 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

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

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

Classification of customers

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

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

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

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

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

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

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

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

Notes – Danske Bank Group

Credit exposure continued

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

30 September 2019	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	138.3	-	-	-	-	-	138.3	-	-	127.5	-	-
2	0.01	0.03	192.0	0.3	-	-	-	-	192.0	0.3	-	102.5	0.1	-
3	0.03	0.06	470.5	1.0	-	-	-	-	470.5	1.0	-	180.7	0.4	-
4	0.06	0.14	570.3	4.2	0.1	0.1	-	-	570.2	4.2	0.1	213.4	2.6	-
5	0.14	0.31	473.5	18.4	-	0.2	0.1	-	473.3	18.3	-	146.6	10.7	-
6	0.31	0.63	249.1	23.0	0.1	0.3	0.3	-	248.8	22.7	0.1	85.0	7.6	-
7	0.63	1.90	132.4	52.6	0.1	0.3	1.3	-	132.1	51.3	0.1	40.7	15.0	-
8	1.90	7.98	13.3	36.2	0.1	0.4	2.1	-	12.9	34.0	0.1	4.9	8.4	-
9	7.98	25.70	0.7	11.4	-	-	1.2	-	0.7	10.2	-	0.2	2.6	-
10	25.70	99.99	5.1	10.3	22.7	-	0.5	4.5	5.1	9.7	18.2	2.1	2.8	6.2
11 (default)	100.00	100.00	1.4	0.3	19.4	-	-	8.5	1.4	0.3	10.9	0.1	0.1	1.1
Total			**2,246.7**	**157.8**	**42.6**	**1.3**	**5.6**	**13.1**	**2,245.4**	**152.2**	**29.5**	**903.6**	**50.2**	**7.2**

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

Notes – Danske Bank Group

Credit exposure continued

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

The table below breaks down credit exposure by industry. The industry segmentation is based on the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard that has been adapted to the Group's business risk approach used for the active management of the credit portfolio. The Group has updated this segmentation in the first quarter of 2019 in order to better reflect current credit risk management areas. Comparative information has been restated to reflect the amended industry segmentation.

30 September 2019	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public Institutions	174.3	-	-	-	-	-	174.3	-	-	187.4	-	-
Financials	111.3	2.1	0.6	0.1	-	0.2	111.3	2.0	0.3	77.9	1.4	0.2
Agriculture	52.1	17.3	6.2	0.1	1.2	1.8	52.0	16.0	4.4	12.1	3.1	0.6
Automotive	34.8	1.3	0.4	-	-	0.1	34.7	1.2	0.2	26.2	0.6	0.1
Capital goods	59.6	7.5	1.2	-	0.1	0.4	59.5	7.4	0.8	51.1	6.5	0.5
Commercial Property	287.6	20.3	5.1	0.2	0.7	1.3	287.4	19.6	3.8	58.2	5.5	0.4
Construction & Building materials	44.7	5.3	1.5	-	0.2	0.6	44.6	5.1	1.0	32.5	3.1	0.6
Consumer goods	62.4	2.6	1.3	-	0.1	0.4	62.4	2.5	0.9	45.3	1.4	0.5
Hotels, restaurants and leisure	14.5	1.0	0.6	-	0.1	0.1	14.5	1.0	0.5	4.1	0.4	0.1
Metals and Mining	11.8	0.5	0.2	-	-	0.2	11.8	0.5	0.1	9.3	0.3	-
Other Commercials	21.6	0.2	0.2	-	-	0.1	21.6	0.2	0.1	20.1	0.1	-
Pharma and medical devices	38.1	1.0	-	-	-	-	38.1	1.0	-	35.3	0.7	-
Private Housing Co-ops. & Non-Profit Associations	194.7	5.6	2.1	-	0.1	0.4	194.6	5.4	1.7	31.2	0.7	0.3
Pulp and Paper, Chemicals	30.8	1.4	0.3	-	-	0.1	30.8	1.4	0.2	22.5	0.5	-
Retailing	23.3	2.1	2.0	-	0.1	0.8	23.2	2.0	1.3	13.4	1.3	1.0
Services	53.4	3.4	0.9	-	0.1	0.5	53.4	3.3	0.5	41.6	1.9	0.1
Shipping, Oil & Gas	42.4	12.9	10.4	-	0.3	2.6	42.4	12.5	7.8	22.9	6.9	1.8
Social services	27.3	1.3	0.4	-	0.1	-	27.3	1.2	0.4	11.4	0.8	0.1
Telecom & Media	19.0	0.9	0.2	-	-	0.1	19.0	0.9	0.1	17.2	0.6	-
Transportation	12.3	2.0	0.3	-	-	0.1	12.3	2.0	0.2	6.5	0.7	0.1
Utilities and infrastructure	42.5	0.8	0.1	-	-	-	42.5	0.7	-	29.5	0.2	-
Personal Customers	888.4	68.3	8.6	0.7	2.1	3.3	887.7	66.2	5.3	148.0	13.5	0.9
Total	**2,246.7**	**157.8**	**42.6**	**1.3**	**5.6**	**13.1**	**2,245.4**	**152.2**	**29.5**	**903.6**	**50.2**	**7.2**

