

Interim report – first half 2020

Danske Bank Group



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Financial highlights – Danske Bank Group

Income statement (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Net interest income	10,989	10,890	101	5,510	5,479	101	5,371	103	21,877
Net fee income	7,311	7,058	104	3,638	3,673	99	3,488	104	15,201
Net trading income	2,300	2,602	88	2,009	291	-	1,016	198	5,441
Other income	280	1,783	16	117	163	72	1,657	7	2,463
Total income	20,880	22,333	93	11,274	9,606	117	11,532	98	44,982
Operating expenses	13,717	12,824	107	6,953	6,764	103	6,679	104	27,548
Impairment charges on goodwill	-	-	-	-	-	-	-	-	1,603
Profit before loan impairment charges	7,163	9,509	75	4,321	2,842	152	4,852	89	15,831
Loan impairment charges	5,269	470	-	1,018	4,251	24	113	-	1,516
Profit before tax, core	1,894	9,039	21	3,304	-1,409	-	4,739	70	14,315
Profit before tax, Non-core	-446	-270	-	-192	-254	-	18	-	-493
Profit before tax	1,449	8,769	17	3,112	-1,663	-	4,757	65	13,822
Tax*	413	1,749	24	787	-374	-	725	109	-1,249
Net profit	1,036	7,020	15	2,325	-1,289	-	4,031	58	15,072
Attributable to additional tier 1 etc.	316	390	81	121	195	62	197	61	786

*Q4 2019 includes net income of DKK 4.1 billion 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	42,550	97,773	44	42,550	99,277	43	97,773	44	81,941
Repo loans	336,669	314,609	107	336,669	336,609	100	314,609	107	346,708
Loans	1,822,545	1,808,656	101	1,822,545	1,781,846	102	1,808,656	101	1,821,309
Trading portfolio assets	655,578	534,030	123	655,578	706,541	93	534,030	123	495,313
Investment securities	298,758	265,507	113	298,758	292,797	102	265,507	113	284,873
Assets under insurance contracts	523,427	459,406	114	523,427	496,792	105	459,406	114	463,816
Total assets in Non-core	4,815	13,155	37	4,815	6,168	78	13,155	37	7,519
Other assets	377,261	285,274	132	377,261	287,661	131	285,274	132	259,571
Total assets	4,061,603	3,778,409	107	4,061,603	4,007,691	101	3,778,409	107	3,761,050
Due to credit institutions and central banks	94,876	127,528	74	94,876	96,839	98	127,528	74	98,828
Repo deposits	297,949	276,071	108	297,949	307,804	97	276,071	108	232,271
Deposits	1,092,735	931,646	117	1,092,735	995,249	110	931,646	117	962,865
Bonds issued by Realkredit Danmark	749,168	779,074	96	749,168	762,026	98	779,074	96	795,721
Other issued bonds	373,196	367,244	102	373,196	351,612	106	367,244	102	350,190
Trading portfolio liabilities	541,912	450,930	120	541,912	603,008	90	450,930	120	452,190
Liabilities under insurance contracts	560,512	503,148	111	560,512	534,025	105	503,148	111	504,714
Total liabilities in Non-core	2,712	5,145	53	2,712	2,492	109	5,145	53	2,501
Other liabilities	152,253	149,220	102	152,253	155,653	98	149,220	102	159,529
Subordinated debt	31,790	25,415	125	31,790	31,968	99	25,415	125	31,733
Additional tier 1	8,573	14,240	60	8,573	14,428	59	14,240	60	14,237
Shareholders' equity	155,927	148,748	105	155,927	152,587	102	148,748	105	156,271
Total liabilities and equity	4,061,603	3,778,409	107	4,061,603	4,007,691	101	3,778,409	107	3,761,050

Ratios and key figures

Dividend per share (DKK)	-	-	-	-	-	-	-	-	-
Earnings per share (DKK)	0.8	7.8		2.6	-1.7		4.5		16.7
Return on avg. shareholders' equity (% p.a.)	0.9	9.0		5.7	-3.8		10.5		9.6
Net interest income as % p.a. of loans and deposits	0.78	0.81		0.76	0.79		0.79		0.80
Cost/income ratio (%)	65.7	57.4		61.7	70.4		57.9		64.8
Total capital ratio (%)	22.1	21.2		22.1	22.3		21.2		22.7
Common equity tier 1 capital ratio (%)	17.6	16.6		17.6	17.6		16.6		17.3
Share price (end of period) (DKK)	88.3	103.8		88.3	76.9		103.8		107.8
Book value per share (DKK)	182.9	174.2		182.9	178.8		174.2		183.1
Full-time-equivalent staff (end of period)	22,191	21,462	103	22,191	22,032	101	21,462	103	22,006

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 27.

