Interim report – first quarter 2020

Danske Bank Group

Danske Bank

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Danske Bank Q1 2020 at a glance

CET1 of 17.6%
Strong capital position

9.6 bn
Total income

Remortgaging activity still high

Better Bank transformation on track

Helping customers through coronavirus pandemic

2%
Lending growth in local currency

20,000 people successfully working from home

-1.3 bn
Net profit

4.3 bn
in impairments, due mainly to coronavirus and decline in oil prices

Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Net interest income	5,479	5,520	99	5,541	99	21,877
Net fee income	3,673	3,569	103	4,440	83	15,201
Net trading income	291	1,586	18	1,718	17	5,441
Other income	163	127	128	454	36	2,463
Total income	9,606	10,802	89	12,153	79	44,982
Operating expenses	6,764	6,145	110	8,342	81	27,548
Impairment charges on goodwill	-	-	-	1,603	-	1,603
Profit before loan impairment charges	2,842	4,657	61	2,208	129	15,831
Loan impairment charges	4,251	357	-	703	-	1,516
Profit before tax, core	-1,409	4,300	-	1,505	-	14,315
Profit before tax, Non-core	-254	-288	-	-244	-	-493
Profit before tax	-1,663	4,012	-	1,261	-	13,822
Tax*	-374	1,024	-	-3,780	-	-1,249
Net profit	**-1,289**	**2,988**	**-**	**5,041**	**-**	**15,072**
Attributable to additional tier 1 etc.	**195**	**194**	**101**	**199**	**98**	**786**

**Q4 2019, includes net income of DKK 4.1billion from reversal of a deferred tax liability for International Joint Taxation and increased provisions for deferred tax on assets and liabilities measured at amortised cost.*

Balance sheet (end of period) (DKK millions)						
Due from credit institutions and central banks	99,277	171,169	58	81,941	121	81,941
Repo loans	336,609	319,906	105	346,708	97	346,708
Loans	1,781,846	1,793,049	99	1,821,309	98	1,821,309
Trading portfolio assets	706,541	468,414	151	495,313	143	495,313
Investment securities	292,797	264,909	111	284,873	103	284,873
Assets under insurance contracts	496,792	424,824	117	463,816	107	463,816
Total assets in Non-core	6,168	15,319	40	7,519	82	7,519
Other assets	287,661	257,324	112	259,571	111	259,571
Total assets	**4,007,691**	**3,714,914**	**108**	**3,761,050**	**107**	**3,761,050**
Due to credit institutions and central banks	96,839	141,753	68	98,828	98	98,828
Repo deposits	307,804	254,444	121	232,271	133	232,271
Deposits	995,249	909,354	109	962,865	103	962,865
Bonds issued by Realkredit Danmark	762,026	751,185	101	795,721	96	795,721
Other issued bonds	351,612	367,794	96	350,190	100	350,190
Trading portfolio liabilities	603,008	423,324	142	452,190	133	452,190
Liabilities under insurance contracts	534,025	458,521	116	504,714	106	504,714
Total liabilities in Non-core	2,492	5,596	45	2,501	100	2,501
Other liabilities	155,653	215,474	72	159,529	98	159,529
Subordinated debt	31,968	28,891	111	31,733	101	31,733
Additional tier 1	14,428	14,421	100	14,237	101	14,237
Shareholders' equity	152,587	144,156	106	156,271	98	156,271
Total liabilities and equity	**4,007,691**	**3,714,914**	**108**	**3,761,050**	**107**	**3,761,050**

Ratios and key figures						
Dividend per share (DKK)*	-	-		8.5		8.5
Earnings per share (DKK)	-1.7	3.3		5.7		16.7
Return on avg. shareholders' equity (% p.a.)	-3.8	7.7		12.6		9.6
Net interest income as % p.a. of loans and deposits	0.79	0.82		0.80		0.80
Cost/income ratio (%)	70.4	56.9		81.8		64.8
Total capital ratio (%)	22.3	21.8		22.7		22.7
Common equity tier 1 capital ratio (%)	17.6	16.7		17.3		17.3
Share price (end of period) (DKK)	76.9	116.8		107.8		107.8
Book value per share (DKK)	178.8	168.7		183.1		183.1
Full-time-equivalent staff (end of period)	22,032	20,978	105	22,006	100	22,006

**As announced on 20 April 2020, the Board of Directors has decided to propose to the general meeting that no dividends be paid for 2019.*
The financial highlights represent alternative performance measures that are non-IFRS measures. Note G3 provides an explanation of differences in the presentation between IFRS and the financial highlights. For a description of the alternative performance measures used and definition of ratios, see Definition of Alternative Performance Measures on page 29.

Executive summary

"The first two months of 2020 showed good momentum in the underlying business, with solid customer activity and lending growth in most markets. However, the coronavirus pandemic impacted the results significantly towards the end of the quarter. The key drivers were impairments made mainly because of the assumptions of a worsened macroeconomic scenario, the decline in oil prices and charges against exposure to certain sectors. We also saw the highly turbulent markets result in extraordinarily low trading income. Danske Bank continues to be one of the best-capitalised banks in Europe, which puts us in a good position to continue to support our customers through the downturn with a broad range of initiatives, and this remains our key priority. Our more than 20,000 colleagues have done a tremendous job keeping the bank fully operational and serving our customers while working from home, and we also continued to make real progress on our plan to become a better bank for all our stakeholders," says Chief Executive Officer Chris Vogelzang.

The beginning of the first quarter of 2020 was markedly different from the end of the quarter due to the outbreak of the coronavirus pandemic. At the beginning of the year, lending continued to rise, especially at Banking Nordic, and lower interest rates continued to drive remortgaging activity in Denmark in the first two months of the quarter. The last part of the quarter, however, was characterised by a significant change in the global macroeconomic outlook, shifts in interest rates and turbulent financial markets due to the coronavirus pandemic and the government restrictions imposed to avoid further contagion. This had a negative impact on impairments, which increased significantly due to changes in macroeconomic model assumptions and appropriate charges for certain sectors, for which we recognised a substantial effect already in the first quarter. Further, net trading income was adversely affected by the turbulence in the financial markets. However, despite the difficult situation, lending in local currency increased 2%, net interest income remained at a good level and fee income rose from the level in the first quarter of 2019.

Danske Bank posted a net loss of DKK 1.3 billion for the first quarter of 2020, against a profit of DKK 3.0 billion for the same period in 2019. This was due primarily to our timely approach and adaptation to the macroeconomic and sector effects of the coronavirus pandemic, which meant that we recognised significant impairments. The return on shareholders' equity was -3.8%, against 7.7% in the first quarter of 2019.

Danske Bank retains strong capital and liquidity positions, and we are thus well placed to help our customers through the downturn.

On 15 March, as a consequence of the impact of the coronavirus pandemic on the economy, Danske Bank launched a number of initiatives to help both commercial and retail customers that find themselves in a difficult situation.

As Denmark's largest bank and a significant financial institution in all the other Nordic economies, we play a vital role in minimising the damage this is causing to society, and we are doing our utmost to help our customers through these challenging times.

However, the extraordinary situation requires a joint effort from all parts of society, and we are pleased that the governments and the parliaments in the countries in which we operate as well as the central banks and the supervisory authorities have acted with great determination and taken a series of initiatives aimed at minimising the economic impact.

To support the government intervention, we, along with the rest of the Danish banking sector, have pledged to support the Danish economy by providing financial support to retail and commerical customers affected by the crisis. This approch of course also applies to our Nordic markets and Northern Ireland.

The initiatives taken by Danske Bank across the markets include deferred payments, new or extended overdraft and credit facilities, bridge financing, interest-only loans, raising the threshold for the charging of negative interest on deposits and many other actions. We are also offering our start-up customers virtual coronavirus briefings to help them navigate in a difficult situation.

Internally, we are offering employees with a health care or military background the opportunity to sign up to provide healthcare services for a period of six months. Most of our employees are now working from home, and despite the difficult working conditions this entails, our integrated procedures and IT systems combined with the dedication of our employees have enabled us to continue serving and helping our customers.

On 16 March, we postponed our 2020 annual general meeting. The general meeting will be called when possible, and the Board of Directors continuously monitors the situation.

On 20 April, the Board of Directors decided to propose that no dividend be paid for 2019. The decision is made to support the initiatives aimed at minimising the economic consequences of the coronavirus pandemic.

Despite the turbulence caused by the coronavirus pandemic in the last part of the quarter, the first three months of 2020 also saw progress in terms of our transformation towards becoming a better bank for all our stakeholders. We are continuing our strong focus on compliance and the prevention of financial crime, on the digitalisation of processes and on enhanced trade surveillance and transaction monitoring. At the same time, we have launched an agile transformation programme, a group-wide cost programme, started to change and simplify the customer journey for buying and owning real estate in Denmark, and completed a group-wide culture survey among 10,000 employees to improve employee engagement. In addition, we are continuing our efforts to digitalise end-to-end processes and simplify our product offerings, and we have made the first additional investments to support our progress towards becoming a better bank.

Financials

In the first quarter of 2020, lending declined 2% from the level at the end of 2019. This was driven mainly by currency effects and value adjustments that offset the effect of increased lending to large corporates seen at Corporates & Institutions. Towards the end of the quarter, we saw a strong increase in requests for liquidity facilities from our corporate customers due to the economic uncertainty caused by the coronavirus pandemic.

At Banking DK, lending was down 2% from year-end 2019 due to negative market value adjustments of the mortgage book. Underlying, lending was flat. Remortgaging activity continued early in the first quarter of 2020, although at a lower pace, as interest rates declined further in the first two months. However, this came to a halt in March. The shift towards longer-term but lower-margin mortgage products among both retail and commercial customers continued, which is positive for credit quality but puts a downward pressure on net interest income in the longer term.

At Banking Nordic, lending declined 4% from the level at the end of 2019. However, this was due to adverse currency effects, as both the Swedish krona and the Norwegian krone depreciated vis-à-vis the Danish krone. Adjusted for currency effects, Banking Nordic saw lending growth in all market areas. Sweden saw growth among retail customers, whereas retail lending in Norway and Finland was flat.

In the first quarter of 2020, net interest income was down 1% from the level in 2019, due to margin pressure, currency effects and a shift in mortgage lending towards longer-term mortgages as well as continually high funding costs. The introduction of negative interest rates for retail customers in Denmark will not come into effect until June and therefore did not affect net interest income for the first quarter.

Net fee income was up 3% from the level in the first quarter of 2019. This was due mainly to the remortgaging activity in Denmark in the first part of the quarter, as interest rates declined in the first part of that period. At Wealth Management, fee income declined due to lower assets under management (AuM).

Trading income in the first quarter stood at DKK 291 million, a decline of 82% from the level in the first quarter of 2019. This was due to the turbulent financial markets, which affected both our rates business at Corporates & Institutions and our pensions subsidiary Danica Pension.

The turbulence on both equity and rates markets meant that Danica Pension had both lower AuM and losses on risk assets, impacting equity negatively at the end of the quarter.

Expenses in the first quarter of 2020 were 10% higher than in the same period in 2019. This was due mainly to the upstaffing within compliance and AML throughout 2019, which now has full financial impact. Other costs for regulatory compliance and investments to combat financial crime as well as costs for the Estonia case also contributed to the increase.

We saw impairment charges of DKK 4.3 billion in the first quarter of 2020, which were mainly related to the outbreak of the coronavirus pandemic and the subsequent economic downturn and significant decline in oil prices. The impairments were driven by three main factors. Firstly, macroeconomic scenarios used to calculate expected credit losses under IFRS 9 have been adjusted downwards to reflect a significant decline in economic activity in 2020 followed by a recovery in 2021 supported by government support packages. Secondly, sector-wide impairments have been recognised against exposures to highly-affected industries such as retailing, hotels, restaurants, and oil and gas. Lastly, for non-performing loans with ongoing restructuring, particularly in the oil and gas industry, the unprecedented drop in oil prices had a negative effect on expected outcomes for restructuring, leading to higher impairment charges. Prior to the outbreak of the coronavirus pandemic, loan impairments were in line with the previous impairment trend and our expectations.

Estonia

We continue our internal investigation of the non-resident portfolio at the Estonian branch and still expect to complete this investigation in the fourth quarter of 2020. We remain under investigation by authorities in Denmark, the US, Estonia and France. The overall timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain.

Danske Bank continues to defend itself against the Danish civil claims (presently a total value in the range of approximately DKK 7.9-8.4 billion). In addition to the pending claims, Danske Bank could be joined to the claim of around DKK 2.7 billion against its former CEO, Thomas F. Borgen. The timing of completion of any lawsuits (pending or threatening) and their outcome are uncertain.

Capital, liquidity and regulation

Our capital position remained strong, with a total capital ratio of 22.3% and a CET1 capital ratio of 17.6%. This is in line with the Group's target of a CET1 capital ratio of above 16% in the short term and a total capital ratio of above 20%.

Due to the outbreak of the coronavirus pandemic, regulatory authorities in Denmark and Sweden reduced their countercyclical buffer requirements to 0%, while the Norwegian countercyclical buffer requirement was reduced to 1%. This was done in order to provide banks with greater opportunity to help customers in need during the economic downturn and meant a reduction in our regulatory CET1 capital requirement to now 13.2%.

At 31 March 2020, our liquidity coverage ratio stood at 154%, against 140% at the end of 2019.

Outlook for 2020

The uncertainty connected with the economic situation and the impact of the coronavirus pandemic meant that on 16 March, we suspended our financial outlook for 2020.

As uncertainty as a result of the impact of the coronavirus pandemic prevails, the uncertainty related to our guidance is also higher than usual, reflecting the limited visibility for the macroeconomic situation and developments in the financial markets.

On that basis, we now aim for a net profit of at least DKK 3 billion. This represents our best estimate based on a timely assessment of the current situation and the likely impact on our business for the rest of the year.

We expect net interest income to be lower than the level in 2019 as margin pressure and higher funding costs will more than offset continued volume growth.

Net fee income is expected to be lower than the level in 2019 due to lower remortgaging activity and is subject to significant uncertainty regarding assets under management, customer activity and market developments.

Expenses are expected to be in the range of DKK 28-29 billion, driven by an acceleration of investments of up to DKK 2 billion and a continued increase in compliance costs.

Loan impairment charges are expected to be significantly higher due to the impact of the coronavirus pandemic on the economic outlook, with a large part recognised in the first quarter of the year.

We maintain our ambition for a return on shareholders' equity of 9-10% in 2023.

The outlook is subject to uncertainty and depends on economic conditions, including developments in monetary policy at central banks.

Financial review

In the first quarter of 2020, the Danske Bank Group delivered a loss before tax from core activities of DKK 1.4 billion, against a profit of DKK 4.3 billion in the first quarter of 2019. The result was affected primarily by a significant increase in loan impairment charges of DKK 3.9 billion that was directly related to the outbreak of the coronavirus, the subsequent economic downturn and significant decline in oil prices, and a decrease in net trading income of DKK 1.3 billion due to the turbulence in the financial markets.

Income

Total income amounted to DKK 9.6 billion, a decrease of 11% from the level in the first quarter of 2019.

Net interest income amounted to DKK 5.5 billion, a decrease of 1%. Net interest income was negatively affected by lower lending margins, continually high funding costs as well as adverse exchange rate developments. The structural FX hedge position and structural change to internal funding and liquidity management as well as higher deposit and lending volumes had a partly offsetting effect.

Net fee income amounted to DKK 3.7 billion, an increase of 3% from the level in the first quarter of 2019. At Banking DK, net fee income benefited from strong remortgaging activity and additional performance fees resulting from above-market performance on investments in 2019 and settled in the first quarter 2020. At Corporates & Institutions, net fee income increased due to a good start to the quarter and increased demand for exchange rate risk management towards the end of the quarter. However, the positive effect was partly offset by a decrease in net fee income at Wealth Management, Danica Pension, as result of the decline in assets under management following the development in the financial markets.

Net trading income amounted to DKK 0.3 billion, a decrease of 82% from the level in the first quarter of 2019. The decrease was due to the turbulence in the financial markets, which affected primarily Corporates & Institutions and Wealth Management. At Corporates & Institutions, income decreased as a result of lower trading income from FI&C along with negative developments in value adjustments of the derivatives portfolio. At Wealth Management, the decrease in net trading income was related primarily to a negative investment return in the health and accident business.

Expenses

Operating expenses amounted to DKK 6.8 billion, an increase of 10% from the level in the first quarter of 2019. Operating expenses increased primarily as a result of higher costs for regulatory compliance and investments to combat financial crime and costs for the Estonia case.

Loan impairments

Loan impairments in core activities amounted to DKK 4.3 billion for the first quarter of 2020, against an impairment charge of DKK 0.4 billion in the first quarter of 2019. Loan impairments are based on the use of timely estimates of the effect of the coronavirus pandemic in the impairment model, affecting both individual customers and the macroeconomic outlook for the coming quarters.

Changes due to macroeconomic scenarios and post-model adjustments amounted to DKK 1.7 billion. This includes some reductions of existing post-model adjustments, including on agriculture in Denmark. In addition, specific adjustments for industries highly affected by the coronavirus pandemic amounted to DKK 0.5 billion.

Impairments due to a deterioration of the creditworthiness of specific customers amounted to DKK 2.1 billion. The credit assessment of these customers was made on an ongoing basis throughout the quarter, and impairments were revisited in light of the change in outlook. This affected mainly the oil and gas industry at Corporates & Institutions, mostly in Norway, and the retailing industry. The decline in credit quality outside these industries is currently limited.

Prior to the outbreak of the coronavirus pandemic, loan impairments were in line with the previous impairment trend and our expectations.

Due to the extensive and timely changes to forward-looking estimates in the first quarter of 2020, a substantial downside for the affected portfolios was included in first quarter calculations. Impairments are therefore expected to be significantly lower in coming quarters, assuming no further deterioration in macroeconomic assumptions.

Impact of the coronavirus pandemic

The uncertainty following the outbreak of the coronavirus pandemic resulted in an increase in loan impairment charges.

Impairment charges increased due to an update of the macroeconomic scenarios in the IFRS 9 impairment model following the macroeconomic uncertainty. Scenarios are adjusted to reflect appropriate impairment charges calculated on the basis of historical losses during economic downturns. The model is now based on a base scenario that reflects a significant decline in economic activity in 2020 followed by a recovery in 2021 supported by government support packages. A further severe downside scenario is introduced with a likelihood of 25% to reflect the risk that government support packages will prove insufficient to sustain the recovery. This scenario builds on a prolonged recovery with a continued decline in economic activity in 2021 and includes substantial increases in unemployment and decreases in house prices. Including this scenario in the model is considered appropriate in light of the uncertainty surrounding the shape of the recovery. The impact of the scenarios in the coming years is in line with the scenarios published by the Danish central bank. The changed outlook therefore results in more exposures being classified as exposures with a significant increase in credit risk since initial recognition (stage 2). Furthermore, post-model adjustments have been made against sectors severely affected by the coronavirus pandemic, including hotels, leisure and transportation, to which the Group's exposure is limited, however. Overall, loan impairments for the first quarter of 2020 were thus driven by an update of the macroeconomic scenario, charges against single-name exposures and post-model adjustments. Further details are given in the credit exposure disclosures in the financial statements.

We expect further impairments related to the coronavirus pandemic during the year. However, the extensive changes to forward-looking estimates in the first quarter of 2020 are believed to capture the substantial downside from macroeconomic deterioration of the affected portfolios.

Corporates & Institutions saw loan impairments mainly against single-name exposures, mainly in the shipping, oil and gas, and retailing industries. This reflects the rapid decline in the oil price following the outbreak of the coronavirus pandemic, leading to a deteriorating outlook for non-performing loans with ongoing restructuring. Banking Nordic saw increased impairments following the changed macroeconomic scenario and made impairments against single-name exposures, mainly in the construction industry. Banking DK was impacted primarily by the changed macroeconomic scenario in the IFRS 9 impairment model.

Loan impairment charges

(DKK millions)	Q1 2020 Charges	Q1 2020 % of net credit exposure*	Q1 2019 Charges	Q1 2019 % of net credit exposure*
Banking DK	945	0.40	205	0.09
Banking Nordic	952	0.59	-49	-0.03
Corporates & Institutions	2,181	3.66	221	0.37
Northern Ireland	165	1.22	-14	-0.11
Other Activities	7	0.50	-5	-0.30
Total	**4,251**	**0.90**	**357**	**0.08**

** Relating to lending activities in core segments.*

Tax
Tax on profit for the period amounted to an income of DKK 0.4 billion, or 22.5% of profit before tax, against 25.5% of profit before tax for the first quarter of 2019. The rate for the first quarter of 2019 was higher due partly to adjustments regarding previous years.

Q1 2020 vs Q4 2019

In the first quarter of 2020, the Group posted a loss before tax of DKK 1.7 billion, against a profit before tax of DKK 1.3 billion in the fourth quarter of 2019. The loss before tax was due primarily to an increase in loan impairment charges that was directly related to the coronavirus outbreak and the subsequent economic downturn and significant decline in oil prices. A decline in net trading income due to the turbulence in the financial markets and large negative value adjustments of the derivatives portfolio of DKK 344 billion also contributed to the loss. Profit before tax in the fourth quarter of 2019 was affected by goodwill impairment charges and an increase in operating expenses.

Profit before loan impairment charges in core activities amounted to DKK 2.8 billion in the first quarter of 2020, an increase of 29% from the level in the fourth quarter of 2019. The increase was due to the fourth quarter of 2019 being adversely affected by primarily goodwill impairment charges.

Net interest income amounted to DKK 5.5 billion, a 1% decrease from the level in the fourth quarter of 2019. Net interest income was adversely affected by exchange rate developments and higher capital costs. Fewer interest days in the first quarter also had a negative effect. Primarily higher deposit margins and lending margins and, to a lesser extent, deposit volumes had a partly offsetting effect.

Net fee income amounted to DKK 3.7 billion and decreased 17% from the level in the fourth quarter of 2019. The decrease was due primarily to the decline in assets under management following the development in the financial markets in the first quarter of 2020 and higher performance fees from asset management at Wealth Management in the fourth quarter of 2019.

Net trading income amounted to DKK 0.3 billion, a decrease of 83% from the level in the fourth quarter of 2019. The decrease was due to lower income from the rates business and a large negative value adjustment of the derivatives portfolio of DKK 344 million at Corporates & Institutions. Further, net trading income in the fourth quarter of 2019 benefited from the sale of LR Realkredit A/S.