Notes – Danske Bank Group

Credit exposure continued

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

Notes – Danske Bank Group

Credit exposure continued

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

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

30 September 2019	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail	473.9	34.9	5.0	0.6	1.4	2.4	473.4	33.5	2.7	58.7	5.8	0.5
Commercial	438.3	35.5	17.1	0.3	2.1	5.0	438.0	33.4	12.0	119.9	9.5	1.9
Banking DK	**912.2**	**70.4**	**22.1**	**0.8**	**3.5**	**7.4**	**911.4**	**66.9**	**14.7**	**178.6**	**15.3**	**2.4**
Sweden	252.2	17.9	1.0	0.1	0.5	0.4	252.2	17.4	0.6	93.6	6.7	0.1
Norway	217.5	14.7	2.6	0.1	0.3	0.7	217.5	14.4	2.0	72.0	5.1	0.8
Finland	150.9	13.1	2.8	-	0.4	0.8	150.8	12.7	2.0	36.3	2.5	0.5
Other	44.6	11.3	0.6	-	0.3	0.3	44.6	11.0	0.3	20.8	3.6	-
Banking Nordic	**665.3**	**57.0**	**7.0**	**0.3**	**1.5**	**2.2**	**665.0**	**55.5**	**4.9**	**222.7**	**17.8**	**1.5**
C&I*	**474.5**	**19.8**	**10.6**	**0.1**	**0.4**	**2.8**	**474.4**	**19.4**	**7.8**	**410.5**	**13.5**	**2.7**
Wealth Management	**89.2**	**4.3**	**1.4**	**-**	**0.1**	**0.3**	**89.2**	**4.2**	**1.1**	**19.9**	**1.3**	**0.5**
Northern Ireland	**69.1**	**6.0**	**1.5**	**-**	**0.2**	**0.5**	**69.0**	**5.9**	**1.0**	**35.7**	**2.0**	**0.2**
Other	36.4	0.3	-	-	-	-	36.4	0.3	-	36.2	0.3	-
Total	**2,246.7**	**157.8**	**42.6**	**1.3**	**5.6**	**13.1**	**2,245.4**	**152.2**	**29.5**	**903.6**	**50.2**	**7.2**