Executive summary

"In the second quarter of 2020, we saw a rebound in lending activity, which had a positive impact on net interest income. Furthermore, a normalisation of the financial markets led to a recovery in net trading income. Impairments were significantly lower than in the first quarter, and we expect to have booked most of the impairments needed for the full year. Expenses increased, due mainly to transformation costs and costs related to the continued strengthening and remediation of our compliance setup. However, we are seeing the first effects of our focus on bringing down underlying costs, and this remains a priority. To ensure adequate progress, we will take additional cost reduction measures, which unfortunately will have to include further staff reductions," says Chris Vogelzang, Chief Executive Officer, and he continues:

"We continued to make progress on our 2023 plan to become a better bank. We took important steps towards working in a fundamentally different and more agile way in key areas, optimising our customer journeys and industrialising our IT landscape. We also further streamlined our organisation and product portfolio across Banking Nordic. Our improvements in the compliance area are progressing well. In the quarters to come, we will continue to deliver across the initiatives that will help us become an even better bank for all our stakeholders."

The first half of 2020 was characterised by the lockdown of many societies from March to May that was caused by the outbreak of the coronavirus pandemic.

Towards the end of the period, we saw a gradual reopening of societies and steps towards normality, but in terms of real macroeconomic impact, visibility is still limited due to the large-scale government support still in place.

Macroeconomic indicators are mixed across the Nordic countries. Housing markets are stable, Danish consumer spending increased in May but dipped again in June, and unemployment levels are lower than previously expected but still significantly higher than at the beginning of the year. For now, the number of bankruptcies remains low, and we also saw financial markets return to a more normal activity level, with credit spreads narrowing and share indices rising. The vast majority of our commercial customers entered the crisis with solid capital and liquidity positions, and we also continue to see the significant government support helping businesses and their employees. As a result, the increase in demand for commercial and retail lending, which we anticipated at the end of the first quarter, has not materialised to the extent expected. Our business however, has proved resilient in this time of stress, and we will continue to offer a range of supportive measures to our customers to help them navigate the transition when the government support programmes are phased out.

Danske Bank posted a net profit of DKK 1.0 billion for the first half of 2020, against a net profit of DKK 7.0 billion for the same period in the year before, which, however, included a DKK 1.3 billion one-off gain from the sale of Danica Pension Sweden in the second quarter of 2019. For the second quarter of 2020, profit was DKK 2.3 billion, against 4.0 billion the year before. Half-year net profit was impacted by significant impairments, which were due primarily to our timely approach and adaptation to the macroeconomic and sector effects of the coronavirus pandemic as well as to the decline in oil prices. The turbulent financial markets also led to significantly lower net trading income, but towards the end of the period, we saw markets recover. The return on shareholders' equity was 0.9%, against 9.0% in the first half of 2019. For the second quarter of 2020 alone, the return on shareholders' equity was 5.7%, against 10.5% in the second quarter of 2019.

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

Better Bank update

Our journey towards becoming a better bank for all our stakeholders is moving forward. In the first half of 2020, we started an agile transformation project to change the way in which we work at Danske Bank, enabling us to respond better and faster to customers' changing expectations, ensuring a better and more digital customer experience as well as bringing down costs. The project will directly affect more than 4,000 employees across Danske Bank. We have also initiated significant investments in Banking Nordic to simplify our Nordic product offering, streamlining and aligning our portfolio across Norway, Sweden and Finland. This will make it even easier to become a customer at Danske Bank and for customers to do their everyday banking with us. We also continue to have high costs for regulatory compliance and financial crime prevention, as, among other things, we are digitalising our know-your-customer and ongoing-due-diligence processes.

However, despite our progress on the transformation, it is clear that we need to expedite our efforts, especially in terms of reducing costs. Underlying expenses reflect the efforts of our ongoing cost programme, but costs for compliance and the Estonia case remain elevated. We are committed to meeting our cost targets to make sure that we can continue to be competitive in a low-rate and low-margin environment. Hence, we will be introducing a number of cost reduction initiatives in the coming quarters.

Customer satisfaction among personal customers increased in all countries from the satisfaction levels at the end of 2019, except in Sweden where we saw a small nominal decrease but remained in third place. Among small businesses, customer satisfaction increased in Denmark and Sweden. Among medium-sized businesses, we rank number two in Finland, Norway and Sweden. Northern Ireland retains its first place among all types of customers. Among corporate customers, our commitment to our customers through the corona crisis resulted in our Corporates & Institutions unit being able to maintain its number one position in customer satisfaction, well ahead of peers. Our fixed income platform was awarded various top rankings,

rewarding both our products and our advisory capabilities. At Wealth Management, Danske Bank Asset Management improved its Nordic ranking from number two to number one among providers present in all Nordic markets, according to the latest Prospera survey.