Operating expenses amounted to DKK 6.8 billion, a decrease of 19% from the level in the fourth quarter of 2019. The decrease was due to the first quarter of 2020 benefiting from lower costs relating to the Estonia case, AML and compliance, and the fourth quarter of 2019 being adversely affected by a provision for operational risk-related losses and the adjustment of the expected value of a distribution contract.

Loan impairments amounted to DKK 4.3 billion, against DKK 0.7 billion in the fourth quarter of 2019. Changes due to macroeconomic scenarios and post-model adjustments amounted to DKK 2.2 billion, including specific adjustments for highly affected industries of DKK 0.5 billion. Impairments due to a deterioration of the creditworthiness of specific customers amounted to DKK 2.1 billion. This affected mainly the oil and gas industry at Corporates & Institutions, mostly in Norway, and the retailing industry. The decline in credit quality outside these industries is currently limited. Prior to the outbreak of the coronavirus pandemic, loan impairments were in line with the previous impairment trend and our expectations.

Balance sheet

Lending (end of period) (DKK billions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4
Banking DK	927.0	941.1	99	943.7	98
Banking Nordic	606.8	626.1	97	635.0	96
Corporates & Institutions	216.5	195.3	111	209.1	104
Wealth Management	0.1	0.2	50	0.1	100
Northern Ireland	51.2	52.6	97	54.3	94
Other Activities incl. eliminations	2.2	-4.3	-	-3.0	-
Allowance account, lending	22.1	18.0	123	18.0	123
Total lending	**1,781.8**	**1,793.0**	**99**	**1,821.3**	**98**

Deposits (end of period) (DKK billions)					
Banking DK	363.5	335.8	108	358.0	102
Banking Nordic	269.8	252.5	107	270.5	100
Corporates & Institutions	301.4	264.3	114	270.7	111
Wealth Management	0.2	0.1	200	0.2	100
Northern Ireland	70.1	65.5	107	70.9	99
Other Activities incl. eliminations	-9.7	-8.8	-	-7.4	-
Total deposits	**995.2**	**909.4**	**109**	**962.9**	**103**

Covered bonds (DKK billions)					
Bonds issued by Realkredit Danmark	762.0	751.2	101	795.7	96
Own holdings of bonds	33.2	53.0	63	9.7	-
Total Realkredit Danmark bonds	**795.2**	**804.2**	**99**	**805.4**	**99**
Other covered bonds issued	173.8	191.1	91	176.5	98
Own holdings of bonds	89.3	58.3	153	61.9	144
Total other covered bonds	**263.1**	**249.4**	**105**	**238.4**	**110**
Total deposits and issued mortgage bonds etc.	**2,053.5**	**1,963.0**	**105**	**2,006.7**	**102**
Lending as % of deposits and issued mortgage bonds etc.	86.8	91.3		90.8	

Lending

At the end of March 2020, total lending was down 2% from the level at the end of December 2019. At Banking DK, lending decreased primarily due to negative market value adjustments of mortgage loans. At Banking Nordic, lending decreased due to the depreciation of the Norwegian krone and the Swedish krona. The decrease in lending was partly offset by an increase in lending at Corporates & Institutions.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 13.1 billion. Lending to retail customers accounted for DKK 2.8 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased 0.4 percentage points to 25.8%. In Norway, our market share increased 0.2 percentage points. In Sweden and Finland, our market shares increased 0.1 percentage points.

Market shares of lending (%)	29 February 2020	31 December 2019
Denmark incl. RD (excl. repo)	25.8	26.2
Finland	9.7	9.6
Sweden (excl. repo)	5.6	5.5
Norway	6.3	6.1

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

Lending equalled 86.8% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.8% at the end of 2019.

Deposits

At the end of March 2020, total deposits were up 3% from the level at the end of 2019.

Our market shares in Denmark and Sweden were unchanged at 29.0% and 4.3%, respectively. Our market share in Norway increased 0.8 percentage points primarily related to deposits from corporates and the public sector. Our market share in Finland decreased 0.1 percentage points. The Group maintained its strong funding position.

Market shares of deposits (%)	29 February 2020	31 December 2019
Denmark (excl. repo)	29.0	29.0
Finland	10.6	10.7
Sweden (excl. repo)	4.3	4.3
Norway	7.2	6.4

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

Credit exposure

Credit exposure from lending activities in core segments increased to DKK 2,477 billion, against DKK 2,444 billion at the end of 2019, driven primarily by an increase in loan commitments at Corporates & Institutions and at Banking DK. Demand deposits with central banks and due from credit institutions and central banks increased DKK 47 billion from the level at the end of 2019.

Risk Management 2019, section 3, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remained strong in most segments in the first quarter of 2020. The effects of the coronavirus pandemic are expected to materialise in coming quarters, and apart from existing portfolios that are challenged, the rate of new non-performing loans was therefore limited in the first quarter. Total net non-performing loans (NPL) increased DKK 0.7 billion from the end of 2019, with the increase being driven by a few single-name exposures to the shipping, oil and gas, and retailing industries at Corporates & Institutions. The NPL coverage ratio decreased to 74% from 78% at the end of 2019.

The risk management notes on pp. 62-77 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	31 Mar. 2020	31 Dec. 2019
Gross NPL	37,223	34,713
NPL allowance account	15,221	13,367
Net NPL	**22,002**	**21,346**
Collateral (after haircut)	**16,765**	**17,479**
NPL coverage ratio (%)	74.4	77.6
NPL coverage ratio of which is in default (%)	70.0	73.6
NPL as a percentage of total gross exposure (%)	1.5	1.4

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

At DKK 24.1 billion, or 1.3% of lending and guarantees, accumulated impairments increased from 1.1% at 31 December 2019.

Allowance account by business units	31 Mar. 2020		31 Dec. 2019	
(DKK millions)	Accum. impairm. charges	% of net credit exposure [1]	Accum. impairm. charges	% of net credit exposure [1]
Banking DK	12,466	1.30	11,662	1.21
Banking Nordic	5,029	0.79	4,333	0.68
C&I	5,746	2.46	3,718	1.61
Northern Ireland	865	1.62	730	1.37
Other	14	0.02	8	0.01
Total	**24,121**	**1.27**	**20,451**	**1.08**

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

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 1,334 billion at 31 March 2020, against DKK 1,124 billion at the end of 2019.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 125.2 billion, against DKK 76.4 billion at the end of 2019. The increase was due to pressure on market rates in relation to the coronavirus pandemic in March 2020.

The value of the bond portfolio was DKK 539 billion. Of the total bond portfolio, 76% was recognised at fair value and 24% at amortised cost.

Bond portfolio (%)	31 March 2020	31 December 2019
Government bonds and bonds guaranteed by central or local governments	35	32
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	47	53
Swedish covered bonds	12	10
Other covered bonds	2	2
Corporate bonds	3	2
Total holdings	100	**100**
Bonds at amortised cost included in total holdings	24	26

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 43.1 billion at the end of 2019 to net assets of DKK 103.5 billion at the end of March 2020. The increase in net assets was due to an increase in bond holdings and in the net market values of derivatives. The increase in the net market values of derivatives was due primarily to the changes in market rates.

Other balance sheet items

Assets under insurance contracts and Liabilities under insurance contracts increased DKK 33.0 billion and DKK 29.3 billion, respectively, from the end of 2019, primarily as a result of an increase in the market value of derivatives.

Implications of the coronavirus pandemic for capital

The coronavirus pandemic had significant implications for the Group's capital position at the end of March 2020.

A weakened macroeconomic outlook and turmoil on the financial markets significantly affected the Group's earnings while increasing its risk exposure.

In order to minimise the financial consequences of the coronavirus pandemic, the Board of Directors has proposed that no dividends be paid for 2019 – effectively increasing regulatory capital by DKK 7.3 billion at the end of March 2020.

The Group's excess capital level was further supported by the release or decrease of national countercyclical buffer rates in core markets, leading to a 1.1% percentage point decrease in the Group's combined buffer requirement.

Capital ratios

At the end of March 2020, the total capital ratio was 22.3%, and the CET1 capital ratio was 17.6%, against 22.7% and 17.3%, respectively, at the end of 2019. The movement in the capital ratios during the first quarter of 2020 was driven by the cancellation of dividends for 2019, which was partly countered by an increase in the total REA and a net loss for the period due to the higher level of impairment charges. The movement in the total capital ratio was further affected by the deduction of additional tier 1 (AT1) capital instruments that were redeemed in April 2020.

During the first quarter of 2020, the total REA rose approximately DKK 6 billion, due mainly to increased REAs for counterparty credit and market risks. Counterparty credit risk was driven mainly by exposure increases due to interest rate movements, while high volatility in the financial markets led to the increase in market risk.

At the end of March 2020, the Group's leverage ratio was 4.5% under the transitional rules and 4.4% under the 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 ratio. The solvency need ratio consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

At the end of March 2020, the Group's solvency need ratio was 12.5%, a decrease of 0.2 percentage points from the level at the end of 2019.

The solvency need still includes DKK 10 billion as a consequence of the orders issued by the Danish FSA in 2018 in relation to the Estonia case. The amount of 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 ratio. At the end of March 2020, the Group's combined capital buffer requirement was 5.6%.

In March 2020, the Danish government decided to release the countercyclical buffer requirement and cancel the planned increases intended to take effect later this year as a result of the coronavirus pandemic. The Swedish FSA also released the Swedish buffer requirement, while the Norwegian Ministry of Finance decreased the Norwegian buffer requirement from 2.5% to 1% with immediate effect.

Consequently, the Group's institution-specific countercyclical buffer requirement was 0.1% at the end of March 2020, a decrease of 1.1 percentage points from the end of 2019.

Capital ratios and requirements

(% of the total REA)	31 March 2020	Fully phased-in*
Capital ratios		
CET 1 capital ratio	17.6	17.4
Total capital ratio	22.3	22.1
Capital requirements (incl. buffers)**		
CET 1 requirement	13.2	13.2
- portion from countercyclical buffer	0.1	0.1
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Total capital requirement	**18.2**	**18.2**
Excess capital		
CET 1 capital	4.4	4.2
Total capital	4.2	3.9

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

*** The total capital requirement consists of the solvency need ratio and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of March 2020.*

The calculation of the solvency need ratio and the combined capital buffer requirement is described in more detail in section 5 of Risk Management 2019, 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 March 2020, the requirement was equivalent to DKK 250 billion. The MREL-eligible liabilities amounted to DKK 265 billion.

Danish mortgage credit institutions are exempt from the MREL. Instead, they are subject to a debt buffer requirement of 2% of their loans. The capital and debt buffer requirements applying to Realkredit Danmark are thus deducted from the eligible liabilities and own funds used for meeting the MREL.

The transition to the full MREL has been relatively shorter for the Group than for its peers. In combination with a relatively high Danish MREL, the Group has issued a significant amount of non-preferred senior debt over the past couple of years. During the first quarter of 2020, the nominal value of non-preferred senior bonds increased DKK 9.4 billion.

Capital targets
The Group's capital targets are unchanged from the increased levels set by the Board of Directors in 2019 as a result of the increase in capital requirements and general uncertainty about future regulation.

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

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

Capital distribution policy
In order to minimise the financial consequences of the coronavirus pandemic, the Board of Directors on 20 April 2020 proposed to the general meeting that no dividends be paid for 2019.

The proposal for no dividend payments for 2019 does not change the Group's general dividend policy, which is still to pay out 40-60% of net profit for the year.

Danske Bank has strong capital and liquidity positions, and the Board of Directors monitors the situation closely and remains committed to returning excess capital to shareholders when the economic impact of the pandemic is clear.

Credit ratings
Fitch Ratings (Fitch) and Moody's Investors Service (Moody's) took rating actions in the first quarter of 2020.

On 31 March, Fitch placed its long-term ratings on Danske Bank on Watch Negative due to the sharp deterioration of economic conditions caused by the coronavirus pandemic. At the same time, it downgraded its Subordinated Tier2 debt ratings to 'BBB+' from 'A-' and upgraded its Additional Tier1 Capital Instrument ratings to 'BBB-' from 'BB+'. Theses changes reflect previously announced changes to ratings criteria.

At the same time, Fitch affirmed its ratings and revised its outlook on Realkredit Danmark to Negative from Stable. The change in outlook is also reflecting the expected consequences of the coronavirus pandemic. However, Fitch expects the effects for Realkredit Danmark to be less negative than for the Group as a whole and more manageable relative to earnings and capitalisation.

On 26 March, Moody's lowered its outlook for the Danish banking system to Negative on the basis of its expectation that the coronavirus pandemic will negatively affect earnings as well as costs and impairments for the industry as a whole. While this decision does not immediately trigger downgrades of bank ratings, it is a leading indicator of coming rating actions.

To date, S&P Global (S&P) has not taken any rating actions as a result of the coronavirus pandemic.

Danske Bank's ratings 31 March 2020

	Moody's	S&P	Fitch
Counterparty rating	A1/P-1	A+/A-1	A+
Deposits	A2/Negative/ P-1	-	A+/F1
Senior debt	A3/P-2	A/A-1	A+/F1
Issuer rating	A3/P-2	A/A-1	A/F1
Outlook	Stable	Stable	Watch Negative
Non-preferred senior debt	Baa3	BBB+	A
Tier 2	-	BBB	BBB+
AT1	-	BB+	BBB-

Mortgage bonds and covered bonds (*RO* and *SDRO*) issued by Realkredit Danmark are rated 'AAA' (Stable outlook) by S&P and Scope Ratings. Fitch gives bonds issued from Realkredit Danmark's capital centre S a rating of 'AAA' (Stable outlook) and bonds issued from capital centre T a rating of 'AA+' (Stable outlook).

Covered bonds (*SDO*) issued by Danske Bank A/S are rated 'AAA' (Stable outlook) by both S&P and Fitch, 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.

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 research 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 31 March 2020	Score at 31 Dec 2019
CDP Worldwide, UK	C	C
Imug, Germany	Neutral (CCC)	Positive (B)
ISS ESG, USA	C Prime	C Prime
MSCI ESG Ratings, USA	B	B
Sustainalytics, USA	Medium Risk	Medium Risk
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.

Imug's downgrade of Danske Bank on 21 February 2020 was due to its assessment of Danske Bank's social and governance performance as weaker in 2018 than in 2017.

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

Funding and liquidity

The coronavirus pandemic and the expected detrimental macroeconomic impact led the market for credit to widen sharply in line with the decline in equities from the latter part of February. Late in March, central bank actions and the policy response by governments had stabilised the markets, albeit at wide levels.

During the first quarter of 2020, the Group issued non-preferred senior bonds of DKK 10.1 billion, senior debt of DKK 0.8 billion and covered bonds of DKK 15.1 billion bringing total long-term wholesale funding to DKK 26 billion. Almost all issuance was made prior to the outbreak of the coronavirus pandemic in Europe.

First quarter issuance implies that we are already well advanced in meeting our 2020 funding requirement of 70-90 billion. We remain dedicated to our strategy of securing more funding directly in our main lending currencies, including NOK and SEK, but we will also utilise central bank facilities to obtain funding in the most cost efficient manner.

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 the first quarter of 2020, our liquidity coverage ratio stood at 154%, (31 December 2019: 140%) with an LCR reserve of DKK 504 billion, (31 December 2019: DKK 432 billion).

The requirement for the net stable funding ratio forms an integral part of our funding planning, and we are already comfortably adhering to the requirement.

At 31 March 2020, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 368 billion, against DKK 370 billion at the end of 2019.

Danske Bank excluding Realkredit Danmark (DKK billions)	31 March 2020	31 December 2019
Covered bonds	173.8	176.5
Preferred senior bonds	66.2	75.3
Non-preferred senior bonds	96.3	86.9
Subordinated debt	31.8	31.6
Total	**368.1**	**370.2**

The Supervisory Diamond

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

At the end of March 2020, 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 December 2017, the Basel Committee on Banking Supervision (BCBS) published the final and revised standards for REA calculations (Basel IV). Due to the coronavirus pandemic, the BCBS has delayed the implementation of the Basel IV standards from 2022 to 2023. This will delay the process for implementation of the standards in the EU, which was initially planned to kick off with a legislative proposal from the EU Commission in June 2020.

Changes to the Board of Directors and executive management

Jens Due Olsen did not seek re-election to the Board of Directors and was due to step down at the annual general meeting scheduled for 17 March 2020. However, due to the extraordinary circumstances caused by the coronavirus pandemic, the general meeting was postponed, and Jens Due Olsen stepped down from his position as member of the Board of Directors on 7 April 2020.

On 18 March 2020, Frans Woelders took up his position as member of the Executive Leadership Team and Group COO.

On 1 April 2020, Stephan Engels took up his position as member of the Executive Leadership Team and Group CFO.

Banking DK

In the first quarter of 2020, Banking DK posted a profit before tax of DKK 0.6 billion, a decrease of 58% from the same period last year. Loan impairment charges increased significantly, reflecting the coronavirus pandemic. Furthermore, continued margin pressure and increases in costs for regulatory compliance and investments to combat financial crime adversely affected the result. However, these effects were partly offset by stronger remortgaging activity among retail customers and higher investment fees from private wealth management activities.

Banking DK (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Net interest income	2,203	2,346	94	2,231	99	9,111
Net fee income	1,179	1,011	117	1,209	98	4,397
Net trading income	329	313	105	318	103	1,176
Other income	45	55	82	53	85	227
Total income	3,756	3,725	101	3,812	99	14,912
Operating expenses	2,187	2,023	108	2,523	87	8,736
Profit before loan impairment charges	1,569	1,702	92	1,289	122	6,176
Loan impairment charges	945	205	-	-261	-	-342
Profit before tax	**624**	**1,497**	**42**	**1,549**	**40**	**6,518**
Loans, excluding reverse transactions before impairments	927,025	941,150	98	943,723	98	943,723
Allowance account, loans	11,011	11,165	99	10,235	108	10,235
Deposits, excluding repo deposits	363,514	335,816	108	357,967	102	357,967
Covered bonds issued*	793,044	799,777	99	804,130	99	804,130
Allowance account, guarantees	1,452	1,402	104	1,425	102	1,425
Allocated capital (average)	38,370	36,430	105	36,287	106	36,430
Net interest income as % p.a. of loans and deposits	0.69	0.75		0.70		0.72
Profit before tax as % p.a. of allocated capital (avg.)	6.5	16.4		17.1		17.9
Cost/income ratio (%)	58.2	54.3		66.2		58.6
Full-time-equivalent staff	4,792	4,288	112	4,588	104	4,588

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Fact Book Q1 2020 provides financial highlights at customer type level for Banking DK. Fact Book Q1 2020 is available at danskebank.com/ir.*

Q1 2020 vs Q1 2019

In mid-March, the coronavirus hit Denmark and led to a national lockdown with immediate, adverse effects on society, businesses and households. As the largest bank in Denmark, we have a special responsibility to help mitigate the effects of this extraordinary situation as much as possible, and we have taken multiple initiatives to help our customers through the situation in the best way possible.

These initiatives include extended access to overdraft facilities, interest-only payments on loans, postponement of loan repayment, postponement or payment in instalments of credit card debt, increase and extension of credit facilities, and offers to provide financing to businesses until they receive money under the coronavirus relief packages introduced by the Danish government. In addition, we raised the threshold for the charging of negative interest on the deposits of small businesses from DKK 0.2 million to DKK 0.5 million. As of end-March, we had made liquidity in the double-digit billion range available to our customers all over Denmark, and more will follow. As customers start to utilise these facilities, we will see an impact on our figures.

Customer activity

Lending fell 2% from the level in the first quarter of 2019 due to negative market value adjustments of our mortgage book. Underlying lending was flat, reflecting pre-coronavirus demand for subsidised housing and commercial property financing among our large real estate customers. In addition, remortgaging activity continued, primarily among our retail customers, although the level was lower than the historically high level seen in 2019. Since the coronavirus pandemic hit, we have seen a decline in mortgage finance lending but high demand among customers for meetings and advice on the financing of their property.

Since mid-March, we have seen extraordinarily high business activity, especially in the commercial segment, and have been very busy helping customers with relevant advice and solutions. We also reached out proactively to many of our more than 100,000 commercial customers to offer advice on business planning and on how to protect their businesses.

The second half of March was also characterised by many retail customers calling us for advice on and help to deal with urgent matters, for example help to pay bills because of income loss due to the coronavirus pandemic. At the end of March, we saw the first loans, credit facilities, etc. granted related directly to the coronavirus pandemic, and we expect demand to increase in the coming period. We are ready to help as many customers as we possibly can and to find solutions to the challenges caused by this difficult situation.

Financial results

Against this background, Banking DK posted a profit before tax of DKK 0.6 billion for the first quarter, a decrease of 58% from the same period last year. In addition to the coronavirus situation in Denmark and the resulting significant increase in loan impairment charges, the period was characterised by continued margin pressure on lending. However, this was offset by strong remortgaging activity and higher investment fee income, and total income was up 1%.

Deposit levels significantly increased from the same period of 2019, and both our retail and commercial market shares grew. To balance the development in deposits, we will introduce negative interest rates for retail customers on deposits above specific thresholds from 1 June 2020.

Net interest income decreased 6% from the level a year ago. The low interest rate environment in Denmark continues to encourage customers to switch to loan and mortgage products with lower margins. Furthermore, net interest income was adversely affected by strong competition.

Net fee income benefited from strong remortgaging activity and additional performance fees resulting from above-market performance on investments in 2019 and settled in the first quarter of 2020.

Operating expenses rose 8% owing to increased costs for regulatory compliance and investments to combat financial crime, primarily in anti-money laundering activities, such as monitoring and controls, staff training and IT.

Loan impairment charges for the quarter amounted to a net charge of DKK 945 million, of which Realkredit Danmark accounts for DKK 691 million. Impairments were heavily impacted by the economic uncertainty resulting from the coronavirus pandemic and the resulting change in the macroeconomic outlook. A large part of the charge thus related to the introduction of a more negative macroeconomic scenario in the IFRS 9 impairment model and additional coronavirus-related post-model adjustments.

Credit quality

Credit quality remained strong with the effects of the coronavirus situation expected to materialise in the coming quarters. This is reflected in the relatively large net impairment charge recognised in the first quarter of 2020. We have implemented initiatives to help retail as well as commercial customers manage the situation, for example by offfering increased limits and interest-only periods.

Credit quality at Realkredit Danmark remained solid in the first quarter of 2020 despite the negative effect of the coronavirus pandemic.

The average loan-to-value (LTV) level decreased by 0.8 percentage points during the period.