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

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

31 December 2018	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail	469.1	31.7	4.7	0.5	1.5	2.3	468.6	30.2	2.4	51.8	5.7	0.8
Commercial	422.9	24.3	18.4	0.7	1.8	5.5	422.3	22.6	12.9	103.5	8.6	1.9
Banking DK*	**892.0**	**56.0**	**23.1**	**1.2**	**3.2**	**7.8**	**890.8**	**52.8**	**15.3**	**155.3**	**14.4**	**2.6**
Sweden**	261.5	15.6	1.3	0.1	0.4	0.4	261.5	15.1	0.9	98.6	5.0	0.4
Norway	189.1	13.7	2.2	0.1	0.3	0.9	189.1	13.4	1.3	60.6	4.1	0.6
Finland	147.9	13.6	2.7	-	0.3	0.8	147.9	13.3	1.9	36.0	2.4	0.3
Other**	47.3	10.0	1.0	-	0.3	0.4	47.3	9.7	0.6	21.8	2.4	0.1
Banking Nordic	**645.9**	**52.8**	**7.2**	**0.2**	**1.4**	**2.6**	**645.7**	**51.4**	**4.7**	**216.9**	**14.0**	**1.3**
C&I* **	**534.7**	**21.4**	**9.5**	**0.1**	**0.6**	**2.1**	**534.6**	**20.8**	**7.4**	**471.8**	**14.5**	**1.8**
Wealth Management*	**82.1**	**4.1**	**1.6**	**-**	**0.1**	**0.3**	**82.1**	**4.0**	**1.3**	**20.6**	**0.9**	**0.5**
Northern Ireland	**62.6**	**5.3**	**2.1**	**-**	**0.1**	**0.6**	**62.5**	**5.2**	**1.5**	**31.9**	**1.8**	**0.4**
Other	12.2	0.1	-	-	-	-	12.2	0.1	-	11.9	0.1	-
Total	**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

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

** The asset finance customers in Sweden (Commercial) have been transferred within Banking Nordic from Sweden to Other to align the customer classification with that applied for Norway and Finland. Comparative information has been restated.

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

Notes – Danske Bank Group

Credit exposure continued

Forbearance practices and repossessed assets

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

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of the first nine months of 2019, the Group recognised properties taken over in Denmark at a carrying amount of DKK 16 million (31 December 2018: DKK 26 million) and there were no properties taken over in other countries (31 December 2018: DKK 0 million). The properties are held for sale and included under Other assets in the balance sheet.

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

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

Exposures subject to forbearance measures

	30 September 2019		31 December 2018	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active forbearance	5,075	6,718	9,143	8,828
Under probation	4,494	-	6,482	-
Total	**9,570**	**6,718**	**15,625**	**8,828**

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

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

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

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

Non-performing loan bridge	30 September 2019			31 December 2018		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	23.2	19.4	42.6	23.2	20.3	43.6
None or an immaterial allowance account	6.4	4.0	10.4	9.4	4.3	13.6
Gross non-performing loans	16.8	15.4	32.2	13.9	16.0	29.9
Expected credit loss	4.6	8.3	12.9	4.3	8.8	13.0
Net non-performing loans	**12.2**	**7.2**	**19.4**	**9.6**	**7.3**	**16.9**

Non-performing loans in core activities

(DKK millions)	30 September 2019	31 December 2018
Total non-performing loans	19,351	16,903
- portion from customers in default*	7,161	7,289
Coverage ratio (default) (%)	93	96
Coverage ratio (non-default) (%)	60	69
Coverage ratio (total non-performing loans) (%)	78	85
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.

The coverage ratio is calculated as the allowance account on non-performing loans relative to gross non-performing loans net of collateral (after haircuts).