We have not yet reached our target of being among the top two on customer satisfaction in all the markets we operate in, but we continue to work on meeting this ambition by improving our customer offerings and products.

Estonia

Our internal investigation into the non-resident portfolio at the now-closed Estonian branch is progressing as planned, and we still expect to finish our investigation in the fourth quarter of 2020. We continue to be in close dialogue with authorities in Denmark, the US, Estonia and France, however, we remain unable to estimate any potential outcome of these dialogues. This, as well as timing, remains uncertain.

Financials

In the first half of 2020, lending was flat from the level at the end of 2019. This was a combination of a decrease at Banking DK and increases at Banking Nordic and Corporates & Institutions as well as adverse currency effects. We saw a strong increase in requests for liquidity facilities from our commercial customers due to the economic uncertainty caused by the outbreak of the coronavirus pandemic but because the recovery and reopening of societies started in May and government support has remained in place, for the most part this did not translate into actual lending.

At Banking DK, lending was down 2% from the year-end 2019 level due to declining demand for credit among commercial customers and negative market value adjustments. From the first to the second quarter, lending in Denmark was flat, and we saw an increase in loan applications for holiday homes. Remortgaging activity continued in the first quarter of 2020 but came to a halt as interest rates started to rise towards the end of the first quarter.

At Banking Nordic, lending was flat from the level at the end of 2019 due to adverse currency effects. In local currency, we saw lending growth in all market areas. In the second quarter, lending at Banking Nordic increased 5%, driven primarily by lending at Banking Norway.

At Corporates & Institutions, lending increased 9% from the 2019 year-end level as we saw a significant increase in corporate customer demand for credit, especially short-term facilities.

In the first half of 2020, net interest income was up 1% from the level in 2019, driven by increased lending at Banking Nordic and Corporates & Institutions. We continue to see margin pressure across all markets and a shift in mortgage lending towards longer-term mortgages as well as continually high funding costs.

Net fee income was up 4% from the level in the first half of 2019. Excluding the negative one-off effect of the Flexinvest Fri compensation in 2019, net fee income was up 1%. This was driven by good customer activity at Corporates & Institutions and Banking Nordic as well as by a positive development at Danica Pension.

Net trading income in the first half stood at DKK 2.3 billion, a decline of 12% from the level in the first half of 2019. The decrease was, among other things, due to negative value adjustments of interest rate hedges at Other Activities. The turbulent financial markets in the first quarter of 2020 affected both our rates business at Corporates & Institutions and Danica Pension, but in the second quarter of 2020, the financial markets recovered, and trading income returned to a level significantly above the level in the second quarter of 2019.

Expenses were 7% higher in the first half of 2020 than in the same period in 2019. This was due mainly to costs related to our efforts to improve our compliance and anti-money laundering setup as well as costs relating to the Estonia case, but also to the planned costs for our transformation to become a better bank. We are beginning to see the first effects of our cost focus, as underlying costs have flattened somewhat. It is clear, however, that we need to do even more. We have to expedite our efforts in a situation where the uncertainty about macroeconomic developments makes it more difficult to grow our income.

We saw impairment charges of DKK 5.3 billion in the first half of 2020, of which DKK 4.3 billion were recognised in the first quarter. The impairments related mainly to model adjustments caused by the change in macroeconomic forecasts and to the significant decline in oil prices. In the second quarter of 2020, we saw impairments mainly against our oil-related exposures. Updated macroeconomic scenarios, however, caused a minor reversal, mainly at Banking DK, in the second quarter. Our credit quality remains strong, and we expect to have taken most of the impairments needed for the full year.

Outlook for 2020

The outlook has been updated. However, net profit guidance is unchanged.

As uncertainty as a result of the impact of the corona crisis 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.

We 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 at around the same level as in 2019, as margin pressure and higher funding costs will offset continued volume growth.

Net fee income is expected to be lower than 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 transformation costs and costs for continued compliance remediation.

Loan impairment charges are expected to be significantly higher due to the impact of the coronavirus pandemic on the economic outlook, with most impairments recognised already in the first half 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

First half 2020 vs first half 2019

The Group delivered a profit before tax from core activities of DKK 1.9 billion (H1 2019: DKK 9.0 billion). The result was affected by the lockdown of societies following the outbreak of the coronavirus pandemic and the subsequent reopening of societies in the first half of 2020. The decrease in profit was due primarily to a significant increase in loan impairment charges to DKK 5.3 billion (H1 2019: DKK 0.5 billion), of which DKK 3.4 billion related to single-name exposures. Also affecting profit before tax was an increase in operating expenses of DKK 0.9 billion.