Loan-to-value ratio, home loans	31 Mar. 2020		31 Dec. 2019	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail	59.8	501	60.6	508
Total	**59.8**	**501**	**60.6**	**508**

Credit exposure

Credit exposure saw a decrease to DKK 1,023 billion in the first quarter of 2020, driven mainly by the commercial portfolio. The decrease of DKK 23 billion in the commercial portfolio was caused by a decrease in exposure to the Danish central bank.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2020	31 Dec. 2019	31 Mar. 2020
Retail	559,753	567,125	0.20%
Commercial	463,624	486,987	0.67%
Total	**1,023,377**	**1,054,111**	**0.40%**

Q1 2020 vs Q4 2019

Profit before tax decreased 60% to DKK 0.6 billion owing to a significant increase in loan impairment charges related to the coronavirus pandemic.

Lending volume fell 2% in the period due to negative market value adjustments and reduced lending activity. Deposits increased 2%.

Operating expenses decreased 13% due to seasonality.

The first quarter of 2020 saw a net loan impairment charge of DKK 945 million, against a net reversal of DKK 261 million in the fourth quarter of 2019. Given the macroeconomic uncertainty resulting from the coronavirus pandemic, the macroeconomic scenarios for impairments were updated and specific coronavirus-related post-model adjustments were introduced.

Banking Nordic

In the first quarter of 2020, Banking Nordic delivered a profit before tax of DKK 0.2 billion, a decline of 83%. This was due to a significant increase in loan impairments of DKK 1 billion from the level in the first quarter of 2019 resulting from the outbreak of the coronavirus pandemic. However, profit before loan impairment charges was DKK 1.2 billion, an increase of 2% from the level in the first quarter of 2019. The increase was the result of the growth strategy and a benign interest rate environment, especially in Norway.

Banking Nordic (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Net interest income	1,999	1,959	102	1,992	100	7,839
Net fee income	477	463	103	479	100	1,857
Net trading income	67	70	96	72	93	280
Other income	149	155	96	136	110	592
Total income	2,692	2,647	102	2,678	101	10,567
Operating expenses	1,537	1,519	101	1,757	87	6,269
Profit before loan impairment charges	1,155	1,128	102	921	125	4,298
Loan impairment charges	952	-49	-	511	186	510
Profit before tax	**203**	**1,177**	**17**	**410**	**50**	**3,788**
Loans, excluding reverse transactions before impairments	606,799	626,062	97	634,974	96	634,974
Allowance account, loans	4,554	3,631	125	3,880	117	3,880
Deposits, excluding repo deposits	269,789	252,488	107	270,522	100	270,522
Covered bonds issued*	248,096	235,864	105	223,604	111	223,604
Allowance account, guarantees	476	375	127	451	106	451
Allocated capital (average)	37,070	34,126	109	34,283	108	34,371
Net interest income as % p.a. of loans and deposits	0.90	0.91		0.90		0.89
Profit before tax as % p.a. of allocated capital (avg.)	2.2	13.8		4.8		11.0
Cost/income ratio (%)	57.1	57.4		65.6		59.3
Full-time-equivalent staff	2,509	2,628	95	2,599	97	2,599

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Fact Book Q1 2020 provides financial highlights at customer level for Banking Nordic. Fact Book Q1 2020 is available at danskebank.com/ir.*

Q1 2020 vs Q1 2019

During March, Banking Nordic's markets were hit by the coronavirus pandemic. The pandemic created significant turmoil on the global markets, and many countries decided on a lockdown, which impacted businesses and societies as a whole.

Banking Nordic continued to actively support societies and customers as much as possible and launched a variety of initiatives. These initiatives include offers for interest-only periods on mortgage loans for our retail customers in all markets, and a range of streaming services and live chats set up to answer questions, especially in relation to investment products.

A large number of customers in the large-customer segments have been contacted with advice, and we have focused on the various coronavirus relief packages introduced by governments as well as on giving advice on tools to increase liquidity, including establishment or extension of credit lines.

Banking Nordic saw an increase in income of 2% from the level in the first quarter of 2019 due to a benign interest rate environment combined with growth in all markets as well as good investment activity at the beginning of the year. However, in combination with the significant increase in loan impairments as a result of the coronavirus pandemic, profit before tax decreased 83% from the level in the first quarter of 2019.

Adjusted for currency effects, Banking Nordic saw lending growth in all market areas from the level at the end of 2019. The Norwegian krone and the Swedish krona both depreciated vis-à-vis the Danish krone from the first quarter of 2019 to the first quarter of 2020.

In the retail and private banking segments, Sweden saw increased customer activity and growth, whereas Finland and Norway were on par with the level at the end of 2019. In the first quarter of 2020, our focus was on expanding our business with existing customers.

Banking Nordic also experienced growth in deposits, mainly in the commercial sector, due to a combination of customer actions taken as a result of the coronavirus pandemic as well as onboarding of new customers, especially in the public sector.

Net interest income benefited from the development in the interest rate environment, especially the rate cuts made by the Norwegian central bank in March. In combination with the results of the growth strategy pursued in the preceding years, when our partnerships played a significant role as a core lever, net interest income increased 2% from the level in the first quarter of 2019, despite adverse currency effects.

Net fee income increased 3% from the level in the first quarter of 2019, driven mainly by good investment activity at the beginning of the year, mainly in Finland.

Other income decreased 4% from the same period in 2019, due partly to the closing down of real estate activities in Finland.

Banking Nordic saw an increase in operating expenses of 1% from the level in the first quarter of 2019. The development in costs benefited from the depreciation of currencies. Underlying, Banking Nordic saw an increase in costs due to continued costs for regulatory compliance and investments to combat financial crime. However, general business costs decreased due to the strong focus on cost control.

Loan impairments amounted to a charge of DKK 952 million, driven primarily by the commercial portfolio. Both Banking Sweden and Banking Finland exhibited high impairment charges as a result of the changed macroeconomic scenario in the IFRS 9 model and impairments against a few single-name exposures. On the other hand, Banking Norway was supported by impairment reversals on single-name exposures. Generally, the strong quality of the Banking Nordic portfolio makes it less sensitive to scenario changes, despite the charges recognised in the first quarter of 2020.

Credit quality

Credit quality remained strong in the first quarter of 2020. However, some of the effects of the coronavirus pandemic are expected to start becoming evident in the coming quarters. This is reflected in the relatively large net impairment charge in the first quarter of 2020. We have implemented initiatives to help retail as well as commercial customers manage the situation, for example by offering increased limits and interest-only periods.

Loan-to-value ratio, home loans	31 Mar. 2019		31 Dec. 2019	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail Sweden	62.9	84	63.6	87
Retail Norway	62.0	108	62.7	125
Retail Finland	61.8	86	61.8	86
Total	**62.2**	**278**	**62.7**	**297**

Credit exposure

Credit exposure decreased to DKK 729 billion in the first quarter of 2020. The decrease came mainly from the Norwegian portfolio due to the depreciation of the Norwegian krone vis-à-vis the Danish krone from the level at the end of 2019.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2020	31 Dec. 2019	31 Mar. 2020
Sweden	286,152	289,206	0.82%
Norway	217,122	249,001	0.15%
Finland	174,371	172,857	0.92%
Other	51,722	53,159	0.33%
Total	**729,367**	**764,224**	**0.59%**

Q1 2020 vs Q4 2019

Profit before tax decreased 50% due to increased impairment charges.

Total income was on par with income in the preceding quarter.

Net interest income increased slightly, due mainly to a benign interest rate environment in Norway and increased activity within Asset Finance.

Operating expenses decreased 13%, as the cost level was high in the preceding quarter due mainly to year-end bookings related to investments in compliance and activities related to the combating of financial crime as well as an adjustment of the expected value of a distribution contract in Finland.

Loan impairments amounted to a charge of DKK 952 million in the first quarter of 2020, against a charge of DKK 511 million in the fourth quarter of 2019. The figure for the first quarter of 2020 represents a more uncertain economic environment, the implications of the coronavirus pandemic and charges against a few single-name exposures.

Corporates & Institutions

Profit before tax at Corporates & Institutions was negative by DKK 1.9 billion for the first quarter of 2020 as the result of significantly higher loan impairment charges and lower trading income in FI&C and Equities. The macroeconomic environment saw a significant negative impact from the coronavirus pandemic, which in March led to unprecedented market volatility and a surge in corporates asking for short-term liquidity facilities along with a strong increase in the need for risk hedging.

Corporates & Institutions (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Net interest income	893	930	96	985	91	3,656
Net fee income	772	692	112	836	92	2,909
Net trading income	-158	914	-	586	-	2,114
Other income	-	-	-	7	-	8
Total income	1,507	2,536	59	2,413	62	8,688
Operating expenses	1,235	1,204	103	1,318	94	4,834
Goodwill impairment charges	-	-	-	803	-	803
Profit before loan impairment charges	272	1,332	20	292	93	3,051
Loan impairment charges	2,181	221	-	459	-	1,348
Profit before tax	**-1,909**	**1,111**	**-**	**-167**	**-**	**1,703**
Profit before tax and goodwill impairment charges	**-1,909**	**1,111**	**-**	**637**	**-**	**2,506**
Loans, excluding reverse trans. before impairments	216,524	195,318	111	209,148	104	209,148
hereof loans in General Banking	178,245	162,415	110	171,478	104	171,478
Allowance account, loans	5,065	2,443	207	3,156	160	3,156
Allowance account, credit institutions	19	9	211	9	211	9
Deposits, excluding repo deposits	301,443	264,260	114	270,685	111	270,685
hereof deposits in General Banking	249,621	225,138	111	227,131	110	227,131
Covered bonds issued*	16,800	17,846	94	15,856	106	15,856
Allowance account, guarantees	662	15	-	552	120	552
Allocated capital (average)	34,590	31,586	110	33,920	102	32,684
Net interest income as % p.a. of loans and deposits	0.74	0.81	-	0.84	-	0.79
Profit before tax as % p.a. of allocated capital (avg.)	-22.1	14.1	-	-2.0	-	5.2
Cost/income ratio (%)	82.0	47.5	-	87.9	-	64.9
Full-time-equivalent staff	1,666	1,702	98	1,665	100	1,665

Total income (DKK millions)						
FI&C	222	1,086	20	805	28	2,845
hereof xVA**	-344	-164	-	-25	-	-283
Capital Markets	151	296	51	382	40	1,211
General Banking	1,134	1,154	98	1,227	92	4,631
Total income	**1,507**	**2,536**	**59**	**2,413**	**62**	**8,688**

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds.*

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

Q1 2020 vs Q1 2019

Customer activity was high during the quarter, with a surge in activity in March, but the financial result was adversely impacted by sharply lower energy prices affecting loan impairment charges and by significantly lower trading income as volatility in the financial markets reached the highest level since the global financial crisis.

In March, Corporates & Institutions executed on the Group business continuity plan as the coronavirus pandemic escalated, thereby enabling most employees to work from home, while at the same time continuing to support customers with advisory services, execution and liquidity. Despite the challenges of having most staff operating from home work stations, we have been able to keep operations close to normal and to serve our customers through this challenging period.

Total income was DKK 1.5 billion in the first quarter of 2020, a decline of 41% from the first quarter of 2019. This reflected slightly lower net interest income, higher fee income and negative net trading income, including negative value adjustments on the derivatives portfolio.

Net interest income was 4% lower than in the first quarter of 2019 due mainly to a lower level of upfront fees than the strong first-quarter level in 2019. Lending and deposit volumes increased during the first quarter of 2020, contributing to higher income. However, this effect was partly offset by higher funding costs for Danske Bank. The increase in market volatility and large contraction in economic activity amid the coronavirus pandemic led to a significant increase in corporate demand for credit facilities during March.

In order to support our customers in managing the impact of the coronavirus pandemic, we have extended substantial credit via both lending and off-balance-sheet committed facilities. In March, we saw a significant increase in requests for new credit facilities. As the increase in volumes occurred towards the end of the quarter, it had a limited impact on net interest income for the period. We do not expect all facilities to be utilised, but some uncertainty about this exists as it remains unclear how long our customers will be affected by the current restrictions imposed on society.

Net fee income increased 12% from the level in the first quarter of 2019. Customer activity was high in Debt Capital Markets, and we supported our customers in raising DKK 645 billion through the primary debt market in the first quarter, a significant increase from the same period last year. We were also involved in more equity market transactions in the first quarter of 2020, although activity in both the debt and equity markets came to a standstill in March as primary markets froze. Fee income from Equities increased, driven by high customer activity during the quarter amid higher market volatility. The high market volatility also resulted in increased customer demand for hedging solutions in our Currencies & Liquidity area.

Net trading income was negative in the first quarter of 2020, and DKK 1.1 billion lower than in the same period last year, including negative value adjustments of the derivatives portfolio (xVA) of DKK 344 million in the quarter. The negative performance was driven mainly by a negative impact in March, with the significantly wider spreads affecting our mortgage and credit desks in FI&C, as well as lower trading income in Equities.

Operating expenses were 3% higher than in the first quarter of 2019, reflecting higher costs for regulatory compliance and investments to combat financial crime. Direct staff costs were down 11% from the first quarter of 2019 as the result of the cost savings in the Markets area communicated in the third quarter of 2019 along with lower provisions for performance-based compensation.

Fixed Income & Currencies

From the first quarter of 2020, our DCM business (previously part of Capital Markets) is fully integrated into our FI&C business as a result of the organisational changes implemented in November 2019. Total income in FI&C was 80% lower than in the first quarter of 2019. The significant decline was driven mainly by lower income from Fixed Income and Credit trading, which was impacted considerably by the volatility and spread widening that followed the outbreak of the coronavirus pandemic in March.

Primary Credit Markets saw a strong start to the year, with very high customer activity across all home markets, until activity came to a standstill in the middle of March as primary markets froze. Currencies & Liquidity benefited from increased customer hedging activity amid higher market volatility.

Value adjustments of the derivatives portfolio (xVA) contributed to the negative trading result with a loss of DKK 344 million in the first quarter of 2020, against a loss of 164 million in the first quarter of 2019. This was driven mainly by higher funding spreads for Danske Bank, leading to a funding valuation adjustment loss. During the period, most of the FX, interest rate, and credit spread risk on the xVA desk was hedged, thereby limiting the effect on the first-quarter result of the large market movements.

Capital Markets

With effect from the first quarter of 2020, Investment Solutions became part of our Capital Markets business (previously part of FI&C). Capital Markets' total income decreased 49% in the first quarter of 2020 from the level in the same period in 2019. The decline was due mainly to negative trading income in Equities amid extraordinary price movements in equity options markets and a value adjustment of a bridge loan in Loan Capital Markets following significantly wider credit spreads and challenging primary markets. Overall, we saw lower activity in Leveraged Finance in the first quarter of 2020 than in same period last year and a decrease in originate-to-distribute income as markets were disrupted in March.

Capital Markets continued to see increased customer and investor demand for sustainable financing, a trend we expect to continue.

General Banking

Total income from General Banking was on par with the first quarter of 2019. Underlying income from bank lending increased, driven by higher average volumes, but this was partly countered by higher funding costs. Income from deposits also increased, and deposit volumes increased towards the end of the quarter.

Fee income from cash management and trade finance was broadly stable, and we continued to see growth in fees from Investor Services as new customers were onboarded to the Danske Bank offering.

Credit quality

Credit quality remained strong despite the macroeconomic uncertainty caused by the coronavirus pandemic and the drop in oil prices. Customer credit assessments were made on an ongoing basis throughout the quarter and impacted mainly the shipping, oil and gas, and retailing industries. C&I

is taking responsibility for providing credit to creditworthy customers adversely affected by the coronavirus pandemic.

For the first three months of 2020, loan impairments amounted to a net charge DKK 2,181 million. The impairment charge is heavily impacted by the economic uncertainty resulting from the coronavirus pandemic and the resulting change in the macroeconomic outlook. The majority of the impairment charge is attributable to the shipping and oil and gas portfolios, which are negatively affected by the rapid decline in oil prices. The retailing portfolio also saw an increase in impairments.

Net credit exposure from lending activities amounted to DKK 508 billion at the end of March 2020, an increase of DKK 65 billion from the level at the end of 2019. Exposure to central banks and credit institutions increased as did exposure to corporate customers in the form of loans and loan offers.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2020	31 Dec. 2019	31 Dec. 2019
Sovereign	31,169	23,056	0.00%
Financial Institutions	113,319	84,347	0.61%
Corporate	363,666	335,783	4.60%
Other	32	36	
Total	**508,186**	**443,223**	**3.66%**

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

Q1 2020 vs Q4 2019

Profit before tax decreased DKK 1.7 billion from the fourth quarter of 2019, driven by lower trading income and extraordinarily high loan impairments.

FI&C income decreased 72% due to significantly lower trading income and negative developments in value adjustments.

Capital Markets income decreased 60% from the last quarter of 2019, with the decrease driven by seasonality in Corporate Finance income and a value adjustment in Loan Capital Markets.

General Banking income decreased 8% from the fourth quarter of 2019, mainly as a result of lower upfront fees booked as net interest income.

Operating expenses decreased 6% from the fourth quarter as a result of lower severance pay and costs for regulatory compliance being extraordinarily high in the fourth quarter of 2019.

The first quarter of 2020 saw a net loan impairment charge of DKK 2,181 million, against a charge of DKK 459 million in the fourth quarter of 2019. The first-quarter 2020 figure reflects the rapid decline in oil prices following the coronavirus outbreak, leading to a deteriorating outlook for non-performing loans with ongoing restructuring.

Wealth Management

Profit before tax amounted to DKK 0.2 billion, a decrease of 70% from the level in the first quarter of 2019. Net fee income and net trading income were significantly impacted by the negative developments on the financial markets due to the coronavirus pandemic, leading to negative net trading income, including a negative investment return in the health and accident business, and a drop in assets under management of 12%.

Wealth Management (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Net interest income	-84	-48	175	-75	112	-248
Net fee income	1,222	1,360	90	1,885	65	5,902
Net trading income	-81	136	-	-249	33	340
Other income	-23	-37	-	127	-	1,405
Total income	1,034	1,410	73	1,688	61	7,398
Operating expenses	865	852	102	879	98	3,589
Goodwill impairment charges	-	-	-	800	-	800
Profit before tax	**169**	**558**	**30**	**9**	**-**	**3,009**
Profit before tax and goodwill impairment charges	**169**	**558**	**30**	**809**	**21**	**3,809**
Allocated capital (average)	16,127	14,104	114	16,383	98	15,569
Profit before tax as % p.a. of allocated capital (avg.)	4.2	15.8	-	0.2	-	19.3
Cost/income ratio (%)	83.7	60.4	-	99.5	-	59.3
Full-time-equivalent staff	1,527	1,595	96	1,563	98	1,563

Breakdown of assets under management* (DKK billions)						
Life conventional	184	191	96	194	95	194
Asset management	814	965	84	934	87	934
Assets under advice	430	474	91	489	88	489
Total assets under management	**1,428**	**1,630**	**88**	**1,616**	**88**	**1,616**

Breakdown of net fee income (DKK millions)						
Management fees	846	1,044	81	1,193	71	4,236
Performance fees	9	3	300	358	3	376
Risk allowance fees	367	314	117	334	110	1,290
Total net fee income	1,222	**1,360**	90	**1,885**	65	**5,902**

**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.*

***As described in Annual Report 2019, a restatement has been made between the income lines and an adjustment made to Assets under management. Comparative figures have been restated accordingly.*

Q1 2020 vs Q1 2019

Profit before tax amounted to DKK 169 million, a decrease of 70% from the level in the first quarter of 2019. Profit before tax for Danica Pension amounted to DKK 99 million, against DKK 400 million in the first quarter of 2019, and for Asset Management, profit before tax amounted to DKK 70 million, against DKK 158 in the first quarter of 2019. A higher VA component offered a positive contribution to the financial performance of Danica Pension.

In the first quarter of 2020, the financial markets were characterised by low returns on the equity markets and an increase in interest rates. The low investment result hit especially customers with unit-linked products, but also the buffers for the life conventional (*Danica Traditionel*) products and the equity in Danica Pension.

During the first quarter of 2020, Wealth Management continued to provide our customers with new solutions within pensions, savings and investments. However, our focus at the end of the quarter was on assisting and supporting pension and investment customers affected by the consequences of the coronavirus pandemic.

It is important that we take responsibility in this uncertain situation, and we seek to help our customers wherever relevant. Danica Pension wants to offer advice that helps customers feel secure, and we have therefore focused extensively on how to create the highest possible level of security in the extraordinary situation that the coronavirus pandemic has brought about.

We are able to offer our customers help on the phone, and several of our business partners offer help via video consultation, telephone service or apps.

Among other things, Danica Pension has ensured, in collaboration with "Pension for Selvstændige" – a Danish pension fund for the self-employed, that 30,000 self-employed people in Denmark are able to defer payments to their pension schemes until the end of June 2020. However, they still have critical insurance cover in case of injury or illness.

We have also launched a number of new initiatives to reduce sick leave; our many self-employed customers have been offered advice and help during the crisis, and our health professionals have been given the opportunity to help the public sector while receiving their full salary from Danica Pension. In addition, we have also been in dialogue with a number of business tenants to help them with deferment of rent payments.

For customers who are no longer employed, the insurance policies, such as policies covering critical illness, loss of earning capacity and death, will continue to be in force for three months even if customers do not take any action or stop making payments to their pension scheme.

Financial results
Net fee and net trading income were significantly affected by the negative developments in the financial markets due to the coronavirus pandemic, leading to negative net trading income and a drop in assets under management of 12%.

Net fee income amounted to DKK 1.2 billion and was down 9% from the level in the first quarter of 2019, due primarily to Danica Pension and the decline in assets under management and losses on guarantees.

Net trading income amounted to a negative DKK 81 million, against DKK 136 million in the first quarter of 2019. The decrease related primarily to the investment result in the health and accident business in Danica Pension, but the effect was offset somewhat by the positive impact of a higher VA component.

Other income amounted to a negative DKK 23 million, against a negative DKK 37 million in the first quarter of 2019.

Operating expenses were up 3% from the level in the first quarter of 2019. This was due partly to increased costs for regulatory compliance in Asset Management.

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 decreased DKK 188 billion, primarily because of negative developments on the financial markets. At the end of the first quarter of 2020, Assets under Management totalled DKK 1,428 billion – a decrease of 12% since the end of 2019.

Premiums in Danica Pension amounted to DKK 8.5 billion, against DKK 7.8 billion in the first quarter of 2019. The increase was driven primarily by higher single premiums.