Allowance account in core activities

	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2018	1,498	5,530	15,602	22,631
Transferred to stage 1 during the period	971	-814	-157	-
Transferred to stage 2 during the period	-30	876	-846	-
Transferred to stage 3 during the period	-20	-422	442	-
ECL on new assets	361	1,032	1,606	2,999
ECL on assets derecognised	-317	-1,180	-2,408	-3,905
Impact of net remeasurement of ECL (incl. changes in models)	-818	408	863	453
Write-offs debited to the allowance account	-30	-14	-1,611	-1,654
Foreign exchange adjustments	-12	-7	-33	-51
Other changes	-30	-35	-54	-119
ECL allowance account as at 31 December 2018	**1,574**	**5,375**	**13,405**	**20,353**
Transferred to stage 1 during the period	276	-246	-30	-
Transferred to stage 2 during the period	-70	388	-317	-
Transferred to stage 3 during the period	-9	-247	256	-
ECL on new assets	219	1,120	2,036	3,375
ECL on assets derecognised	-238	-891	-2,390	-3,519
Impact of net remeasurement of ECL (incl. changes in models)	-419	195	705	480
Write-offs debited to the allowance account	-1	-8	-746	-755
Foreign exchange adjustments	-2	7	74	79
Other changes	-32	-74	119	14
ECL allowance account as at 30 September 2019	**1,298**	**5,619**	**13,111**	**20,028**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Banking DK	Banking Nordic*	C&I	Wealth Management	Northern Ireland	Other*	Allowance account Total*
ECL allowance account as at 1 January 2018	14,045	4,427	2,779	468	902	12	22,631
ECL on new assets	1,381	712	773	63	61	8	2,999
ECL on assets derecognised	-1,964	-823	-908	-98	-103	-9	-3,905
Impact on remeasurement of ECL (incl. change in models)	-117	166	325	23	58	-1	453
Write-offs debited to allowance account	-1,189	-315	-18	-20	-112	-	-1,654
Foreign currency translation	-8	-50	19	-	-13	-	-51
Other changes	37	17	-164	-13	-	3	-119
ECL allowance account as at 31 December 2018	**12,185**	**4,134**	**2,806**	**423**	**792**	**12**	**20,353**
ECL on new assets	1,445	716	1,099	57	54	4	3,375
ECL on assets derecognised	-1,813	-850	-680	-71	-101	-4	-3,519
Impact on remeasurement of ECL (incl. change in models)	153	-19	358	-3	-6	-2	480
Write-offs debited to allowance account	-346	-61	-306	-	-42	-	-755
Foreign currency translation	-	-15	79	-	15	-	79
Other changes	109	4	-91	-7	-	-2	14
ECL allowance account as at 30 September 2019	**11,734**	**3,909**	**3,264**	**400**	**713**	**9**	**20,028**

* Comparative figures have been changed to adjust for a minor inconsistency to the table on the next page. The total allowance account is unchanged.

The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside scenarios), including an assessment of the probability for each scenario. The base case scenario is assigned a probability of 60% (31 December 2018: 70%), the up-side scenario a probability of 10% (31 December 2018: 15%) and the downside scenario a probability of 30% (31 December 2018: 15%). On the basis of these assessments, the allowance account in core activities at 30 September 2019 amounted to DKK 20.0 billion (31 December 2018: DKK 20.4 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.9 billion (31 December 2018: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 2.3 billion (31 December 2018: DKK 3.4 billion), if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.4 billion (31 December 2018: 0.5 billion) compared to the base case scenario. However, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit losses (ECL) forecasts.

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

The Group applies post-model adjustments of DKK 4.1 billion (31 December 2018: DKK 4.4 billion). Around half of all the adjustments relate to high-risk industries such as Agriculture and Oil & Gas, in the Group's Shipping, Oil & Gas exposure, where the Group has no specific expected credit loss models, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Remaining adjustments are made to take into account non-linear downside risks, such as the property market in Copenhagen for which the macroeconomic forecasts used in the models are based on the Danish property market as a whole and therefore adjustments are made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses.

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

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

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

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

30 September 2019	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	9,999	803	597	25	76	203	9,974	727	394	4,700	263	141
Personal customers	3,189	473	216	13	40	32	3,176	433	184	892	116	50
Commercial customers	5,255	306	381	12	36	171	5,243	270	210	2,441	125	91
Public Institutions	1,555	24	-	1	-	-	1,554	24	-	1,366	21	-
Non-core conduits etc.	3,219	-	1,064	-	-	553	3,219	-	511	556	-	71
Total	**13,218**	**803**	**1,661**	**25**	**76**	**756**	**13,193**	**727**	**905**	**5,255**	**263**	**212**

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

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

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

30 September 2019	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	137	-	-	-	-	-	137	-	-	-	-	-
2	0.01	0.03	2,355	90	48	-	-	-	2,355	90	48	1,246	47	27
3	0.03	0.06	2,478	89	47	-	-	-	2,478	89	47	1,228	88	47
4	0.06	0.14	1,578	65	35	1	-	-	1,577	65	35	340	-	-
5	0.14	0.31	1,851	133	71	3	-	-	1,848	133	71	359	5	4
6	0.31	0.63	1,078	74	39	4	-	-	1,074	74	39	-	-	-
7	0.63	1.90	2,009	165	76	10	12	-	1,999	153	76	1,102	67	36
8	1.90	7.98	901	94	32	7	33	-	894	61	32	378	16	9
9	7.98	25.70	233	47	9	-	30	-	233	17	9	215	15	8
10	25.70	99.99	75	7	156	-	-	7	75	7	150	41	-	-
11 (default)	100.00	100.00	523	38	1,147	-	-	749	523	38	397	345	22	80
Total			**13,218**	**803**	**1,661**	**25**	**76**	**756**	**13,193**	**727**	**905**	**5,255**	**263**	**212**