Investment return on customer funds
In the first quarter of 2020, the financial markets were characterised by negative returns on equities as well as on fixed income investments. Looking overall at our funds, 50% of investment products generated above-benchmark returns in the first quarter of 2020, against 53% in the first quarter of 2019. On a 3-year horizon, 66% of all investment products generated above-benchmark results.

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

	2020	3-year
All funds	50%	66%
Equity funds	62%	54%
Fixed-income funds	49%	85%
Balanced funds etc.	25%	38%
Hedge funds	22%	80%

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

Customers with *Danica Balance Mix* achieved returns on investments of a negative 6.8% for low-risk profiles with 0 years to retirement and a negative 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 a negative 15.0%.

Q1 2020 vs Q4 2019

In the first quarter of 2020, profit before tax decreased DKK 0.6 billion to DKK 0.2 billion, due primarily to the deterioration of conditions on the financial markets.

Total income decreased 38% to DKK 1.0 billion.

Net fee income decreased due to lower performance fees from Asset Management and lower Assets under Management, and net trading income decreased due to a lower investment return in the health and accident business.

Operating expenses were on the same level as in the fourth quarter of 2019.

Northern Ireland

At DKK 49 million, profit before tax fell substantially, driven by provisions for potential future loan impairments made as a result of the coronavirus pandemic. Profit before loan impairment charges was up 1% from the level in the same period last year as lending in local currency grew.

Northern Ireland (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Net interest income	375	386	97	391	96	1,524
Net fee income	83	96	86	89	93	363
Net trading income	52	30	173	-3	-	110
Other income	4	3	133	3	133	14
Total income	515	515	100	480	107	2,011
Operating expenses	300	302	99	344	87	1,216
Profit before loan impairment charges	215	213	101	136	158	794
Loan impairment charges	165	-14	-	-5	-	5
Profit before tax	**49**	**227**	**22**	**141**	**35**	**789**
Loans, excluding reverse transactions before impairments	51,218	52,615	97	54,287	94	54,287
Allowance account, loans	819	755	108	696	118	696
Deposits, excluding repo deposits	70,075	65,487	107	70,943	99	70,943
Allowance account, guarantees	46	37	124	34	135	34
Allocated capital (average)*	6,512	6,565	99	6,341	103	6,425
Net interest income as % p.a. of loans and deposits	1.19	1.30		1.24		1.26
Profit before tax as % p.a. of allocated capital (avg.)	3.0	13.8		8.9		12.3
Cost/income ratio (%)	58.3	58.6		71.7		60.5
Full-time-equivalent staff	1,334	1,356	98	1,285	104	1,285

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

Q1 2020 vs Q1 2019

Towards the end of the quarter, the coronavirus disruption began, and we mobilised and reacted at pace to help customers. Measures for business customers included quick adoption and roll out of the UK government-backed Coronavirus Business Interruption Loan Scheme, and the delaying of Asset Finance repayments for up to six months.

Measures for personal customers included the cancellation of interest payments on all existing overdrafts for three months, allowing mortgage and personal loan payment holidays for three months, and keeping all branches open.

Financial results

Profit before tax decreased 78% to DKK 49 million for the first quarter of 2020. This included an increase in loan impairments given the impact of the coronavirus pandemic on the Northern Ireland economy and customers.

Profit before loan impairment charges grew 1% to DKK 215 million.

Total income amounted to DKK 515 million and was maintained flat despite UK interest rate cuts and reduced customer activity in the latter part of the quarter. Both net interest and net fee income were negatively affected by the coronavirus pandemic. However, this effect was offset in the quarter by higher trading income, reflecting mark-to-market valuation increases in respect of hedging in place to mitigate interest rate risk.

At DKK 300 million, operating expenses were at around the same level as in the same period last year. This was due to continued efficiency improvements being partially offset by ongoing investments in improving customer solutions and additional costs incurred to support customers and colleagues in the current environment.

Q1 2020 vs Q1 2019 in local currency

Profitability also fell in local currency, driven by higher impairment charges, with both income and costs reduced. Income was lower, reflecting the impact of the coronavirus pandemic, although lending and deposits increased 1% and 8%, respectively.

Credit quality

The economic outlook for 2020 remains challenging and this is reflected in higher loan impairments given the expectation that a greater number of customers will experience financial difficulties. Hence, while there has been no material deterioration to date in credit quality at customer level as a result of the pandemic, forward-looking macroeconomic scenarios under IFRS9 have been revised to reflect the worsening outlook, and that is the primary driver of the loan impairment charge in the first quarter of 2020.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2020	31 Dec. 2019	31 Mar. 2020
Retail customers	26,104	26,812	1.87%
Public institutions	22,449	19,934	0.03%
Financial customers	617	459	4.42%
Commercial customers	29,256	31,332	1.02%
Total	**78,426**	**78,537**	**1.22%**

Q1 2020 vs Q4 2019

Profitability movement in the quarter was dominated by additional loan impairment provisions. The income uplift reflects higher trading income and the fact that costs were significantly lower than in the fourth quarter of 2019.

Non-core

Profit before tax for the first quarter of 2020 was a negative DKK 254 million, against a negative DKK 288 million in the first quarter of 2019. Total lending stood at DKK 6.7 billion at the end of March 2020, against DKK 15.4 million at the end of March 2019. The winding-up of the Non-core portfolios is proceeding according to plan.

Non-core (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Total income	-35	66	-	-224	-	-61
Operating expenses	126	93	135	126	100	219
Profit before loan impairment charges	-161	-27	-	-350	-	-280
Loan impairment charges	93	261	36	-106	-	213
Profit before tax	-254	**-288**	-	**-244**	-	**-493**
Loans, excluding reverse transactions before impairments	6,732	15,388	44	7,456	90	7,456
Allowance account, loans	954	722	132	842	113	842
Deposits, excluding repo deposits	1,542	3,734	41	1,668	92	1,668
Allowance account, guarantees	19	32	59	19	100	19
Allocated capital (average)	1,850	2,602	71	2,123	87	2,379
Net interest income as % p.a. of loans and deposits	0.86	1.33		1.05		1.27
Profit before tax as % p.a. of allocated capital (avg.)	-54.9	-44.3		-46.0		-20.7
Cost/income ratio (%)	-360.0	140.9		-56.3		-359.0
Full-time-equivalent staff	83	326	25	159	52	159

Loan impairment charges (DKK millions)						
Non-core banking*	13	273	5	-205	-	19
Non-core conduits etc.	80	-13	-	99	81	194
Total	93	**261**	**36**	**-106**	-	**213**

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

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

Q1 2020 vs Q1 2019

The Non-core unit posted a loss before tax of DKK 254 million, against a loss before tax of DKK 288 million in the first quarter of 2019.

Operating expenses amounted to DKK 126 million, an increase of DKK 33 million from the level in the first quarter of 2019 due to losses related to the final exit from Estonia.

Net credit exposure totalled DKK 8.8 billion, against DKK 10.4 billion at the end of 2019.

Total lending amounted to DKK 6.7 billion, against DKK 7.5 billion at the end of 2019. Lending consisted mainly of exposure to commercial customers and public institutions in the Baltics, as well as conduits.

In addition to the exit from banking activities in Estonia and Russia at the end of 2019, the Group had also exited from all banking activities in Latvia by the end of the first quarter of 2020. In December 2019 and January 2020, the Group entered into agreements to sell its personal customer loan portfolios in Latvia and Lithuania. The sale of the Latvian portfolio was settled in the first quarter of 2020. The sale of the Lithuanian portfolio is expected to be settled in the second quarter of 2020. Subsequently, the Lithuanian branch will hold only a portfolio of commercial loans, which will mature according to contractual terms.

The Non-core conduits portfolio amounted to DKK 3.0 billion, against DKK 3.7 billion at the end of 2019. The portfolio consists mainly of liquidity facilities for conduits.

	Net credit exposure		Expected credit loss	
(DKK millions)	31 Mar. 2020	31 Dec. 2019	31 Mar. 2020	31 Dec. 2019
Non-core banking	5,746	6,653	259	222
-of which personal customers	864	983	20	21
-of which commercial customers	3,292	3,696	239	201
-of which public institutions	1,590	1,974	-	-
Non-core conduits etc.	3,037	3,749	732	640
Total	**8,784**	**10,402**	**992**	**862**

Total impairments amounted to DKK 93 million, against DKK 261 million in the first quarter of 2019. Loan impairments in the first quarter of 2020 related primarily to a single-name exposure in a legacy portfolio, while the first quarter of 2019 was adversely affected by a negative value adjustment.

Q1 2020 vs Q4 2019

Profit before tax amounted to a negative DKK 254 million, against a negative DKK 244 million in the fourth quarter of 2019. The increase in the loss before tax in the first quarter of 2020 was due mainly to higher loan impairments, as impairments went from a net reversal to a net charge.

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 2020	Q1 2019	Index 20/19	Q4 2019	Index Q1/Q4	Full year 2019
Net interest income	93	-52	-	18	-	-5
Net fee income	-60	-53	-	-57	-	-227
Net trading income	81	123	66	993	8	1,421
Other income	-12	-49	-	127	-	217
Total income	102	-31	-	1,081	9	1,407
Operating expenses	640	244	262	1,521	42	2,903
Profit before loan impairment charges	-538	-275	196	-439	-	-1,497
Loan impairment charges	7	-5	-	-1	-	-5
Profit before tax	**-545**	**-270**	**-**	**-438**	**-**	**-1,491**

Profit before tax (DKK millions)						
Group Treasury	-310	-33	-	836	-	825
Own shares and issues	221	-13	-	-51	-	59
Additional tier 1 capital	195	194	101	197	99	785
Group support functions	-651	-418	156	-1.421	46	-3.160
Total Other Activities	-545	**-270**	202	**-438**	**124**	**-1.491**

Q1 2020 vs Q1 2019

Other Activities posted a loss before tax of DKK 545 million in the first quarter of 2020, against a loss before tax of DKK 270 million in the first quarter of 2019.

Net interest income amounted to DKK 93 million, against a negative DKK 52 million in the first quarter of 2019. Income related to the structural FX hedge of Danske Bank's CET 1 capital, which was implemented in the second quarter of 2019, and internal funding optimisation contributed to the increase. The hedge is dedicated to REA allocation at the three most significant branches in terms of balance-sheet currencies, namely EUR, NOK and SEK.

Net trading income amounted to DKK 81 million, against DKK 123 million in the first quarter of 2019. The decrease was due mainly to negative value adjustments of interest rate hedges and bond portfolios held at fair value.

Operating expenses amounted to DKK 640 million, against DKK 244 million in the first quarter of 2019. The increase in the first quarter of 2020 was the result primarily of higher costs for the Estonia case.

Q1 2020 vs Q4 2019

Other Activities posted a loss before tax of DKK 545 million, against a loss before tax of DKK 438 million in the fourth quarter of 2019.

Net interest income amounted to DKK 93 million, against DKK 18 million in the fourth quarter of 2019, driven partly by differences between accrued and allocated funding costs at the Internal Bank.

Net trading income amounted to DKK 81 million, against DKK 993 million in the fourth quarter of 2019. The fourth quarter of 2019 benefited primarily from the sale of the shareholding in LR Realkredit A/S and positive market value adjustments of the private equity portfolio.

Operating expenses amounted to DKK 640 million, against DKK 1,521 million in the fourth quarter of 2019. The decrease was due to lower costs relating to the Estonia case in the first quarter of 2020. Further, the fourth quarter of 2019 was negatively affected by a provision for operational risk-related losses.

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. Note G3 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 proposed dividend in the Annual report and paid to shareholders the subsequent year. Accordingly, for 2018, it is the dividend paid in 2019.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the nominator, net profit for Q1 2020 is reduced by interest expenses of DKK 195 million (full-year 2019: DKK 786 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 14,433 million (2019: 17,744 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 divided by the daily average of the sum of loans and deposits. If the ratio was calculated applying the sum of loans and deposits end of period, the ratio for 2020 would be 0.79% (full-year 2019: 0.79%) with to the daily average of the sum of loans and deposits being DKK 5.4 billion higher than calculating the ratio by applying the end of period sum of loans and deposits. The purpose of the ratio 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 4,251 million (full-year 2019: DKK 1,516 million) from the financial highlights. The denominator is the sum of Loans at amortised cost of DKK 1,022.3 billion, Loans at fair value of DKK 802.6 billion and guarantees of DKK 68.7 billion at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of net credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The nominator is the allowance account of DKK 24.1 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 992.6 billion, Loans at fair value of DKK 791.3 billion, and guarantees of DKK 68.5 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.
Realkredit Danmark bonds funding loans	On page 10, information is provided on the funding of lending by deposits and covered bonds. The 'Bonds issued by Realkredit Danmark' line item equals the carrying amount in the balance sheet, that is, issued bonds held by the Group's external investors. The 'Total Realkredit Danmark bonds' line item equals loans funded by Realkredit Danmark bonds. The 'Own holdings of bonds' line item is a residual item that includes the net amount of the elimination of own holdings less issued bonds backed by collateral other than mortgage loans, such as securities.

Market shares

Market shares are based on data from central banks at the time of reporting. Comparative information is updated on the basis of the latest available data, for example Annual Report 2019 included November 2019 data for Finland, Sweden and Norway as December 2019 data was not available at the time of publication of Annual Report 2019. Subsequently, in Interim report – first quarter 2020, the comparative data for market shares in Finland, Sweden and Norway was updated with December 2019 data.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	Q1 2020	Q1 2019	Full year 2019
G4	Interest income calculated using the effective interest method	6,258	6,919	24,754
G4	Other interest income	12,079	11,240	45,065
G4	Interest expense	12,070	11,234	41,927
	Net interest income	6,267	6,926	27,892
G4	Fee income	4,229	4,131	16,437
G4	Fee expenses	1,460	1,764	6,079
	Net trading income or loss	-22,860	23,585	34,533
	Gain or loss on sale of disposal groups	-	-	1,879
	Income from holdings in associates	-25	162	386
G4	Other income	1,421	703	4,857
	Net premiums	7,998	6,568	26,316
	Net insurance benefits	-14,906	28,792	58,106
	Operating expenses	7,795	6,890	30,960
	Impairment charges on goodwill	-	-	1,603
	Profit before loan impairment charges	2,681	4,630	15,551
G5	Loan impairment charges	4,344	618	1,729
	Profit before tax	-1,663	4,012	13,822
	Tax	-374	1,024	-1,249
	Net profit	**-1,289**	**2,988**	**15,072**
	Portion attributable to			
	Shareholders of Danske Bank A/S (the Parent Company)	-1,484	2,794	14,285
	Additional Tier 1 capital holders	195	194	786
	Net profit	**-1,289**	**2,988**	**15,072**
	Earnings per share (DKK)	-1.7	3.3	16.7
	Diluted earnings per share (DKK)	-1.7	3.3	16.7
	Proposed dividend per share (DKK)*	-	-	8.5

*As announced on 20 April 2020 the Board of Directors has decided to propose to the general meeting that no dividends be paid for 2019.

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1 2020	Q1 2019	Full year 2019
Net profit	-1,289	2,988	15,072
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit pension plans	184	-4	228
Tax	-90	17	-21
Items that will not be reclassified to profit or loss	**94**	**13**	**207**
Items that are or may be reclassified subsequently to profit or loss			
Translation of units outside Denmark	-5,699	426	692
Hedging of units outside Denmark	3,313	-658	-324
Reclassified to the income statement on disposal of units outside Denmark	-	-	5
Unrealised value adjustments of bonds at fair value (OCI)	-400	120	9
Realised value adjustments of bonds at fair value (OCI)	-11	-18	3
Tax	403	120	47
Items that are or may be reclassified subsequently to profit or loss	**-2,395**	**-10**	**432**
Total other comprehensive income	**-2,300**	**3**	**639**
Total comprehensive income	**-3,590**	**2,992**	**15,711**
Portion attributable to			
Shareholders of Danske Bank A/S (the Parent Company)	-3,784	2,798	14,925
Additional Tier 1 capital holders	195	194	786
Total comprehensive income	**-3,590**	**2,992**	**15,711**

Balance sheet – Danske Bank Group

Note	(DKK millions)	31 March 2020	31 December 2019	31 March 2019
	Assets			
	Cash in hand and demand deposits with central banks	127,708	99,035	47,593
	Due from credit institutions and central banks	140,530	105,674	231,503
	Trading portfolio assets	706,546	495,321	468,444
	Investment securities	292,797	284,873	264,909
	Loans at amortised cost	997,490	1,028,011	1,004,334
G6	Loans at fair value	1,084,623	1,122,048	1,059,489
	Assets under pooled schemes and unit-linked investment contracts	99,908	111,089	92,952
	Assets under insurance contracts	496,792	463,816	424,824
G9	Assets held for sale	1,372	1,352	69,053
	Intangible assets	9,097	9,165	11,150
	Tax assets	5,111	2,987	3,695
G10	Other assets	45,717	37,679	36,966
	Total assets	**4,007,691**	**3,761,050**	**3,714,914**
	Liabilities			
G7	Due to credit institutions and central banks	274,462	155,246	226,145
	Trading portfolio liabilities	603,017	452,202	423,359
G7	Deposits	1,127,523	1,140,726	1,084,157
G8	Issued bonds at fair value	767,172	802,501	765,284
G8	Issued bonds at amortised cost	247,757	256,355	290,490
	Deposits under pooled schemes and unit-linked investment contracts	100,378	111,537	98,448
	Liabilities under insurance contracts	534,025	504,714	458,521
G9	Liabilities in disposal groups held for sale	89	110	64,987
	Tax liabilities	2,179	2,172	8,068
G10	Other liabilities	53,396	46,191	44,781
G8	Non-preferred senior bonds	98,709	87,054	63,206
G8	Subordinated debt	31,968	31,733	28,891
	Total liabilities	**3,840,676**	**3,590,541**	**3,556,337**
	Equity			
	Share capital	8,622	8,622	8,960
G11	Foreign currency translation reserve	-2,758	-372	-976
	Reserve for bonds at fair value (OCI)	-309	102	192
	Retained earnings	147,032	140,590	135,981
	Proposed dividends*	-	7,329	-
	Shareholders of Danske Bank A/S (the Parent Company)	152,587	156,271	144,156
G8	Additional tier 1 capital holders	14,428	14,237	14,421
	Total equity	**167,015**	**170,508**	**158,577**
	Total liabilities and equity	**4,007,691**	**3,761,050**	**3,714,914**

*As announced on 20 April 2020, the Board of Directors has decided to propose to the general meeting that no dividends be paid for 2019.

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 2019	8,622	-372	102	140,590	7,329	156,271	14,237	170,508
Net profit	-	-	-	-1,484	-	-1,484	195	-1,289
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	184	-	184	-	184
Translation of units outside Denmark	-	-5,699	-	-	-	-5,699	-	-5,699
Hedging of units outside Denmark	-	3,313	-	-	-	3,313	-	3,313
Unrealised value adjustments	-	-	-400	-	-	-400	-	-400
Realised value adjustments	-	-	-11	-	-	-11	-	-11
Tax	-	-	-	313	-	313	-	313
Total other comprehensive income	**-**	**-2,386**	**-411**	**497**	**-**	**-2,300**	**-**	**-2,300**
Total comprehensive income	**-**	**-2,386**	**-411**	**-987**	**-**	**-3,784**	**195**	**-3,590**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-33	-33
Proposed dividends reversed*	-	-	-	7,329	-7,329	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-10,225	-	-10,225	29	-10,196
Sale of own shares and additional tier 1 capital	-	-	-	10,291	-	10,291	-	10,291
Tax	-	-	-	34	-	34	-	34
Total equity as at 31 March 2020	**8,622**	**-2,758**	**-309**	**147,032**	**-**	**152,587**	**14,428**	**167,015**

*As announced on 20 April 2020, the Board of Directors has decided to propose to the general meeting that no dividends be paid for 2019. The previously proposed dividends have been reversed to Retained earnings in 2020.

**Non-controlling interests amounted to DKK 1 million (31 March 2019: DKK 0 million) and are presented under 'Additional tier 1 capital' as other holders of equity than shareholders of the parent company.

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 2019	8,960	-745	90	132,768	7,616	146,688	14,299	162,988
Net profit	-	-	-	2,794	-	2,794	194	2,988
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-4	-	-4	-	-4
Translation of units outside Denmark	-	426	-	-	-	426	-	426
Hedging of units outside Denmark	-	-658	-	-	-	-658	-	-658
Unrealised value adjustments	-	-	120	-	-	120	-	120
Realised value adjustments	-	-	-18	-	-	-18	-	-18
Tax	-	-	-	137	-	137	-	137
Total other comprehensive income	**-**	**-231**	**102**	**133**	**-**	**3**	**-**	**3**
Total comprehensive income	**-**	**-231**	**102**	**2,927**	**-**	**2,798**	**194**	**2,992**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-36	-36
Dividends paid	-	-	-	366	-7,616	-7,250	-	-7,250
Acquisition of own shares and additional tier 1 capital	-	-	-	-1,958	-	-1,958	-36	-1,994
Sale of own shares and additional tier 1 capital	-	-	-	1,830	-	1,830	-	1,830
Tax	-	-	-	47	-	47	-	47
Total equity as at 31 March 2019	**8,960**	**-976**	**192**	**135,981**	**-**	**144,156**	**14,421**	**158,577**

Statement of capital – Danske Bank Group

(DKK millions)	31 March 2020	31 December 2019
Share capital (DKK)	8,621,846,210	8,621,846,210
Number of shares	862,184,621	862,184,621
Number of shares outstanding	853,550,107	853,704,915
Average number of shares outstanding for the period	856,773,260	854,354,479
Average number of shares outstanding, including dilutive shares, for the period	856,956,193	854,911,769

Total capital and total capital ratio

(DKK millions)	31 March 2020	31 December 2019
Total equity	167,015	170,508
Revaluation of domicile property at fair value	264	265
Tax effect of revaluation of domicile property at fair value	-31	-31
Total equity calculated in accordance with the rules of the Danish FSA	167,247	170,741
Additional tier 1 capital instruments included in total equity	-14,099	-14,070
Accrued interest on additional tier 1 capital instruments	-329	-167
Tax on accrued interest on additional tier 1 capital instruments	72	37
Common equity tier 1 capital instruments	152,892	156,541
Adjustment to eligible capital instruments	-231	-344
IFRS 9 reversal due to transitional rules	1,771	1,325
Prudent valuation	-1,120	-926
Prudential filters	-245	-178
Proposed dividends*	-	-7,329
Intangible assets of banking operations	-6,315	-6,339
Deferred tax on intangible assets	411	487
Deferred tax assets that rely on future profitability, excluding temporary differences	-12	-12
Defined benefit pension plan assets	-2,203	-1,925
Statutory deduction for insurance subsidiaries	-8,507	-8,439
Other statutory deductions	-	-197
Common equity tier 1 capital	**136,441**	**132,664**
Additional tier 1 capital instruments	18,574	23,944
Tier 1 capital	**155,015**	**156,608**
Tier 2 capital instruments	17,593	17,598
Total capital	**172,608**	**174,206**
Total risk exposure amount	**773,306**	**767,177**
Common equity tier 1 capital ratio (%)	17.6	17.3
Tier 1 capital ratio (%)	20.0	20.4
Total capital ratio (%)	22.3	22.7

*As announced on 20 April 2020, the Board of Directors has decided to propose to the general meeting that no dividends be paid for 2019. The previously proposed dividends have been added back to common equity tier 1 capital in 2020.