Notes – Danske Bank Group

Credit exposure continued

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

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

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 638 million at 30 September 2019 (31 December 2018: DKK 910 million), of which the average unsecured portion of non-performing loans was 14.5% at the end of September 2019 (31 December 2018: 23.4%).

Notes – Danske Bank Group

Credit exposure continued

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 September 2019	31 December 2018
Counterparty credit risk		
Derivatives with positive fair value	390.9	244.3
Reverse transactions and other loans at fair value*	380.1	319.4
Credit exposure from other trading and investment securities		
Bonds	496.3	441.6
Shares	10.8	6.3
Other unutilised commitments**	0.3	0.3
Total	**1,278.4**	**1,011.9**

* Reverse transactions and other loans at fair value included as counterparty credit risk are loans in the trading units of Corporates & Institutions. These loans consist of reverse transactions of DKK 372,529 million, of which DKK 37,171 million relates to credit institutions and central banks, and other primarily short-term loans of DKK 7,606 million, of which DKK 7,116 million relates to credit institutions and central banks.

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

Derivatives with positive fair value

(DKK millions)	30 September 2019	31 December 2018
Derivatives with positive fair value before netting	835,676	371,431
Netting (under accounting rules)	444,771	127,157
Carrying amount	390,905	244,274
Netting (under capital adequacy rules)	288,481	175,637
Net current exposure	102,424	68,636
Collateral	65,039	42,189
Net amount	**37,385**	**26,448**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	293,074	164,380
Currency contracts	96,459	78,080
Other contracts	1,372	1,814
Total	**390,905**	**244,274**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2019							
Held-for-trading (FVPL)	118,920	1,518	60,941	17,224	5,062	7,894	211,559
Managed at fair value (FVPL)	12,902	494	31,992	2,731	620	421	49,160
Held to collect and sell (FVOCI)	9,952	1,238	87,352	8,030	3,801	248	110,621
Held to collect (AMC)	40,939	364	74,419	7,056	2,156	-	124,934
Total	182,713	3,614	254,704	35,041	11,639	8,563	496,274
31 December 2018							
Held-for-trading (FVPL)	93,333	883	33,302	29,801	2,798	6,214	166,331
Managed at fair value (FVPL)	14,949	486	38,187	4,026	634	320	58,602
Held to collect and sell (FVOCI)	9,071	1,261	60,543	827	2,582	-	74,284
Held to collect (AMC)	53,033	1,015	77,378	7,427	3,144	422	142,419
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