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

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

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

Cash flow statement – Danske Bank Group

(DKK millions)	Q1 2020	Q1 2019	2019
Cash flow from operations			
Profit before tax	-1,663	4,012	13,822
Tax paid	-1,795	-2,230	-5,245
Adjustment for non-cash operating items	5,601	2,805	10,369
Total	2,143	4,587	18,946
Changes in operating capital			
Amounts due to/from credit institutions and central banks	121,923	-22,369	-96,693
Trading portfolio	-60,410	-19,493	-17,527
Acquisition/sale of own shares and additional tier 1 capital	95	-163	-278
Investment securities	-7,924	22,809	-8,449
Loans at amortised cost and fair value	63,602	-20,862	-108,208
Deposits	-13,202	25,037	81,606
Issued bonds at amortised cost and fair value	-42,309	12,314	14,533
Assets/liabilities under insurance contracts	-3,666	-6,213	988
Other assets/liabilities	-819	-17,729	-11,690
Cash flow from operations	**59,433**	**-22,082**	**-126,772**
Cash flow from investing activities			
Acquisition/sale of businesses	-	-	1,683
Acquisition of intangible assets	-188	-161	-878
Acquisition of tangible assets	-105	-75	-666
Sale of tangible assets	5	1	12
Cash flow from investing activities	**-288**	**-235**	**151**
Cash flow from financing activities			
Issue of subordinated debt	-	5,550	11,791
Redemption of subordinated debt	-	-	-3,467
Issue of non-preferred senior bonds	10,037	35,096	59,808
Dividends paid	-	-7,250	-7,239
Paid interest on additional tier 1 capital	-33	-36	-787
Principal portion of lessee lease payments	-181	-181	-729
Cash flow from financing activities	**9,823**	**33,179**	**59,377**
Cash and cash equivalents as at 1 January	199,608	264,836	264,836
Foreign currency translation	-2,730	1,724	2,016
Change in cash and cash equivalents	68,968	10,862	-67,244
Cash and cash equivalents, end of period	**265,847**	**277,422**	**199,608**
Cash and cash equivalents, end of period			
Cash in hand	5,128	7,808	6,235
Demand deposits with central banks	122,580	39,785	92,800
Amounts due from credit institutions and central banks within three months	138,139	229,829	100,574
Total	**265,847**	**277,422**	**199,608**

Notes – Danske Bank Group

G1. 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 2019 approved by the Board of Directors and published the 5 February 2020. The Annual Report 2019 has not yet been approved by the General Meeting, as the meeting originally scheduled for 17 March 2020, has been postponed due to uncertainty about whether the meeting could be held in accordance with the health and safety guidelines issued by the Danish authorities. As announced on 20 April 2020 and in light of the economic situation caused by the coronavirus (COVID-19) pandemic, the Board of Directors has decided to propose to the general meeting that no dividends be paid for 2019.

On 1 January 2020, the Group implemented the amendments to IAS 1 and IAS 8 (definition of material) IFRS 3, Business Combinations (definition of a business) and amendments to references to the Conceptual Framework in IFRS Standards. The implementation of the amendments had no impact on the Group's financial statements.

Further information on the changes to accounting policies in 2020 can be found in note G2(a). Except for these changes, the Group has not changed its significant accounting policies from those applied in the Annual Report 2019. Annual Report 2019 provides a full description of the significant accounting policies.

For changes in the Group's financial highlights and segment reporting, see note G2(b).

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 and judgements

The preparation of financial information requires, in some cases, the use of judgements and estimates by management. This includes judgements made when applying accounting policies. The most significant judgements made when applying accounting policies relate to the classification of financial assets and financial liabilities under IFRS 9, especially related to the business model assessment and the SPPI test (further explained in note G15 of the Annual Report 2019), and the designation of financial liabilities at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (further explained in note G16 of the Annual Report 2019). An overview of the classification and measurement basis for financial instruments can be found in note G1(c) of the Annual report 2019.

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

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

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). In determining the impairment for expected credit losses, management exercises judgement and uses estimates and assumptions as explained below.

The expected credit loss is calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and incorporates forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Due to the COVID-19 pandemic, the scenarios used in Q1 2020 were changed to reflect the worsening of the macroeconomic outlook, see further in the separate section below. Thus, scenarios were adjusted so the expected credit losses are now based on a base case scenario that reflects a significant decline in economic activity in 2020 followed by a recovery in 2021 supported by government support packages. A further severe recession scenario is introduced as the downside scenario with a likelihood of 25%, to reflect the risk that government support packages will prove insufficient to sustain the recovery.

With the new suite of scenarios, the base case scenario enters with a probability of 65% (31 December 2019: 60%), the upside scenario with a probability of 10% (31 December 2019: 10%) and the downside scenario with a probability of 25% (31 December 2019: 30%). On the basis of these assessments, the allowance account as at 31 March 2020 amounted to DKK 25.1 billion (31 December 2019: DKK 21.3 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.6 billion (31 December 2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 7.3 billion (31 December 2019: DKK 2.4 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 2.4 billion (31 December 2019: DKK 0.5 billion) compared to the base case scenario. However, note that the applied scenarios differ from the scenarios used at 31 December 2019, and the changes in sensitivities from end of 2019 to end of the first quarter 2020 are therefore not directly comparable. Further, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit loss (ECL) forecasts.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

In determining the expected credit losses, management is required to exercise judgement in defining what is considered a significant increase in credit risk. According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, facilities with an initial PD below 1% are transferred to stage 2 if the facility's 12-month PD has increased by at least 0.5 of a percentage point and the facility's lifetime PD has doubled since origination. The allowance account is relatively stable in terms of changes to the definition of significant increase in credit risk. At 31 March 2020, the allowance account would increase by DKK 0.03 billion (31 December 2019: DKK 0.03 billion), if instead an increase in the facility's 12-month PD by at least 0.25 of a percentage point combined with a doubling of the lifetime PD was considered a significant increase in credit risk.

Management applies judgement when determining the need for post-model adjustments. As at 31 March 2020, the post-model adjustments amounted to DKK 4.0 billion (31 December 2019: DKK 4.0 billion). Around half of the adjustments relate to high-risk industries such as agriculture and oil and gas within the Group's shipping, oil and 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. Such adjustments are also introduced in Q1 2020 to capture the immediate effects on industries most clearly affected by the COVID-19 pandemic, see further in the separate section below. 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. Excluding the post-model adjustment related to the COVID-19 pandemic, the post-model adjustments decreased from 31 December 2019 to 31 March 2020 as part of the post-model adjustments at 31 December 2019 are now covered through the scenarios used at 31 March 2020 to reflect the worsening of the macroeconomic outlooks in Q1 2020.

Loan impairment charges for the period ended 31 March 2020 amounted to DKK 4,344 million (31 March 2019: DKK 618 million). The increase was driven mainly by the impact from the COVID-19 pandemic.

Accounting treatment of the impacts from the COVID-19 pandemic

The effect of the COVID-19 pandemic began to affect the Group's credit portfolio in the first quarter of 2020. Based on the measures taken by governments across the world and in the Group's market areas to contain the virus, economies are seeing lower activity in the short-term. This will impact the credit quality of the Group's credit exposure. Due to the forward-looking elements of the IFRS 9 impairment model, this affects the Group's accounting approach already in the first quarter.

For most of the Group's credit portfolio, the negative impacts on individual specific customers from the COVID-19 pandemic is expected to materialise over the coming quarters. However, customer assessments have been ongoing throughout the quarter and impairments have been revisited in light of the changed outlooks. While customer activity in the first quarter was higher than usual, most customers are still assessing the consequences and the financial consequences will not be clear in the short term. Therefore, most of the disclosures on the credit portfolio in the risk management notes do not yet capture the full impact of the COVID-19 pandemic. This applies particularly for the disclosures on rating categories and PDs and for the assessment of the transfer of exposures from stage 1 to stage 2 and 3.

The Group's forbearance practices have been updated to pay particular attention to customers affected by the COVID-19 pandemic. This includes additional guidance to ensure that COVID-19 concessions are considered forbearance only if they relate to customers that are not deemed creditworthy combined with the customer's long-term financial position being further weakened by the outbreak. For the majority of the credit portfolio, short-term concessions to otherwise creditworthy customers are not considered forbearance. In practice, this means that concessions to customers in rating categories 1 to 5 during the first quarter of 2020 are not considered a forbearance measure. This is in line with the EBA definition of forbearance, which requires that customers must be in financial difficulties, but regulatory guidance has shown a further need to emphasise this given the increased volume of concessions expected to be made due to the COVID-19 pandemic.

A large part of the impact on the expected credit losses resulting from the COVID-19 pandemic relates to changes to the forward-looking information. The macroeconomic scenarios applied have been changed from those applied in Q4 2019. The Group's base case scenario reflects a downturn in 2020 followed by a recovery in 2021 as the Group sees a significant mitigating effect from the unprecedented financial support packages being introduced by governments across the Group's market areas. In Q4 2019, the downside scenario showed the same expected macroeconomic development as the base case scenario in Q1 2020. As a result, a further recession scenario was introduced as the new downside scenario in Q1 2020. This scenario is aligned with the severe recession scenarios applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The base case scenario is considered the most likely scenario with a likelihood of 65% while the downside scenario is attached a likelihood of 25%. Further information on the macroeconomic scenarios can be found in the risk management notes.

For some directly affected industries, management has judged it appropriate to recognise further post-model adjustments. This relates to industries for which the macroeconomic scenarios themselves do not lead to a sufficient increase in expected credit losses. The Group has limited exposure to most of the industries that are highly affected by the COVID-19 pandemic, including retailing, hotels and restaurants (within the Hotels, Restaurants and Leisure industry) as well as oil and gas (within the Shipping, Oil and Gas industry), and the models may therefore not adequately capture a severe downturn to the extent currently experienced. A targeted adjustment related to such sectors of DKK 0.5 billion, has been introduced in addition to the impact from the scenario changes.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Except as described above, all other policies and principles remain in place. Staging criteria are unchanged, including the 30 days past due criteria and PD-based criteria for transfer to stage 2. Staging transfers will largely be reflected in the coming months as specific information on customers becomes available.

Note G15 of the Annual Report 2019 and the risk management notes provide more details on expected credit losses. As at 31 March 2020, financial assets covered by the expected credit loss model accounted for approximately 54% of total assets (31 December 2019: 57%).

Fair value measurement of financial instruments

Due to the COVID-19 pandemic, the financial markets were very volatile during March 2020 and some segments have been stressed and illiquid. As liquidity returned to most market segments by the end of March, it did not result in unusual challenges to obtain reliable pricing apart from insignificant parts of the portfolio. The majority of valuation techniques continues to employ only observable market data and there have been no significant increase in financial instruments measured on the basis of valuation techniques that are based on one or more significant unobservable inputs. The latter continues to include only unlisted shares, certain bonds and some long-dated derivatives for which there is no active market. Further information can be found in note G14. On the derivatives portfolio, the Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) 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 31 March 2020, the adjustments totalled DKK 2.7 billion (31 December 2019: DKK 1.5 billion), including the adjustment for credit risk on derivatives that are credit impaired. The increase is driven by increased credit spreads and funding spreads. Note G33(a) of the Annual Report 2019 provides more details on the fair value measurement of financial instruments.

The Group uses derivatives to hedge the fixed interest rate on some financial assets and liabilities, thus converting the fixed interest rates on the financial instruments to variable interest rates by the use of swaps. The ongoing Interest Rate Benchmark Reform 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 of different IBORs and whether some existing benchmarks will continue to be supported. 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. In 2019, the Group early adopted the amendments to IFRS 9, IAS 39 and IFRS 7 included in IASB's project 'Interest Rate Benchmark Reform' and for the assessment of effectiveness of such hedges it is assumed that the interest rate benchmark is not altered as a result of the reform. For further information, see note G12(d) of the Annual Report 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 present value of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. In connection with the quarterly reporting, management performs an impairment review to assess whether there are indications that goodwill might be impaired. This includes a review of declines in income, increase in loan impairment charges, declines in the market value of assets under management, major restructurings, macroeconomic developments etc. In the fourth quarter of 2019, a total impairment charge of DKK 1.6 billion was recognised on goodwill in FI&C and Capital Markets at Corporates & Institutions and in Danica Pension at Wealth Management leaving no excess value for those units.

The goodwill in FI&C and Capital Markets of DKK 2.1 billion (31 December 2019: DKK 2.1 billion) is highly sensitive to changes in allocated capital, growth in the terminal period and the discount rate. The goodwill in Danica Pension of DKK 1.6 billion (31 December 2019: DKK 1.6 billion) is highly sensitive to changes in solvency capital requirements, growth in the terminal period and the discount rate. The review of indications of impairment in the first quarter of 2020 was performed as an update of the 2019 test, taking into account the expected decline in income in 2020 and impact on solvency capital requirements in Danica Pension caused by the COVID-19 pandemic as well as management actions and other known changes since the test in the fourth quarter of 2019. No indications of impairment were noted.

The remaining goodwill mainly consists of DKK 1.8 billion (31 December 2019: DKK 1.8 billion) in Danske Capital at Wealth Management and DKK 0.5 billion (31 December 2019: DKK 0.5 billion) in General Banking at Corporates & Institutions, both showing significant amounts of excess value in the impairment test in the fourth quarter of 2019. Although the expected future cash flows of Danske Capital are negatively impacted by the expectation of lower fee income in 2020 triggered by a decline in asset under management and the expected future cash flows of General Banking are negatively impacted by the expectation of lower income and higher loan impairment charges in 2020 caused by the COVID-19 pandemic, no indications of impairment were noted.

Note G19 of the Annual Report 2019 provides more information about impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured at the present value of expected benefits for each insurance contract. The measurement is based on actuarial computations that rely on estimates of a number of variables, including mortality and disability rates, and on the discount rate. The future mortality rates are based on the Danish FSA's benchmark, while other variables are estimated based on data from the Group's own portfolio of insurance contracts. For some insurance contracts, the policyholders are guaranteed a certain long-term return on their funds. For such contracts, a collective bonus potential exists, and it consists of the accumulated excess return on the assets earmarked for policyholders not yet allocated to the individual contracts. The collective bonus potential is accounted for as an insurance liability and serves as a buffer to absorb future insufficient returns on the assets. The negative return on assets during the first quarter of 2020 following the outbreak of the COVID-19 pandemic decreased the collective bonus potential from DKK 13.9 billion at 31 December 2019 to DKK 9.5 billion at 31 March 2020. Note G18 and the risk management notes of the Annual Report 2019 provide more information about the accounting for insurance liabilities and sensitivity to changes in assumptions.

Notes – Danske Bank Group

G2. Changes in accounting policies, financial highlights and segment reporting

(a) Changes in accounting policies

On 1 January 2020, the Group implemented amendments to IAS 1 and IAS 8 (definition of material), IFRS 3, Business Combinations (definition of a business) and amendments to references to the Conceptual Framework in IFRS Standards.

The amendments to IAS 1 and IAS 8 clarify the definition of material and aligns the definition of material used in the Conceptual Framework with that in the IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020.

The amendments to IFRS 3 clarifies the definition of a business, with the objective of assisting a preparer to determine whether a transaction should be accounted for as a business combination or as the acquisition of an assets. The clarifications are applicable for business combinations after 1 January 2020.

The implementation of the amendments had no impact on the Group's financial statements.

(b) Changes in financial highlights and segment reporting

From 1 January 2020, the presentation in the financial highlights and segment reporting has been changed to align the presentation within Wealth Management:

- In June 2018, Danica Pension acquired Danica Pensionsforsikring (formerly SEB Pension Danmark). Danica Pensionsforsikring merged into Danica Pension in 2019. The subsequent integration and conversion revealed some differences between the presentation of Danica Pensionsforsikring and Danica Pension in the financial highlights and segment reporting for Wealth Management. As of the first quarter of 2020, income from the hedge of assets under insurance contracts in Danica Pensionsforsikring has been reclassified from net fee income to net trading income in the financial highlights and segment reporting for Wealth Management to align with the presentation for Danica Pension. At the same time, the method for presentation of the value of hedges in Danica Pensionsforsikring has been aligned with the method in Danica Pension, which affects assets under management.
- In 2019, the business segmentation of Danica Pension was changed. The changes included a bundling of the health and accident insurance business with the life insurance business. Therefore, the risk result from health and accident insurance has been reclassified from other income to net fee income in the financial highlights and segment reporting for Wealth Management as of the first quarter of 2020 to align with the presentation for life insurance, which is presented as net fee income.

In addition, on 5 September 2019 the Group announced adjustments to its organisation. The adjusted organisation was implemented in the fourth quarter of 2019 with a restatement of comparative information. For further information, see note G3(a) of the Annual Report 2019.

The impact on each affected business unit and financial highlights for first quarter 2019 is shown in the table below. These changes do not affect the presentation in the IFRS income statement or balance sheet.

Notes – Danske Bank Group

G2. Changes in accounting policies, financial highlights and segment reporting continued

(DKK millions)	Financial Highlights Q1 2019	Adjustments to organisation: Banking DK	Banking Nordic	Wealth Management	Alignment of presentation, Wealth Management	Adjusted Financial Highlights
Net interest income	5,520	165	58	-223	-	5,520
Net fee income	3,869	222	66	-288	-299	3,569
Net trading income or loss	1,299	32	4	-36	287	1,586
Other income	115	-	-	-	12	127
Total income	10,802	420	128	-548	-	10,802
Operating expenses	6,145	246	97	-343	-	6,145
Goodwill impairment charges	-	-	-	-	-	-
Profit before loan impairment charges	4,657	174	31	-205	-	4,657
Loan impairment charges	357	-1	-2	3	-	357
Profit before tax, core	4,300	175	33	-208	-	4,300
Profit before tax, non-core	-288	-	-	-	-	-288
Profit before tax	**4,012**	**175**	**33**	**-208**	**-**	**4,012**
Loans, excluding reverse transactions	1,793,049	59,165	17,802	-76,967	-	1,793,049
Other assets	1,921,864	44,175	11,882	-56,057	-	1,921,864
Total assets	**3,714,914**	**103,340**	**29,684**	**-133,024**	**-**	**3,714,914**
Deposits, excluding repo transactions	909,354	49,996	20,737	-70,733	-	909,354
Other liabilities	2,805,560	53,344	8,947	-62,291	-	2,805,560
Allocated capital	144,156	3,019	824	-3,843	-	144,156
Total liabilities and equity	**3,714,914**	**103,340**	**29,684**	**-133,024**	**-**	**3,714,914**
Profit before tax as % of allocated capital (avg.)	10.9	0.5	-0.2	-0.7	-	10.9
Cost/income ratio (%)	59.8	0.8	1.8	-2.2	-	59.8
Assets under management (DKK billions)	1,642			-12		1,630

Notes – Danske Bank Group

G3. Business model and business segmentation

(a) Business model and business segmentation

Danske Bank is a Nordic bank with bridges to the rest of the world offering customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Group consists of a number of business units and support functions. The business units are segmented according to customers, products and services characteristics. The Group has five business units, a Non-core unit and an Other Activities unit, and these constitute the Group's reportable segments under IFRS 8.

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

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

Corporates & Institutions is the wholesale banking division of the Group. It serves all of the Group's corporate and institutional customers by offering expertise within financing, financial markets, general banking, investment services and corporate finance advisory services. In addition, the unit operates globally, supported by global product areas and local customer coverage, and acts as a bridge to the world for Nordic customers as well as a gateway into the Nordics for international customers. The unit bridges the financial needs of the institutional and corporate sectors, connecting issuers and investors. The unit is organised in four areas: a customer unit, named General Banking, and three product areas; named Capital Markets, Fixed Income & Currencies (FI&C) and Transaction Banking & Investor Services. In the first quarter of 2020, the business segmentation of FI&C and Capital Markets was changed, as Debt Capital Markets (DCM) was moved from Capital Markets to FI&C and Investment Solutions from FI&C to Capital Markets.

Wealth Management serves 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 and Asset Management.

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. In addition to the exit from banking activities in Estonia and Russia at the end of 2019, the Group had also exited from all banking activities in Latvia by the end of the first quarter of 2020.

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

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

G3. Business model and business segmentation continued

Business segments Q1 2020

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	2,203	1,999	893	-84	375	-	93	-1	5,479	788	6,267
Net fee income	1,179	477	772	1,222	83	-	-60	-	3,673	-905	2,768
Net trading income	329	67	-158	-81	52	-	-137	218	291	-23,150	-22,860
Other income	45	149	-	-23	4	-	112	-124	163	1,233	1,396
Net premiums	-	-	-	-	-	-	-	-	-	7,998	7,998
Net insurance benefits	-	-	-	-	-	-	-	-	-	-14,906	-14,906
Total income	3,756	2,692	1,507	1,034	515	-	8	93	9,606	870	10,476
Operating expenses	2,187	1,537	1,235	865	300	-	680	-40	6,764	1,031	7,795
Profit before loan impairment charges	1,569	1,155	272	169	215	-	-672	134	2,842	-161	2,681
Loan impairment charges	945	952	2,181	-	165	-	7	-	4,251	93	4,344
Profit before tax, core	624	203	-1,909	169	49	-	-679	134	-1,409	-254	-1,663
Profit before tax, Non-core	-	-	-	-	-	-254	-	-	-254	254	-
Profit before tax	**624**	**203**	**-1,909**	**169**	**49**	**-254**	**-679**	**134**	**-1,663**	**-**	**-1,663**
Loans, excluding reverse transactions	916,014	602,245	211,459	134	50,399	-	34,497	-32,903	1,781,846	4,878	1,786,724
Other assets	373,985	97,936	3,627,992	642,684	36,312	-	3,497,554	-6,056,786	2,219,677	1,290	2,220,967
Total assets in Non-core	-	-	-	-	-	6,168	-	-	6,168	-6,168	-
Total assets	**1,289,999**	**700,182**	**3,839,452**	**642,818**	**86,711**	**6,168**	**3,532,050**	**-6,089,688**	**4,007,691**	**-**	**4,007,691**
Deposits, excluding repo deposits	363,514	269,789	301,443	161	70,075	-	3,021	-12,754	995,249	1,542	996,791
Other liabilities	888,046	392,843	3,501,957	626,494	10,094	-	3,514,862	-6,076,934	2,857,362	950	2,858,312
Allocated capital	38,438	37,550	36,051	16,163	6,542	-	17,843	-	152,587	-	152,587
Total liabilities in Non-core	-	-	-	-	-	2,492	-	-	2,492	-2,492	-
Total liabilities and equity	**1,289,999**	**700,182**	**3,839,452**	**642,818**	**86,711**	**2,492**	**3,535,726**	**-6,089,688**	**4,007,691**	**-**	**4,007,691**
Profit before tax as % p.a. of allocated capital (avg.)	6.5	2.2	-22.1	4.2	3.0	-	-10.3	-	-4.3	-	-4.3
Cost/income ratio (%)	58.2	57.1	82.0	83.7	58.3	-	-	-	70.4	-	74.4
Full-time-equivalent staff, end of period	4,792	2,509	1,666	1,527	1,334	83	10,120	-	22,032	-	22,032

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Business segments Q1 2019

(DKK millions)	Banking DK[1]	Banking Nordic[1]	C&I	Wealth Man.[1]	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights[1]	Reclassi-fication[1]	IFRS financial statements
Net interest income	2,346	1,959	930	-48	386	-	-74	22	5,520	1,406	6,926
Net fee income	1,011	463	692	1,360	96	-	-53	-	3,569	-1,202	2,367
Net trading income	313	70	914	136	30	-	32	91	1,586	21,999	23,585
Other income	55	155	-	-37	3	-	-11	-37	127	739	865
Net premiums	-	-	-	-	-	-	-	-	-	6,568	6,568
Net insurance benefits	-	-	-	-	-	-	-	-	-	28,792	28,792
Total income	3,725	2,647	2,536	1,410	515	-	-106	75	10,802	718	11,520
Operating expenses	2,023	1,519	1,204	852	302	-	285	-41	6,145	745	6,890
Profit before loan impairment charges	1,702	1,128	1,332	558	213	-	-391	116	4,657	-27	4,630
Loan impairment charges	205	-49	221	-	-14	-	-5	-	357	261	618
Profit before tax, core	1,497	1,177	1,111	558	227	-	-385	116	4,300	-288	4,012
Profit before tax, Non-core	-	-	-	-	-	-288	-	-	-288	288	-
Profit before tax	**1,497**	**1,177**	**1,111**	**558**	**227**	**-288**	**-385**	**116**	**4,012**	**-**	**4,012**
Loans, excluding reverse transactions	929,984	622,431	192,875	161	51,860	-	26,630	-30,892	1,793,049	11,167	1,804,216
Other assets	336,448	58,257	2,900,920	618,057	30,513	-	3,027,235	-5,064,883	1,906,545	4,153	1,910,698
Total assets in Non-core	-	-	-	-	-	15,319	-	-	15,319	-15,319	-
Total assets	**1,266,432**	**680,688**	**3,093,795**	**618,218**	**82,372**	**15,319**	**3,053,865**	**-5,095,776**	**3,714,914**	**-**	**3,714,914**
Deposits, excluding repo deposits	335,816	252,488	264,260	141	65,487	-	3,611	-12,448	909,354	3,734	913,088
Other liabilities	893,808	393,830	2,797,894	604,002	10,303	-	3,039,298	-5,083,327	2,655,808	1,862	2,657,670
Allocated capital	36,809	34,370	31,640	14,076	6,583	-	20,679	-	144,156	-	144,156
Total liabilities in Non-core	-	-	-	-	-	5,596	-	-	5,596	-5,596	-
Total liabilities and equity	**1,266,432**	**680,688**	**3,093,795**	**618,218**	**82,372**	**5,596**	**3,063,588**	**-5,095,776**	**3,714,914**	**-**	**3,714,914**
Profit before tax as % p.a. of allocated capital (avg.)	16.4	13.8	14.1	15.8	13.8	-	-7.3	-	10.9	-	10.9
Cost/income ratio (%)	54.3	57.4	47.5	60.4	58.6	-	-268.9	-	56.9	-	59.8
Full-time-equivalent staff, end of period	4,288	2,628	1,702	1,595	1,356	326	9,083	-	20,978	-	20,978

[1] Comparative information has been restated, as described in the section 'Changes in financial highlights and segment reporting of note G2(b).

Notes – Danske Bank Group

G3. 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 or loss and Other income, depending on the type of income. The distribution of income between the various income line items can vary considerably from one year to the next, depending on the underlying transactions and market conditions. To better reflect income in those areas, the following reclassifications are made in the financial highlights:

- All income contributed by FI&C, except FI&C's share of margins on customer derivatives, and fee income on primary issuances of corporate bonds at DCM, 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, the risk result from the health and accident business 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, 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.

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

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Reclassifications Q1 2020

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Reclassification	Financial highlights
Net interest income	6,267	-	44	-817	-15	-788	5,479
Net fee income	2,768	-	-23	930	-2	905	3,673
Net trading income	-22,860	-	-61	23,157	54	23,150	291
Other income	1,396	-953	39	-317	-2	-1,233	163
Net premiums	7,998	-	-	-7,998	-	-7,998	-
Net insurance benefits	-14,906	-	-	14,906	-	14,906	-
Total income	10,476	-953	-	48	35	-870	9,606
Operating expenses	7,795	-953	-	48	-126	-1,031	6,764
Profit before loan impairment charges	2,681	-	-	-	161	161	2,842
Loan impairment charges	4,344	-	-	-	-93	-93	4,251
Profit before tax, core	-1,663	-	-	-	254	254	-1,409
Profit before tax, Non-core	-	-	-	-	-254	-254	-254
Profit before tax	**-1,663**	**-**	**-**	**-**	**-**	**-**	**-1,663**

Reclassification Q1 2019

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension[1]	Non-core	Reclassification[1]	Financial highlights[1]
Net interest income	6,926	-	-134	-1,213	-60	-1,406	5,520
Net fee income	2,367	-	34	1,169	-1	1,202	3,569
Net trading income	23,585	-	97	-22,092	-4	-21,999	1,586
Other income	865	-812	2	72	-1	-739	127
Net premiums	6,568	-	-	-6,568	-	-6,568	-
Net insurance benefits	28,792	-	-	-28,792	-	-28,792	-
Total income	11,520	-812	-	160	-66	-718	10,802
Operating expenses	6,890	-812	-	160	-93	-745	6,145
Profit before loan impairment charges	4,630	-	-	-	27	27	4,657
Loan impairment charges	618	-	-	-	-261	-261	357
Profit before tax, core	4,012	-	-	-	288	288	4,300
Profit before tax, Non-core	-	-	-	-	-288	-288	-288
Profit before tax	**4,012**	**-**	**-**	**-**	**-**	**-**	**4,012**

[1] Comparative information has been restated, as described in the section 'Changes in financial highlights and segment reporting of note G2(b).

Notes – Danske Bank Group

G4. Income

Interest income and interest expense

Negative interest income during the period ending March 2020 amounted to DKK 612 million (31 March 2019: DKK 1,224 million). Negative interest expenses amounted to DKK 654 million (31 March 2019: DKK 1,169 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 G6 of the Annual Report 2019 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Fee income Q1 2020

(DKK millions)	Financial highlights - net fee income	Reclassifica tions	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	1,330	-129	1,201	1,066	2,267
Pension and Insurance	701	-661	40	-	40
Money transfers, account fees and cash management	722	24	747	328	1,075
Lending and Guarantees	579	143	722	66	788
Capital markets	340	-282	58	-	58
Total	**3,673**	**-905**	**2,768**	**1,460**	**4,229**

Fee income Q1 2019

(DKK millions)	Financial highlights - net fee income[1]	Reclassifica-tions[1]	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	1,227	-259	968	1,324	2,291
Pension and Insurance	856	-821	36	-	36
Money transfers, account fees and cash management	702	-21	680	384	1,064
Lending and Guarantees	509	161	670	56	727
Capital markets	275	-262	13	-	13
Total	**3,569**	**-1,202**	**2,367**	**1,764**	**4,131**

[1] Comparative information has been restated, as described in the section 'Changes in financial highlights and segment reporting of note G2(b).

Other income

Other income amounted to DKK 1,421 million for the three months ending 31 March 2020 (31 March 2019: DKK 703 million). Other income includes primarily income from lease assets, investment property and real estate brokerage.

Notes – Danske Bank Group

G5. Loan impairment charges and reconciliation of total allowance account

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

Loan impairment charges

(DKK millions)	Q1 2020	Q1 2019
ECL on new assets	1,401	1,339
ECL on assets derecognised	-1,687	-1,097
Impact of net remeasurement of ECL (incl. changes in models)	4,666	293
Write-offs charged directly to income statement	131	303
Received on claims previously written off	-102	-154
Interest income, effective interest method	-65	-66
Total	**4,344**	**618**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2019	**1,601**	**5,450**	**14,118**	**21,170**
Transferred to stage 1 during the period	797	-711	-87	-
Transferred to stage 2 during the period	-358	1,073	-714	-
Transferred to stage 3 during the period	-35	-553	587	-
ECL on new assets	266	1,182	2,463	3,911
ECL on assets derecognised	-328	-1,187	-2,972	-4,487
Impact of net remeasurement of ECL (incl. changes in models)	-613	745	1,388	1,520
Write-offs debited to the allowance account	-	-5	-799	-804
Foreign exchange adjustments	4	22	93	120
Other changes	-18	-55	-44	-117
ECL allowance account as at 31 December 2019	**1,316**	**5,963**	**14,033**	**21,313**
Transferred to stage 1 during the period	297	-276	-21	-
Transferred to stage 2 during the period	-157	443	-286	-
Transferred to stage 3 during the period	-4	-413	417	-
ECL on new assets	101	516	785	1,401
ECL on assets derecognised	-108	-473	-1,107	-1,687
Impact of net remeasurement of ECL (incl. changes in models)	51	2,175	2,440	4,666
Write-offs debited to the allowance account	-	6	-210	-204
Foreign exchange adjustments	-19	-112	-180	-311
Other changes	-5	-311	253	-64
ECL allowance account as at 31 March 2020	**1,471**	**7,518**	**16,124**	**25,113**

The movements on the allowance account are determined by comparing the classification and amount in the balance sheet at the beginning and the end of the period. The table above excludes the allowance account of DKK 4 million (31 December 2019: DKK 4 million) relating to 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 under IFRS 9, see the notes on credit risk.

Notes – Danske Bank Group

G6. 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 31 March 2020, these loans amounted to DKK 293,309 million (31 December 2019: DKK 319,469 million).

G7. Deposits

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

(DKK millions)	31 March 2020	31 December 2019
Deposits from other credit institutions	274,462	155,246
hereof repo transactions	177,072	56,078
Other deposits	1,127,523	1,140,726
hereof repo transactions	130,732	176,193
Total deposits excluding repo transactions	**1,094,181**	**1,063,701**

G8. 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)	31 March 2020	31 December 2019
Bonds issued by Realkredit Danmark (covered bonds)	762,026	795,721
Commercial papers and certificates of deposits	5,146	6,780
Issued bonds at fair value, total	**767,172**	**802,501**

Issued bonds at amortised cost

(DKK millions)	31 March 2020	31 December 2019
Commercial papers and certificates of deposits	6,359	4,043
Preferred senior bonds	65,584	70,395
Covered bonds	175,814	181,918
Issued bonds at amortised cost, total	**247,757**	**256,355**
Non-preferred senior bonds	**98,709**	**87,054**

Notes – Danske Bank Group

G8. Issued bonds, subordinated debt and additional tier 1 capital continued

Nominal value (DKK millions)	1 January 2020	Issued	Redeemed	Foreign currency translation	31 March 2020
Commercial papers and certificate of deposits	10,821	9,378	8,576	61	11,684
Preferred senior bonds	75,280	791	10,339	497	66,228
Covered bonds	176,489	15,053	9,879	-7,823	173,840
Non-preferred senior bonds	86,891	10,076	-	-638	96,330
Other issued bonds	**349,481**	**35,298**	**28,794**	**-7,903**	**348,081**

Nominal value (DKK millions)	1 January 2019	Issued	Redeemed	Foreign currency translation	31 December 2019
Commercial papers and certificate of deposits	20,359	67,987	78,088	562	10,821
Preferred senior bonds	93,941	2,232	21,982	1,088	75,280
Covered bonds	188,568	25,794	37,740	-134	176,489
Non-preferred senior bonds	26,441	59,911	-	539	86,891
Other issued bonds	**329,309**	**155,925**	**137,808**	**2,055**	**349,481**

Subordinated debt and additional tier 1 capital

During the three months ended 31 March 2020, the Group did not issue or redeem any additional tier 1 or tier 2 capital instruments. During 2019, the Group issued DKK 11,901 million and redeemed DKK 3,467 million of tier 2 capital.

As at 31 March 2020, the total nominal value of issued additional tier 1 capital amounted to DKK 24,429 million (31 December 2019: DKK 24,219 million) of which DKK 14,203 million (31 December 2019: 14,205 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 5.4.3 of Risk Management 2019 for further information). As at 31 March 2020, distributable items for Danske Bank A/S amounted to DKK 121.3 billion (31 December 2019: DKK 121.1 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 31 March 2020 the common equity tier 1 capital ratio was 21.1% (31 December 2019: 20.1%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

G9. 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)	31 March 2020	31 December 2019
Loans held for sale	900	938
Other	472	414
Total	**1,372**	**1,352**

In December 2019 and January 2020, the Group entered into agreements to sell portfolios of loans with and deposits from personal customers in Lithuania and Latvia. The transaction on the portfolio in Latvia settled in the first quarter of 2020, while the transaction on the loan portfolio in Lithuania is expected to settle in the second quarter of 2020. The deposits are presented as Liabilities in disposal groups held for sale in the balance sheet.

Assets held for sale also includes lease assets (where the Group acts as lessor) put up for sale at the end of the lease and properties taken over by the Group under non-performing loan agreements. The Group expects to sell the properties through a real estate agent within 12 months from the date of acquisition. The properties comprise properties in Denmark and in other countries.

G10. Other assets and other liabilities

Other assets amounted to DKK 45,717 million (31 December 2019: DKK 37,679 million), including holdings in associates of DKK 295 million (31 December 2019: DKK 341 million), investment property of DKK 2,612 million (31 December 2019: DKK 2,644 million), tangible assets of DKK 8,335 million (31 December 2019: DKK 8,450 million) and right-of-use lease assets of DKK 5,355 million (31 December 2019: DKK 5,634 million), consisting of domicile property of DKK 4,384 million (31 December 2019: DKK 4,650 million) and other tangible assets of DKK 971 million (31 December 2019: DKK 984 million).

Other liabilities amounted to DKK 53,396 million (31 December 2019: DKK 46,191 million), including accrued interest and commissions due of DKK 7,026 million (31 December 2019: DKK 6,833 million), lease liabilities of DKK 5,266 million (31 December 2019: 5,526), other staff commitments of DKK 1,814 million (31 December 2019: DKK 1,993 million) and the provision of DKK 1,500 million (31 December 2019: 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.

G11. 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 34,440 million (31 December 2019: DKK 33,206 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 31 March 2020, the structural FX hedge position totalled DKK 29,803 million (31 December 2019: DKK 29,988 million) and a loss of DKK 2,271 million has been recognised in Other comprehensive income during the first quarter of 2020, primarily due to a significant weakening of NOK and to a lesser degree a weakening of SEK against DKK throughout the first quarter of 2020.

Notes – Danske Bank Group

G12. Guarantees, commitments and 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)	31 March 2020	31 December 2019
Financial guarantees	7,248	4,661
Other guarantees	61,546	64,403
Total	68,795	**69,064**

(b) Commitments (DKK millions)	31 March 2020	31 December 2019
Loan commitments shorter than 1 year	238,611	204,610
Loan commitments longer than 1 year	166,585	174,211
Other unutilised loan commitments	186	283
Total	**405,382**	**379,104**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 206 billion (31 December 2019: DKK 213 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 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 of 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 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 against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

Notes – Danske Bank Group

G12. Guarantees, commitments and contingent liabilities continued

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action lead by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. In March 2019 (168), October 2019 (64), January 2020 (9), and March 2020 (38), in total 279 separate cases were initiated against the Bank with a total claim amount of approximately DKK 7.1 billion. On 27 December 2019, a separate claim was filed by 63 investors against Danske Bank with a total claim amount of approximately DKK 1.3 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.

On 20 February 2020, Danske Bank received a procedural notification in a case initiated against Thomas F. Borgen by 72 institutional investors, and funded by the litigation funder Deminor Recovery Services. The total claim amount is approximately DKK 2.7 billion. Under Danish law, the purpose of a procedural notification is to make a formal reservation of rights to bring a potential claim against the notified party in the future.

Other

Owing to its business volume, Danske Bank is continually a party to various other lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA on other matters. On 14 November 2019, Danske Bank was preliminarily charged by SØIK for violating the Danish Executive Order on Investor Protection in connection with the Flexinvest Fri case. Danske Bank cooperates fully with SØIK. In general, Danske Bank does not expect the outcomes of any of these other pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. Provisions for litigations are included in Other liabilities, see note G10.

(d) Further explanation

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

The Group participates in the Danish Guarantee Fund and the Danish Resolution Fund. The funds' capital must amount to at least 0.8% and 1%, respectively, of the covered deposits of all Danish credit institutions by 31 December 2024. The Danish Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5% of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage require the consent of the Danish FSA. The first contribution to the Danish Resolution Fund was made in December 2015. Danske Bank A/S and Realkredit Danmark A/S make contributions to the Resolution Fund on the basis of their size and risk relative to other credit institutions in Denmark. The contribution to the Danish Resolution Fund is recognised as operating expenses.

If the Resolution Fund does not have sufficient means to make the required payments, extraordinary contributions of up to three times the latest annual contributions may be required. In addition, Danish banks participate in the Danish Restructuring Fund, which reimburses creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015. Similarly, Danish banks have made payment commitments (totalling DKK 1 billion) to cover losses incurred by the Danish Restructuring Fund for the withdrawal of distressed banks from data centres etc. Payments to the Danish Restructuring Fund are calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark. However, each institution's contribution to the Danish Restructuring Fund may not exceed 0.2% of its covered deposits.

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

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

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

Notes – Danske Bank Group

G13. Assets provided or received as collateral

As at 31 March 2020, the Group had deposited securities worth DKK 75.2 billion as collateral with Danish and international clearing centres and other institutions (31 December 2019: DKK 8.6 billion). The increase relates to the use of central bank facilities to establish a liquidity buffer to mitigate the impact from potential increase in lending following the COVID-19 pandemic.

As at 31 March 2020, the Group had provided cash and securities worth DKK 138.6 billion as collateral for derivatives transactions (31 December 2019: DKK 107.4 billion).

As at 31 March 2020, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 412.8 billion (31 December 2019: DKK 450.9 billion) as collateral for policyholders' savings of DKK 405.9 billion (31 December 2019: DKK 437.4 billion).

As at 31 March 2020, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 803.1 billion (31 December 2019: DKK 816.8 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 321.5 billion (31 December 2019: DKK 294.6 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

The table below shows assets provided as collateral for liabilities or contingent liabilities. Assets provided as collateral under repo transactions are shown separately whereas the types explained above are included in the column 'Other'.

	31 March 2020			31 December 2019		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	67,036	67,036	-	43,230	43,230
Trading portfolio securities	270,938	149,540	420,478	186,473	75,876	262,349
Loans at fair value	-	791,314	791,314	-	802,579	802,579
Loans at amortised cost	-	340,073	340,073	-	277,395	277,395
Assets under insurance contracts	-	318,674	318,674	-	359,246	359,246
Other assets	-	62	62	-	72	72
Total	**270,938**	**1,666,699**	**1,937,637**	**186,473**	**1,558,398**	**1,744,871**
Own issued bonds	35,825	131,967	167,792	43,322	81,354	124,675
Total, including own issued bonds	**306,763**	**1,798,666**	**2,105,429**	**229,795**	**1,639,752**	**1,869,547**

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 270.9 billion as at 31 March 2020 (31 December 2019: DKK 186.5 billion).

As at 31 March 2020, the Group had received securities worth DKK 400.7 billion (31 December 2019: DKK 401.3 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. As at 31 March 2020, the Group had sold securities or provided securities as collateral worth DKK 165.8 billion (31 December 2019: DKK 152.5 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 of the Annual report 2019 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

G14. Fair value information for financial instruments

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

	31 March 2020		31 December 2019	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	127,708	-	99,035
Due from credit institutions and central banks	41,419	99,111	24,354	81,320
Trading portfolio assets	706,546	-	495,321	-
Investment securities	162,088	130,709	163,782	121,091
Loans at amortised cost	-	997,490	-	1,028,011
Loans at fair value	1,084,623	-	1,122,048	-
Assets under pooled schemes and unit-linked investment contracts	99,908	-	111,089	-
Assets under insurance contracts	468,536	-	434,945	-
Loans held for sale	-	900	-	938
Total	**2,563,120**	**1,355,918**	**2,351,538**	**1,330,395**
Financial liabilities				
Due to credit institutions and central banks	129,138	145,324	79,877	75,369
Trading portfolio liabilities	603,017	-	452,202	-
Deposits	143,607	983,917	184,755	955,970
Issued bonds at fair value	767,172	-	802,501	-
Issued bonds at amortised cost	-	247,757	-	256,355
Deposits under pooled schemes and unit-linked investment contracts	100,378	-	111,537	-
Liabilities in disposal groups held for sale	-	89	-	110
Non-preferred senior bonds	-	98,709	-	87,054
Subordinated debt	-	31,968	-	31,733
Loan commitments and guarantees	-	2,038	-	2,485
Total	**1,743,312**	**1,509,801**	**1,630,872**	**1,409,076**

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 G33 of the Annual Report 2019 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.