As at 30 September 2019, the Group had an additional bond portfolio worth DKK 197,524 million (31 December 2018: DKK 191,606 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2018 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost at the end of 30 September 2019 and 31 December 2018.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2019							
Denmark	35,970	-	254,704	-	2	900	291,576
Sweden	18,053	-	-	35,041	531	2,164	55,789
UK	8,802	-	-	-	1,935	390	11,127
Norway	7,240	-	-	-	6,520	2,741	16,501
USA	21,978	255	-	-	-	10	22,243
Spain	9,114	-	-	-	-	2	9,116
France	13,816	-	-	-	385	67	14,268
Luxembourg	945	2,313	-	-	-	3	3,260
Finland	9,687	732	-	-	695	1,160	12,273
Ireland	7,247	-	-	-	4	28	7,279
Italy	8,682	-	-	-	-	2	8,684
Portugal	1,226	-	-	-	-	-	1,226
Austria	5,741	-	-	-	-	16	5,757
Netherlands	3,615	-	-	-	114	237	3,966
Germany	27,254	-	-	-	1,287	159	28,700
Belgium	3,339	-	-	-	6	5	3,350
Other	5	315	-	-	159	680	1,159
Total	**182,713**	**3,614**	**254,704**	**35,041**	**11,639**	**8,563**	**496,274**
31 December 2018							
Denmark	39,404	-	209,263	-	-	782	249,450
Sweden	42,755	-	146	42,081	-	1,939	86,920
UK	6,306	-	-	-	1,989	159	8,454
Norway	10,539	-	-	-	3,867	1,700	16,106
USA	11,055	338	-	-	-	4	11,397
Spain	4,360	-	-	-	2	1	4,362
France	11,421	-	-	-	948	387	12,757
Luxembourg	-	2,841	-	-	-	3	2,843
Finland	10,944	435	-	-	1,041	653	13,073
Ireland	3,738	-	-	-	8	13	3,758
Italy	1,488	-	-	-	-	2	1,490
Portugal	899	-	-	-	-	-	899
Austria	3,717	-	-	-	-	12	3,729
Netherlands	7,848	-	-	-	94	477	8,419
Germany	11,287	-	-	-	993	50	12,330
Belgium	4,625	-	-	-	85	5	4,715
Other	-	32	-	-	132	769	933
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2019							
AAA	107,054	3,157	254,370	34,845	10,403	299	410,128
AA+	21,384	353	-	-	404	1	22,142
AA	25,189	104	-	3	533	1,150	26,979
AA-	3,260	-	-	193	-	557	4,010
A+	-	-	-	-	-	448	448
A	7,514	-	88	-	6	1,909	9,517
A-	-	-	-	-	14	1,227	1,241
BBB+	8,847	-	113	-	154	333	9,447
BBB	3,867	-	134	-	-	1,097	5,098
BBB-	5,597	-	-	-	-	293	5,890
BB+	-	-	-	-	-	399	399
BB	-	-	-	-	-	125	125
BB-	-	-	-	-	-	61	61
Sub-inv. grade or unrated	-	-		-	124	665	789
Total	**182,713**	**3,614**	**254,704**	**35,041**	**11,639**	**8,563**	**496,274**
31 December 2018							
AAA	111,689	2,474	209,353	42,081	8,319	148	374,064
AA+	20,341	470	-	-	35	123	20,969
AA	22,757	701	-	-	799	1,595	25,852
AA-	4,911	-	-	-	2	173	5,087
A+	-	-	-	-	-	570	570
A	3,738	-	34	-	4	2,117	5,893
A-	1	-	-	-	-	360	362
BBB+	4,358	-	-	-	-	426	4,784
BBB	218	-	23	-	-	736	976
BBB-	2,368	-	-	-	-	281	2,649
BB+	4	-	-	-	-	170	174
BB	-	-	-	-	-	127	127
BB-	-	-	-	-	-	30	30
Sub-inv. grade or unrated	-	-	-	-	-	99	99
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

Statement by the management

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

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

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

Copenhagen, 1 November 2019

Executive Leadership Team

Chris Vogelzang
CEO

Jacob Aarup-Andersen

Berit Behring

Carsten Rasch Egeriis

Jakob Groot

Glenn Söderholm

Philippe Vollot

Board of Directors

Karsten Dybvad
Chairman

Carol Sergeant
Vice Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Bente Avnung Landsnes

Lars-Erik Brenøe

Jens Due Olsen

Christian Sagild

Gerrit Zalm

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Thorbjørn Lundholm Dahl
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Independent auditors' review report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the consolidated interim financial statements
We have reviewed the consolidated interim financial statements of Danske Bank A/S for the financial period 1 January to 30 September 2019, pp. 31-72 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes.

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

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

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

The procedures performed in a review is substantially less in scope than those performed an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements for the financial period 1 January to 30 September 2019 have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies.

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

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

Copenhagen, 1 November 2019
Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 95 35 56

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

Jens Ringbæk
State-Authorised
Public Accountant
Identification No
(MNE) mne27735

Supplementary information

Financial calendar

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

Contacts

Jacob Aarup-Andersen Chief Financial Officer	+45 45 14 06 02
Claus Ingar Jensen Head of Investor Relations	+45 45 12 84 83

Links

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

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