Notes – Danske Bank Group

G14. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 March 2020				
Financial assets				
Due from credit institutions and central banks	-	41,419	-	41,419
Derivatives				
Interest rate contracts	15,738	276,278	4,044	296,060
Currency contracts etc.	35	148,811	3,809	152,655
Trading portfolio bonds	226,146	21,109	-	247,255
Trading portfolio shares	10,313	-	263	10,576
Investment securities, bonds	137,007	23,996	-	161,003
Investment securities, shares	40	-	1,045	1,085
Loans at fair value	-	1,084,623	-	1,084,623
Assets under pooled schemes and unit-linked investment contracts	99,908	-	-	99,908
Assets under insurance contracts, bonds				
Danish mortgage bonds	21,641	1,870	42	23,553
Other covered bonds	160,888	17,650	3,971	182,509
Assets under insurance contracts, shares	75,299	2,388	39,094	116,781
Assets under insurance contracts, derivatives	3,633	140,494	1,566	145,693
Total	**750,648**	**1,758,638**	**53,835**	**2,563,120**
Financial liabilities				
Due to credit institutions and central banks	-	129,138	-	129,138
Derivatives				
Interest rate contracts	14,482	254,526	3,914	272,922
Currency contracts etc.	36	162,606	1,637	164,279
Obligations to repurchase securities	164,707	1,066	44	165,817
Deposits	-	143,607	-	143,607
Issued bonds at fair value	767,172	-	-	767,172
Deposits under pooled schemes and unit-linked investment contracts	-	100,378	-	100,378
Total	**946,397**	**791,321**	**5,595**	**1,743,312**

Notes – Danske Bank Group

G14. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2019				
Financial assets				
Due from credit institutions and central banks	-	24,354	-	24,354
Derivatives				
Interest rate contracts	3,636	220,829	3,963	228,428
Currency contracts etc.	59	64,387	1,107	65,553
Trading portfolio bonds	173,852	15,260	-	189,112
Trading portfolio shares	12,028	-	200	12,228
Investment securities, bonds	133,953	28,393	-	162,346
Investment securities, shares	53	-	1,383	1,436
Loans at fair value	-	1,122,048	-	1,122,048
Assets under pooled schemes and unit-linked investment contracts	111,089	-	-	111,089
Assets under insurance contracts, bonds				
Danish mortgage bonds	67,292	8,751	427	76,470
Other covered bonds	107,686	9,090	3,672	120,448
Assets under insurance contracts, shares	101,432	2,304	39,813	143,549
Assets under insurance contracts, derivatives	2,225	89,990	2,263	94,478
Total	**713,305**	**1,585,405**	**52,828**	**2,351,538**
Financial liabilities				
Due to credit institutions and central banks	-	79,877	-	79,877
Derivatives				
Interest rate contracts	3,545	201,525	3,634	208,704
Currency contracts etc.	64	89,707	1,219	90,990
Obligations to repurchase securities	151,590	744	173	152,507
Deposits	-	184,756	-	184,756
Issued bonds at fair value	802,501	-	-	802,501
Deposits under pooled schemes and unit-linked investment contracts	-	111,537	-	111,537
Total	**957,700**	**668,146**	**5,026**	**1,630,872**

Notes – Danske Bank Group

G14. 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
31 March 2020					
Unlisted shares					
allocated to insurance contract policyholders	39,094	-	-	17	-1,306
other	1,264	126	126	118	14
Illiquid bonds	4,013	77	77	-15	-187
Derivatives, net fair value	3,868	-	-	-	3,231
31 December 2019					
Unlisted shares					
allocated to insurance contract policyholders	39,813	-	-	1,357	1,898
other	1,410	141	141	208	345
Illiquid bonds	4,099	90	90	-25	260
Derivatives, net fair value	2,480	-	-	-	1,690

For unlisted shares, the market volatility and movements in the liquid markets for listed shares during Q1 2020 has been incorporated as an input to measure the fair value of the Group's holdings of unlisted shares. For unlisted shares allocated to insurance contract policyholders, the policyholders assume most of the risk on the shares. Therefore, changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The Group's remaining portfolio of unlisted shares consists primarily of banking-related investments and holdings in private equity funds. The sensitivity of the fair value measurement to changes in the unobservable input disclosed in the table is calculated as a 10% increase or 10 % decrease in fair value. Under current market conditions, a 10 % decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. The unrealised adjustments in in the three month period ended 31 March 2020 were attributable to various unlisted shares.

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

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

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

Reconciliation from beginning to end of period	31 March 2020			31 December 2019		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	41,223	4,099	2,480	34,730	4,131	3,497
Value adjustment through profit or loss	-1,157	-202	3,231	3,808	235	1,690
Acquisitions	867	418	726	20,437	8,512	-233
Sale and redemption	-575	-302	-1,814	-17,752	-8,779	-2,455
Transferred from quoted prices and observable input	-	-	-1	-	-	-
Transferred to quoted prices and observable input	-	-	-752	-	-	-19
Fair value end of period	**40,358**	**4,013**	**3,868**	**41,223**	**4,099**	**2,480**

The value adjustment through profit or loss is recognised under Net trading income or loss. The transfer of derivatives to the Observable input category consists primarily of maturity reductions, implying that the yield curves have become observable.

Notes – Danske Bank Group

G14. Fair value information for financial instruments continued

Financial instruments at amortised cost

Note G33 of the Annual Report 2019 provides information about the fair value calculation methods for financial instruments measured at amortised cost. In the table below, fair value is presented for classes of financial instruments for which the carrying amount is not a reasonable approximation of fair value.

31 March 2020 (DKK millions)	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	130,709	132,120	108,683	23,437	-
Loans at amortised cost	997,490	996,855	-	9,794	987,061
Financial liabilities					
Other issued bonds	346,466	339,748	281,953	35,645	22,150
Subordinated debt	31,968	28,041	25,048	2,994	-
31 December 2019 (DKK millions)					
Financial assets					
Investment securities	121,091	122,785	100,517	22,268	-
Loans at amortised cost	1,028,011	1,028,261	-	9,837	1,018,424
Financial liabilities					
Other issued bonds	343,409	346,057	293,141	20,430	32,485
Subordinated debt	31,733	32,486	29,398	3,088	-

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2019 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions) 31 March 2020	Total	Lending activities Core	Lending activities Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded invest-ments
Balance sheet items						
Demand deposits with central banks	122.6	122.3	0.3	-	-	-
Due from credit institutions and central banks	140.5	99.1	-	41.4	-	-
Trading portfolio assets	706.5	-	-	448.7	257.8	-
Investment securities	292.8	-	-	-	292.8	-
Loans at amortised cost	997.5	992.6	4.9	-	-	-
Loans at fair value	1,084.6	791.3	-	293.3	-	-
Assets under pooled schemes and unit-linked investment contracts	99.9	-	-	-	-	99.9
Assets under insurance contracts	496.8	-	-	-	-	496.8
Loans held for sale	0.9	-	0.9	-	-	-
Off-balance-sheet items						
Guarantees	68.8	68.5	0.3	-	-	-
Loan commitments shorter than 1 year	238.6	236.4	2.2	-	-	-
Loan commitments longer than 1 year	166.6	166.4	0.2	-	-	-
Other unutilised commitments	0.2	-	-	-	0.2	-
Total	**4,416.3**	**2,476.6**	**8.8**	**783.4**	**550.8**	**596.7**
31 December 2019						
Balance sheet items						
Demand deposits with central banks	92.8	92.4	0.4	-	-	-
Due from credit institutions and central banks	105.7	81.9	0.1	23.7	-	-
Trading portfolio assets	495.3	-	-	294.0	201.3	-
Investment securities	284.9	-	-	-	284.9	-
Loans at amortised cost	1,028.0	1,022.3	5.7	-	-	-
Loans at fair value	1,122.0	802.6	-	319.5	-	-
Assets under pooled schemes and unit-linked investment contracts	111.1	-	-	-	-	111.1
Assets under insurance contracts	463.8	-	-	-	-	463.8
Loans held for sale	0.9	-	0.9	-	-	-
Off-balance-sheet items						
Guarantees	69.1	68.7	0.3	-	-	-
Loan commitments shorter than 1 year	204.6	202.2	2.5	-	-	-
Loan commitments longer than 1 year	174.2	173.7	0.5	-	-	-
Other unutilised commitments	0.3	-	-	-	*0.3*	-
Total	**4,152.7**	**2,443.8**	**10.4**	**637.1**	***486.5***	**574.9**

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 206 billion at 31 March 2020 (31 December 2019: DKK 213 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

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 expected credit losses and includes repo loans at amortised cost. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount. The credit exposure from Non-core lending activities is disclosed further on in these notes.

For details about the Group's credit risk management and the use of information on expected credit losses for risk management purposes, see Risk Management 2019.

Classification of customers

The main objectives of risk classification are to rank the Group's customers according to risk and to estimate each customer's probability of default (PD). As part of the credit process, the Group classifies customers according to risk and updates their classifications upon receipt of new information. Risk classification comprises rating and credit scoring of customers. While all large customers are rated, the Group uses fully automated and statistically-based scoring models for small customers such as personal customers and small businesses. Credit scores are updated monthly in a process subject to automated controls.

The Group has developed a number of classification models to assess customer PD and to classify customers in various segments.

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

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

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

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

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

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

Notes – Danske Bank Group

Credit exposure continued

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

31 March 2020	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	165.2	0.1	-	-	-	-	165.2	0.1	-	151.7	-	-
2	0.01	0.03	227.7	0.6	-	-	-	-	227.7	0.6	-	123.6	0.1	-
3	0.03	0.06	510.2	1.7	0.1	-	-	-	510.2	1.7	0.1	218.4	0.4	-
4	0.06	0.14	526.3	8.2	0.4	0.6	-	-	525.7	8.2	0.4	208.6	3.9	0.1
5	0.14	0.31	459.6	29.4	0.2	0.2	0.2	-	459.3	29.2	0.2	149.3	14.0	-
6	0.31	0.63	232.4	47.4	0.4	0.2	0.5	-	232.1	46.9	0.4	81.7	14.4	-
7	0.63	1.90	95.4	77.6	0.3	0.3	1.5	-	95.2	76.1	0.3	31.8	19.7	0.1
8	1.90	7.98	6.6	37.6	0.3	0.1	3.2	-	6.6	34.4	0.3	1.6	6.5	-
9	7.98	25.70	1.8	10.1	0.3	-	0.9	-	1.8	9.1	0.3	0.4	1.2	0.1
10	25.70	99.99	0.8	11.1	23.2	-	1.2	5.9	0.8	9.9	17.3	0.6	3.3	5.8
11 (default)	100.00	100.00	0.3	0.3	25.2	-	-	9.3	0.3	0.3	16.0	0.1	0.1	4.4
Total			**2,226.4**	**223.9**	**50.5**	**1.5**	**7.5**	**15.2**	**2,224.9**	**216.4**	**35.3**	**967.9**	**63.7**	**10.4**

31 December 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	151.6	0.2	-	-	-	-	151.6	0.2	-	139.8	-	-
2	0.01	0.03	199.2	0.3	-	-	-	-	199.2	0.3	-	106.3	-	-
3	0.03	0.06	469.7	1.0	-	-	-	-	469.7	1.0	-	180.4	0.2	-
4	0.06	0.14	562.1	3.6	0.3	0.1	-	-	562.0	3.6	0.3	215.7	1.4	-
5	0.14	0.31	479.2	10.7	0.1	0.2	0.1	-	479.1	10.6	0.1	140.2	4.5	-
6	0.31	0.63	258.8	23.4	0.2	0.3	0.2	-	258.5	23.1	0.2	87.3	7.1	-
7	0.63	1.90	135.1	53.4	0.4	0.3	1.0	-	134.8	52.4	0.4	39.7	15.0	-
8	1.90	7.98	10.3	36.4	0.2	0.4	2.2	-	9.9	34.2	0.2	1.8	7.8	-
9	7.98	25.70	0.9	10.2	0.1	-	1.2	-	0.9	9.0	0.1	0.1	1.2	-
10	25.70	99.99	0.3	14.7	19.9	-	1.0	4.8	0.3	13.7	15.1	0.1	5.3	4.4
11 (default)	100.00	100.00	0.1	0.4	21.4	-	-	8.5	0.1	0.4	13.0	-	0.1	3.3
Total			**2,267.3**	**154.2**	**42.8**	**1.3**	**5.8**	**13.4**	**2,266.0**	**148.5**	**29.4**	**911.5**	**42.6**	**7.8**

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.

Expected credit losses increased throughout the portfolio due to the changes to macroeconomic outlooks following the outbreak of the COVID-19 pandemic.

31 March 2020	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	199.3	0.3	-	-	-	-	199.3	0.3	-	193.4	-	-
Financials	146.4	3.5	0.6	0.1	0.1	0.3	146.3	3.3	0.3	137.9	1.8	0.1
Agriculture	46.8	19.8	6.7	0.1	1.2	1.6	46.7	18.6	5.1	11.5	2.8	0.7
Automotive	33.1	2.1	0.2	-	0.1	0.1	33.1	2.0	0.1	24.5	0.8	-
Capital goods	65.6	4.0	3.8	-	0.1	0.8	65.6	3.9	3.1	57.8	2.6	2.6
Commercial property	270.4	33.1	5.8	0.2	1.3	1.3	270.2	31.8	4.6	59.0	7.0	0.3
Construction and building materials	43.3	6.3	2.4	-	0.4	0.7	43.3	5.8	1.7	32.3	2.5	1.1
Consumer goods	61.3	7.9	1.2	-	0.3	0.4	61.2	7.6	0.8	47.3	5.1	0.4
Hotels, restaurants and leisure	10.8	4.3	0.7	-	0.1	0.1	10.8	4.2	0.7	2.9	1.9	0.2
Metals and mining	12.1	0.8	0.2	-	-	-	12.1	0.8	0.1	9.8	0.4	0.1
Other commercials	15.0	1.2	0.1	-	-0.1	-	15.0	1.3	-	13.5	0.4	-
Pharma and medical devices	54.5	1.2	-	-	0.1	-	54.4	1.1	-	51.7	0.8	-
Private housing co-ops and non-profit associations	193.4	6.6	2.5	-	0.2	0.3	193.4	6.3	2.2	35.2	1.0	0.5
Pulp, paper and chemicals	30.4	2.4	0.5	-	0.1	0.1	30.4	2.3	0.3	22.4	0.8	0.1
Retailing	22.2	2.7	2.7	-	0.2	1.0	22.1	2.5	1.6	13.3	1.4	1.1
Services	53.6	4.3	0.9	-	0.2	0.5	53.5	4.1	0.4	43.2	2.3	0.1
Shipping, oil and gas	15.0	30.0	11.7	-	0.6	4.1	15.0	29.4	7.6	11.0	11.3	1.8
Social services	28.0	1.2	0.9	-	0.1	0.3	28.0	1.2	0.6	10.3	0.6	0.3
Telecom and media	16.8	0.9	0.2	-	-	0.1	16.8	0.9	0.1	15.2	0.6	-
Transportation	5.8	8.6	0.8	-	0.1	0.1	5.8	8.5	0.7	3.1	4.1	0.3
Utilities and infrastructure	56.4	0.3	0.1	-	-	-	56.4	0.3	-	42.5	0.1	-
Personal customers	846.3	82.5	8.4	0.7	2.3	3.3	845.6	80.2	5.2	129.8	15.6	0.6
Total	**2,226.4**	**223.9**	**50.5**	**1.5**	**7.5**	**15.2**	**2,224.9**	**216.4**	**35.3**	**967.9**	**63.7**	**10.4**

Notes – Danske Bank Group

Credit exposure continued

31 December 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	193.6	0.1	-	-	-	0.0	193.6	0.1	-	187.1	0.1	-
Financials	103.7	2.2	0.4	0.1	-	0.3	103.7	2.1	0.1	89.0	1.4	-
Agriculture	52.4	16.0	5.6	0.1	1.1	1.7	52.3	14.9	3.9	11.0	2.5	0.5
Automotive	35.9	1.6	0.3	-	-	0.1	35.9	1.5	0.2	27.0	0.7	-
Capital goods	63.1	3.5	4.1	-	0.1	0.5	63.1	3.4	3.5	54.9	2.3	3.2
Commercial Property	293.3	19.3	5.2	0.2	0.7	1.3	293.1	18.6	3.9	63.4	3.6	0.1
Construction & Building materials	43.3	6.0	1.9	-	0.3	0.7	43.3	5.6	1.2	30.7	3.0	0.8
Consumer goods	61.6	3.9	1.0	-	0.2	0.4	61.5	3.7	0.5	45.1	2.3	0.2
Hotels, restaurants and leisure	15.2	1.7	0.3	-	0.1	0.1	15.2	1.6	0.2	5.0	0.6	-
Metals and Mining	11.2	0.7	0.1	-	-	-	11.2	0.7	-	8.7	0.4	-
Other Commercials	20.8	0.4	-	-	-	-	20.8	0.4	-	18.4	0.2	-
Pharma and medical devices	38.4	1.2	-	-	-	-	38.4	1.2	-	35.5	1.0	-
Private Housing Co-ops. & Non-Profit Associations	190.4	6.1	2.0	-	0.2	0.3	190.4	5.9	1.7	29.5	1.4	0.2
Pulp and Paper, Chemicals	30.6	1.9	0.4	-	0.1	0.1	30.6	1.8	0.3	22.5	0.6	0.1
Retailing	21.5	3.3	1.5	-	0.3	0.7	21.5	3.0	0.8	12.4	2.0	0.4
Services	55.4	3.6	0.9	-	0.2	0.4	55.4	3.5	0.4	44.2	2.0	-
Shipping, Oil & Gas	41.3	9.4	9.4	-	0.2	2.9	41.3	9.2	6.4	21.5	4.6	1.0
Social services	29.2	1.1	0.8	-	-	0.3	29.2	1.1	0.6	10.9	0.5	0.3
Telecom & Media	18.2	0.8	0.2	-	-	0.1	18.2	0.8	0.1	16.6	0.6	-
Transportation	13.9	2.2	0.2	-	-	0.1	13.9	2.1	0.1	7.6	0.5	-
Utilities and infrastructure	46.5	0.6	-	-	-	-	46.5	0.5	-	32.7	0.1	-
Personal Customers	887.6	68.8	8.5	0.7	2.1	3.2	887.0	66.6	5.3	138.0	12.4	0.9
Total	**2,267.3**	**154.2**	**42.8**	**1.3**	**5.8**	**13.4**	**2,266.0**	**148.5**	**29.4**	**911.5**	**42.6**	**7.8**

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

31 March 2020	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	512.9	45.5	6.1	0.6	1.6	2.6	512.3	43.9	3.5	60.5	9.0	0.7
Commercial	405.1	48.0	18.2	0.4	2.5	4.8	404.8	45.5	13.4	101.3	11.6	2.0
Banking DK	**918.1**	**93.5**	**24.3**	**1.0**	**4.1**	**7.4**	**917.1**	**89.4**	**16.9**	**161.8**	**20.6**	**2.8**
Sweden	259.6	26.3	1.8	0.2	0.9	0.5	259.4	25.4	1.3	99.0	9.4	0.6
Norway	194.0	21.6	2.4	0.1	0.4	0.4	193.9	21.2	2.0	63.6	7.1	0.8
Finland	154.0	18.4	3.8	0.1	0.5	1.3	153.9	18.0	2.5	41.4	4.0	0.8
Other	32.8	18.9	0.8	-	0.4	0.3	32.8	18.5	0.4	12.4	4.0	-
Banking Nordic	**640.4**	**85.2**	**8.8**	**0.3**	**2.2**	**2.6**	**640.1**	**83.1**	**6.2**	**216.4**	**24.5**	**2.1**
C&I[1]	**462.9**	**35.3**	**15.7**	**0.1**	**0.8**	**4.8**	**462.8**	**34.5**	**10.9**	**419.2**	**15.9**	**5.3**
Wealth Management	**4.5**	-	-	-	-	-	**4.5**	-	-	**1.7**	-	-
Northern Ireland	**68.0**	**9.6**	**1.7**	-	**0.3**	**0.5**	**67.9**	**9.3**	**1.2**	**36.5**	**2.5**	**0.2**
Other	**132.5**	**0.2**	-	-	-	-	**132.5**	**0.2**	-	**132.3**	**0.2**	-
Total	**2,226.4**	**223.9**	**50.5**	**1.5**	**7.5**	**15.2**	**2,224.9**	**216.4**	**35.3**	**967.9**	**63.7**	**10.4**

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

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

31 December 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	528.1	37.8	5.9	0.6	1.5	2.6	527.5	36.3	3.3	64.4	6.2	0.7
Commercial	446.6	31.6	15.8	0.3	1.9	4.9	446.3	29.7	11.0	126.5	7.5	1.4
Banking DK	**974.7**	**69.4**	**21.7**	**0.9**	**3.4**	**7.4**	**973.8**	**66.0**	**14.3**	**191.0**	**13.7**	**2.1**
Sweden	265.7	23.2	1.4	0.1	0.6	0.5	265.6	22.6	1.0	98.8	7.8	0.4
Norway	229.7	17.9	2.4	0.1	0.3	0.5	229.6	17.6	1.8	74.2	6.4	0.5
Finland	158.3	13.0	3.1	0.1	0.4	1.1	158.2	12.6	2.0	40.2	2.2	0.5
Other	41.8	11.5	0.6	-	0.3	0.3	41.7	11.2	0.3	14.9	2.6	-
Banking Nordic	**695.4**	**65.6**	**7.5**	**0.3**	**1.6**	**2.4**	**695.2**	**64.0**	**5.1**	**228.1**	**18.9**	**1.4**
C&I[1]	**422.2**	**13.0**	**11.7**	**0.1**	**0.6**	**3.0**	**422.1**	**12.4**	**8.7**	**356.4**	**7.8**	**4.0**
Wealth Management	**4.1**	-	-	-	-	-	**4.1**	-	-	**1.1**	-	-
Northern Ireland	**71.3**	**6.2**	**1.8**	**0.1**	**0.2**	**0.5**	**71.2**	**6.1**	**1.3**	**36.0**	**2.1**	**0.3**
Other	**99.5**	**0.1**	-	-	-	-	**99.5**	**0.1**	-	**99.0**	-	-
Total	**2,267.3**	**154.2**	**42.8**	**1.3**	**5.8**	**13.4**	**2,266.0**	**148.5**	**29.4**	**911.5**	**42.6**	**7.8**

[1] 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. As at 31 March 2020, the Group had recognised properties taken over in Denmark at a carrying amount of DKK 22 million (31 December 2019: DKK 15 million) and there were no properties taken over in other countries (31 December 2019: DKK 0 million). The properties are held for sale and included under Other assets in the balance sheet.

Forbearance measures lead to changes in staging for impairment purposes, and impairments relating to forborne exposures are handled according to the principles described in the Annual Report 2019, note G15.

In 2020, the Group has increased the use of concessions to assist customers affected by the COVID-19 pandemic. This had a limited impact in the first quarter of 2020 but is expected to lead to increases during the year. The assessment of forbearance measures is described in note G1.

The table below shows the exposures that are subject to forbearance measures and is based on the EBA's definition as described in the Annual Report 2019.

Exposures subject to forbearance measures

	31 March 2020		31 December 2019	
(DKK millions)	Performing	Non-performing[1]	Performing	Non-performing[1]
Active forbearance	6,240	9,438	8,161	9,341
Under probation	6,721	-	4,933	-
Total	**12,961**	**9,438**	**13,094**	**9,341**

[1] 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 impact of the COVID 19 pandemic on total NPL exposures was limited in Q1 2020 but is expected to increase during the year.

The table below shows the reconciliation as at 31 March 2020 between the gross exposure in stage 3 and gross non-performing loans.

Non-performing loan bridge	31 March 2020			31 December 2019		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	25.2	25.2	50.5	21.2	21.5	42.8
None or an immaterial allowance account	8.5	4.7	13.2	4.1	3.9	8.0
Gross non-performing loans	16.7	20.5	37.2	17.1	17.6	34.7
Expected credit loss	6.2	9.0	15.2	5.1	8.3	13.4
Net non-performing loans	**10.5**	**11.5**	**22.0**	**12.0**	**9.4**	**21.3**

Non-performing loans in core activities

(DKK millions)	31 March 2020	31 December 2019
Total non-performing loans	22,002	21,346
- portion from customers in default[1]	11,512	9,372
Coverage ratio (default) (%)	70	74
Coverage ratio (non-default) (%)	82	85
Coverage ratio (total non-performing loans) (%)	74	78
Non-performing loans as a percentage of total gross exposure (%)	1.5	1.4

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

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2019	1,574	5,375	13,405	20,353
Transferred to stage 1 during the period	784	-699	-86	-
Transferred to stage 2 during the period	-357	1,067	-710	-
Transferred to stage 3 during the period	-34	-542	576	-
ECL on new assets	263	1,174	2,461	3,898
ECL on assets derecognised	-320	-1,183	-2,875	-4,377
Impact of net remeasurement of ECL (incl. changes in models)	-602	726	1,141	1,264
Write-offs debited to the allowance account	-	-5	-791	-796
Foreign exchange adjustments	4	22	82	109
Other changes	-7	-27	33	-
ECL allowance account as at 31 December 2019	**1,306**	**5,908**	**13,237**	**20,451**
Transferred to stage 1 during the period	296	-274	-21	-
Transferred to stage 2 during the period	-154	440	-285	-
Transferred to stage 3 during the period	-4	-413	417	-
ECL on new assets	100	515	758	1,373
ECL on assets derecognised	-106	-472	-1,024	-1,602
Impact of net remeasurement of ECL (incl. changes in models)	53	2,189	2,302	4,544
Write-offs debited to the allowance account	-	6	-236	-231
Foreign exchange adjustments	-19	-112	-193	-324
Other changes	-5	-311	226	-90
ECL allowance account as at 31 March 2020	**1,465**	**7,476**	**15,180**	**24,121**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Banking DK	Banking Nordic	C&I	Northern Ireland	Other	Allowance account Total
ECL allowance account as at 1 January 2019	12,593	4,149	2,806	792	12	20,353
ECL on new assets	1,631	935	1,278	52	3	3,898
ECL on assets derecognised	-2,296	-1,062	-843	-172	-5	-4,377
Impact on remeasurement of ECL (incl. change in models)	24	415	798	29	-1	1,264
Write-offs debited to allowance account	-397	-104	-281	-14	-	-796
Foreign currency translation	-1	13	54	44	-	109
Other changes	109	-13	-94	-	-1	-
ECL allowance account as at 31 December 2019	**11,662**	**4,333**	**3,718**	**730**	**8**	**20,451**
ECL on new assets	311	281	757	21	2	1,373
ECL on assets derecognised	-618	-321	-632	-29	-1	-1,602
Impact on remeasurement of ECL (incl. change in models)	1,270	1,011	2,081	175	7	4,544
Write-offs debited to allowance account	-162	-53	-11	-4	-1	-231
Foreign currency translation	-	-220	-74	-28	-2	-324
Other changes	3	-1	-93	-	1	-90
ECL allowance account as at 31 March 2020	**12,466**	**5,029**	**5,746**	**865**	**14**	**24,121**

The method used for calculating expected credit losses is described in detail in note G15 of the Annual Report 2019.

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 purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. The base case is based on the macro-economic outlook as disclosed in the Group's Nordic Outlook reports. The base-case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). For Q1 2020, this is based on a recession scenario in 2020 with a recovery in 2021. This base case is more negative than the scenario applied in Q4 2019, despite including expectations of substantial government support packages mitigate the macroeconomic impacts from the COVID-19 pandemic. A further severe downside scenario is introduced as the new downside scenario with a likelihood of 25%, to reflect the risk that government support packages are not sufficient to sustain the recovery. This scenario builds on a prolonged recovery with continued declines in economic activity in 2021.

Forecasts are produced for the coming three years. After this period, the outlook returns to a steady-state level after a further four years. The macroeconomic parameters in the base case and the severe recession scenario (the new downside scenario) entering into the ECL calculation for the first two years of the forecast horizon as an average across the Group's core markets are included below. The base case scenario reflects a decline in economic activity in 2020 followed by a recovery in 2021 supported by government support packages. The downside scenario reflects the risk that government support packages are not sufficient to sustain the recovery. This scenario includes substantial increases in unemployment and decreases in house prices.

31 March 2020	Base case		Severe recession	
Group average	2020	2021	2020	2021
GDP	-0.13	1.55	-4.20	-1.48
Industrial Production	-0.30	2.88	-6.30	-2.21
Unemployment	6.23	6.08	7.33	8.35
Inflation	0.95	1.38	-0.20	-0.68
Consumption Expenditure	0.15	0.75	-2.48	-0.68
Property prices - Residential	-2.13	-0.35	-13.13	-8.25
Interest rate - 3 month	-0.38	-0.02	-0.39	-0.49
Interest rate - 10 year	-0.45	-0.13	-0.90	-0.95

After the first two years of the forecast horizon, the macroeconomic scenarios revert slowly towards a long-term average.

The upside scenario represents a better outlook than the base case scenario across the macroeconomic parameters and assumes a recovery already in 2020, mainly to capture uncertainty to the upside.

Notes – Danske Bank Group

Credit exposure continued

At 31 December 2019, the following scenarios were used:

Base case scenario – average 2020-2022	Denmark	Finland	Norway	Sweden
GDP	1.5	1.2	2.2	1.2
Industrial Production	2.9	1.4	2.8	1.7
Unemployment	4.0	6.5	2.2	7.6
Inflation	1.4	1.5	2.1	1.6
Private Consumption Expenditure	1.7	1.1	2.2	1.5
Property prices - Residential	2.9	1.1	2.4	1.8
Interest rate - 3 month	-0.36	-0.41	2.04	-0.16
Interest rate - 10 year	-0.48	-0.23	1.34	-0.05

At 31 December 2019, the upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters, mainly to capture uncertainty to the upside and the downside scenario is based on a mild recession in the first year of the forecast horizon with a gradual recovery after that.

The base-case scenario enters with a probability of 65% (31 December 2019: 60%), the upside scenario with a probability of 10% (31 December 2019: 10%) and the downside scenario with a probability of 25% (31 December 2019: 30%). On the basis of these assessments, the allowance account as at 31 March 2020 amounted to DKK 24.1 billion (31 December 2019: 20.5 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.6 billion (31 December 2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 7.3 billion (31 December 2019: 2.4 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease by DKK 2.3 billion (31 December 2019: 0.5 billion) compared to the base-case scenario. However, note that the applied scenarios differ from the scenarios used at 31 December 2019, and the changes in sensitivities from end of 2019 to end of the first quarter 2020 are therefore not directly comparable. Further, it should be noted that the expected credit losses in the individual scenarios (i.e. without the weighting) do not represent forecasts of expected credit losses (ECL).

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. 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 allowance account would increase by DKK 0.03 billion (31 December 2019: DKK 0.0 billion).

The Group applies post-model adjustments of DKK 4.0 billion (31 December 2019: 4.0 billion). Around half of all the adjustments relate to high-risk industries, such as agriculture as well as oil and gas within the Group's shipping, oil and 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. Such adjustments are also introduced in Q1 2020 to capture the immediate effects on industries most clearly affected by the COVID-19 pandemic. 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 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 process has identified under-estimation of the expected credit losses. Excluding the post-model adjustment related to the COVID-19 pandemic, the post-model adjustments decreased from 31 December 2019 to 31 March 2020 as part of the post-model adjustments at 31 December 2019 are now covered through the scenarios used at 31 March 2020 to reflect the worsening of the macroeconomic outlooks in Q1 2020.

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.

In December 2019 and January 2020, the Group entered into agreements to sell portfolios of loans of DKK 938 million of personal customers in Latvia and Lithuania. The transaction on the sale of the portfolio in Latvia settled in the first quarter of 2020, while the transaction on the sale of the portfolio in Lithuania is expected to settle in the second quarter of 2020. Further information can be found in note G9.

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

	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	5,318	321	367	6	42	211	5,312	279	155	3,341	175	-
Personal customers	725	110	49	1	11	8	724	99	41	724	94	-
Commercial customers	3,027	186	318	5	31	203	3,022	155	115	1,167	59	-
Public Institutions	1,566	24	-	-	-	-	1,566	24	-	1,450	23	-
Non-core conduits etc.	2,893	-	876	-	-	732	2,893	-	144	293	-	-
Total	**8,212**	**321**	**1,243**	**7**	**42**	**944**	**8,205**	**279**	**299**	**3,634**	**175**	**-**

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

31 December 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	6,247	308	320	10	55	157	6,236	253	163	3,284	105	35
Personal customers	976	24	4	3	17	-	973	7	3	25	-	1
Commercial customers	3,327	254	316	7	37	156	3,320	216	160	1,609	78	34
Public Institutions	1,944	30	-	-	-	-	1,944	30	-	1,650	26	-
Non-core conduits etc.	3,340	141	908	-	-	639	3,340	141	268	578	-	-
Total	**9,586**	**449**	**1,228**	**10**	**55**	**796**	**9,576**	**394**	**432**	**3,862**	**104**	**35**

Notes – Danske Bank Group

Credit exposure continued

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

	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	1,581	25	14	-	-	-	1,581	25	14	473	25	-
3	0.03	0.06	2,445	63	35	-	-	-	2,444	63	35	1,020	51	-
4	0.06	0.14	1,126	38	21	1	-	-	1,125	38	21	663	24	-
5	0.14	0.31	1,176	62	34	1	-	-	1,175	62	34	571	32	-
6	0.31	0.63	598	31	17	2	-	-	596	31	17	290	16	-
7	0.63	1.90	505	33	15	1	6	-	503	26	15	268	15	-
8	1.90	7.98	257	36	35	1	22	27	256	14	8	164	4	-
9	7.98	25.70	61	17	2	-	13	-	61	3	2	5	-	-
10	25.70	99.99	11	1	13	-	-	13	11	1	-	79	5	-
11 (default)	100.00	100.00	316	16	1,056	-	-	904	316	16	153	99	6	-
Total			**8,212**	**321**	**1,243**	**7**	**42**	**944**	**8,205**	**279**	**299**	**3,634**	**175**	**-**

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

31 December 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	1,793	26	17	-	-	-	1,793	26	17	639	26	14
3	0.03	0.06	2,773	60	39	-	-	-	2,773	60	39	1,333	49	14
4	0.06	0.14	1,670	39	26	1	-	-	1,669	39	26	683	-	-
5	0.14	0.31	1,279	52	34	2	-	-	1,277	52	34	475	13	6
6	0.31	0.63	743	28	18	3	-	-	740	28	18	143	1	-
7	0.63	1.90	482	29	17	3	6	5	479	23	12	113	2	-
8	1.90	7.98	215	35	2	2	30	-	212	4	2	131	-	-
9	7.98	25.70	66	21	2	-	18	-	66	3	2	44	2	1
10	25.70	99.99	50	146	7	-	-	3	50	146	4	-	-	-
11 (default)	100.00	100.00	379	15	1,067	-	-	788	379	15	278	300	11	-
Total			**9,586**	**449**	**1,228**	**10**	**55**	**796**	**9,576**	**394**	**432**	**3,862**	**104**	**35**

Notes – Danske Bank Group

Credit exposure continued

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	31 March 2020	31 December 2019
Counterparty credit risk		
Derivatives with positive fair value	448.7	294.0
Reverse transactions and other loans at fair value[1]	334.7	343.1
Credit exposure from other trading and investment securities		
Bonds	539.0	472.5
Shares	11.7	13.7
Other unutilised commitments[2]	0.2	0.3
Total	**1,334.3**	**1,123.6**

[1] Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of Corporates & Institutions. These loans consist of reverse transactions of DKK 333.8 billion (31 December 2019: DKK 342.0 billion), of which DKK 41.1 billion relates to credit institutions and central banks (31 December 2019: DKK 23.6 billion), and other primarily short-term loans of DKK 0.9 billion ((31 December 2019: DKK 1.1 billion), of which DKK 0.3 billion (31 December 2019: DKK 0 billion) relates to credit institutions and central banks.

[2] Other unutilised commitments comprise private equity investment commitments and other obligations.

Derivatives with positive fair value

(DKK millions)	31 March 2020	31 December 2019
Derivatives with positive fair value before netting	910,863	622,353
Netting (under accounting rules)	462,148	328,372
Carrying amount	448,715	293,980
Netting (under capital adequacy rules)	323,475	217,620
Net current exposure	125,240	76,361
Collateral	84,686	42,189
Net amount	**40,555**	**34,172**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	296,060	228,427
Currency contracts	148,644	64,374
Other contracts	4,011	1,178
Total	**448,715**	**293,980**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2020							
Held-for-trading (FVPL)	123,278	2,175	57,959	47,377	3,690	12,776	247,255
Managed at fair value (FVPL)	13,532	417	33,201	2,552	458	1,082	51,242
Held to collect and sell (FVOCI)	13,930	2,342	80,544	8,028	3,997	920	109,761
Held to collect (AMC)	36,353	1,143	84,486	6,838	1,702	187	130,709
Total	**187,093**	**6,077**	**256,190**	**64,796**	**9,847**	**14,965**	**538,967**
31 December 2019							
Held-for-trading (FVPL)	96,642	1,549	52,694	27,206	3,510	7,511	189,112
Managed at fair value (FVPL)	9,520	631	40,151	3,066	458	561	54,387
Held to collect and sell (FVOCI)	9,737	1,550	83,474	8,589	4,164	445	107,959
Held to collect (AMC)	36,972	854	73,847	7,211	2,021	187	121,092
Total	152,872	4,583	250,166	46,072	10,152	8,705	472,550

At 31 March 2020, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 206,062 million (31 December 2019: DKK 196,918 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk on the Annual Report 2019 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost as at 31 March 2020 and 31 December 2019.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2020							
Denmark	36,167	-	256,190	-	-	1,769	294,126
Sweden	28,105	-	-	64,796	1	5,368	98,270
UK	4,844	-	-	-	1,571	1,299	7,714
Norway	9,345	-	-	-	6,222	3,180	18,747
USA	20,402	1,027	-	-	-	9	21,438
Spain	7,672	-	-	-	1	5	7,678
France	11,826	-	-	-	201	19	12,046
Luxembourg	-	4,233	-	-	-	14	4,247
Finland	13,264	618	-	-	635	1,769	16,286
Ireland	9,917	-	-	-	4	38	9,959
Italy	6,501	-	-	-	-	7	6,508
Portugal	540	-	-	-	-	-	540
Austria	6,593	-	-	-	-	22	6,615
Netherlands	8,215	-	-	-	18	379	8,612
Germany	16,321	-	-	-	833	295	17,449
Belgium	7,381	5	-	-	6	-	7,392
Other	-	194	-	-	354	791	1,339
Total	**187,093**	**6,077**	**256,190**	**64,796**	**9,847**	**14,965**	**538,967**
31 December 2019							
Denmark	30,552	-	250,166	-	-	827	281,545
Sweden	24,040	1	-	46,072	-	2,415	72,528
UK	5,237	-	-	-	1,546	824	7,608
Norway	5,416	-	-	-	5,774	2,908	14,098
USA	21,213	1,105	-	-	-	12	22,330
Spain	7,396	-	-	-	1	4	7,401
France	10,176	-	-	-	384	22	10,582
Luxembourg	-	2,597	-	-	-	1	2,599
Finland	8,483	635	-	-	829	704	10,651
Ireland	7,978	-	-	-	4	6	7,989
Italy	5,334	-	-	-	-	7	5,341
Portugal	272	-	-	-	-	-	272
Austria	4,041	-	-	-	-	2	4,043
Netherlands	4,718	-	-	-	119	256	5,093
Germany	16,787	-	-	-	1,343	154	18,284
Belgium	1,228	-	-	-	6	5	1,239
Other	-	243	-	-	145	559	947
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2020							
AAA	117,088	5,694	256,074	64,793	8,925	1,089	453,663
AA+	12,975	88	-	-	230	3	13,296
AA	29,928	295	-	3	669	2,136	33,031
AA-	2,476	-	-	-	-	673	3,149
A+	-	-	-	-	-	589	589
A	11,075	-	77	-	5	4,337	15,494
A-	-	-	-	-	-	1,635	1,635
BBB+	6,513	-	-	-	-	1,373	7,886
BBB	807	-	39	-	-	2,088	2,934
BBB-	6,223	-	-	-	-	385	6,608
BB+	8	-	-	-	-	352	360
BB	-	-	-	-	-	176	176
BB-	-	-	-	-	-	15	15
Sub-inv. grade or unrated	-	-	-	-	19	113	132
Total	**187,093**	**6,077**	**256,190**	**64,796**	**9,847**	**14,965**	**538,967**
31 December 2019							
AAA	101,484	4,354	250,107	46,070	8,876	597	411,487
AA+	10,941	3	-	-	734	4	11,682
AA	18,235	225	-	3	531	1,133	20,127
AA-	1,224	-	-	-	-	437	1,661
A+	-	-	-	-	-	459	459
A	8,434	-	4	-	5	2,315	10,758
A-	-	-	15	-	-	1,228	1,243
BBB+	6,940	-	-	-	-	408	7,348
BBB	376	-	39	-	-	1,138	1,553
BBB-	5,224	-	-	-	-	321	5,545
BB+	7	-	-	-	-	285	292
BB	-	-	-	-	-	148	148
BB-	-	-	-	-	-	1	1
Sub-inv. grade or unrated	8	-	-	-	7	231	246
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

Notes – Danske Bank Group

Market risk

The notes on market risk provides an update on the 2019 Annual report where it has been assessed that an update is required as a result of the COVID-19 pandemic.

Trading-related market risk at Corporates & Institutions

The trading-related activities at Corporates & Institutions cover trading in fixed income products, derivatives, foreign exchange, money markets, debt capital markets and equities. Corporates & Institutions acts mainly as a market maker processing large client flows.

The table below shows the VaR for the trading-related activities at Corporates & Institutions.

Value-at-Risk for trading-related activities at C&I

	Q1 2020		2019	
(DKK millions)	Average	End of period	Average	End of year
Total	**26**	**43**	**26**	**26**

In the first quarter of 2020, the average trading-related market risk was unchanged at DKK 26 million compared to the average for 2019. However, the market risk increased to a medium level in March 2020 due to the market turmoil caused by the COVID-19 pandemic. The increase was primarily related to an increase in bond spread risk and interest rate risk.

Market risk in the banking book

The Group's total interest rate sensitivity in the banking book (economic value-based measure) measured as the change in the net present value of assets, liabilities and off-balance sheet items in the banking book subject to a parallel interest rate curve shift of +100bp and -100bp is shown in the table below. The net risk position decreased from DKK 2.7 billion as at 31 December 2019 to DKK 0.8 billion as at 31 March 2020. The decrease is primarily due to changes in the volume of floored deposits combined with model changes on the duration of certain demand deposits (net reducing the interest rate risk on liabilities) and increases in the average duration of the liquidity buffer bond portfolio (increasing the interest rate risk on assets).

Interest rate risk in the banking book (a parallel yield curve shift of 100 points)

	31 March 2020		31 December 2019	
At last business day (DKK millions)	+100bp	-100bp	+100bp	-100bp
Total	**2,086**	**-829**	**4,433**	**-2,681**

Earnings-at-Risk (EaR) is a regulatory measure that seeks to stress the net interest income under a number of different scenarios using defined parameters. Using a parallel downward yield curve shift of 1%, the Group's Earnings-at-Risk would be DKK 367 million lower than the base scenario as at 31 March 2020 (31 December 2019: DKK 6 million higher than a base scenario calculation).

The Group uses a credit spread risk in the banking book measure based upon a 10-day 99% VaR approach. Due to the volatility experienced during March, this measure increased to DKK 274 million as at 31 March (31 December 2019: DKK 99 million).

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first quarter 2020 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 31 March 2020 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2020 and ending on 31 March 2020. 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, 30 April 2020

Executive Leadership Team

Chris Vogelzang
CEO

Jacob Aarup-Andersen

Berit Behring

Stephan Engels

Carsten Rasch Egeriis

Jakob Groot

Glenn Söderholm

Philippe Vollot

Frans Woelders

Board of Directors

Karsten Dybvad
Chairman

Carol Sergeant
Vice Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Bente Avnung Landsnes

Lars-Erik Brenøe

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 31 March 2020, pp. 32-77 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 in 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 31 March 2020 have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies.

Emphasis of matter
We draw attention to note G1 to the consolidated interim financial statements which describes the uncertainty related to the financial impacts of COVID-19 on the measurement of the group's exposures.

We also draw attention to note G12 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 these matters in the consolidated interim financial statements, and accordingly our conclusion is not modified.

Copenhagen, 30 April 2020

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

TBD	Annual general meeting
17 July 2020	Interim report – first half 2020
4 November 2020	Interim report – first nine months 2020

Contacts

Stefan Engels Chief Financial Officer	+45 45 14 60 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.