Total income decreased DKK 1.5 billion. In the first half of 2020, total income was affected by a decline in net trading income, which was partly offset by increases in net fee income and net interest income. In the first half of 2019, total income benefited from the DKK 1.3 billion gain from the sale of Danica Pension Sweden.

Income

Net interest income amounted to DKK 11.0 billion (H1 2019: DKK 10.9 billion), an increase of 1%. Net interest income increased due to higher lending and deposit volumes as well as higher deposit margins. Net interest income further benefited from the structural FX hedge position. The positive development was partly offset by adverse exchange rate developments, higher funding costs and lower lending margins.

Net fee income amounted to DKK 7.3 billion (H1 2019: DKK 7.1 billion). The increase of 4% was due primarily to increases in net fee income at Banking DK and Corporates & Institutions. At Corporates & Institutions, net fee income increased due to higher activity, mainly in Equities and Debt Capital Markets. At Banking DK, net fee income benefited from strong remortgaging activity and additional performance fees in the first quarter of 2020. Further, net fee income in the first half of 2019 was affected by the compensation in relation to the Flexinvest Fri product.

Net trading income amounted to DKK 2.3 billion (H1 2019: DKK 2.6 billion). The decrease of 12% was due primarily to developments relating to Other Activities, mainly negative value adjustments of hedges. Corporates & Institutions had a partly offsetting effect due to an increase in net trading income in FIC.

Other income amounted to DKK 0.3 billion (H1 2019: DKK 1.8 billion). Other income in first half of 2019 benefited from the DKK 1.3 billion gain from the sale of Danica Pension Sweden.

Expenses

Operating expenses amounted to DKK 13.7 billion (H1 2019: DKK 12.8 billion). The increase of 7% was due primarily to transformation costs, costs for financial crime prevention, costs for the Estonia case and costs for the strengthening of our compliance and regulatory setup.

Loan impairments

Loan impairments amounted to DKK 5.3 billion (H1 2019: DKK 0.5 billion). Loan impairments are based on the use of timely estimates of the effect of the corona crisis in the impairment model, affecting both individual customers and the macroeconomic outlook for the coming years. The impairments include charges made to reflect significant credit deterioration in the oil and gas industry. Despite a more negative macroeconomic outlook in the first half of 2020, overall, credit quality remains strong.

In the first half of 2020, macroeconomic scenarios were updated, both in the first and second quarters of 2020. In total, the update led to an additional impairment charge of DKK 1.2 billion, which is expected to take into account the macroeconomic effects of the corona crisis. In addition, specific adjustments for industries highly affected by the corona crisis amounted to DKK 0.7 billion in the first half of 2020.

Impairments due to a deterioration of the creditworthiness of specific customers amounted to DKK 3.4 billion. This related mainly to the oil and gas industry at Corporates & Institutions, mostly in Norway, due to continued uncertainty about the offshore segment. Some credit deterioration is also seen in the retailing industry. Additional impairments against exposures to highly affected industries remain limited.

Due to timely updates to forward-looking estimates in the first half of 2020, the allowance account continues to include significant impairments to reflect upcoming credit deterioration. Impairments are therefore expected to be significantly lower in the second half of 2020, assuming no further deterioration in macroeconomic assumptions.

Impact of the corona crisis

The corona crisis and the related uncertainty have resulted in an increase in loan impairment charges.

Impairment charges have increased due to an update of the macroeconomic scenarios in the IFRS 9 impairment model. Overall, the scenarios take into account the current uncertainty in the markets as well as the effects of government support packages. The IFRS 9 impairment model uses the macroeconomic outlook as disclosed in the Group's Nordic Outlook reports as the base scenario, reflecting a contraction in the economy with low consumer and business confidence as well as a drop in GDP in 2020 with a recovery already in 2021. A downside scenario is introduced with a likelihood of 20% to reflect a decline in economic activity that is steeper than during the most recent global financial crisis, with unemployment peaking and property prices dropping significantly in 2021, followed by a recovery. The changes made to the outlook during the first half of 2020 therefore result 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 corona crisis.

Overall, loan impairments for the first half of 2020 were thus driven by charges against single-name exposures, mainly in the oil and gas industry, updates of the macroeconomic scenarios and post-model adjustments. All in all, this led to an increase in the allowance account of DKK 4.4 billion in the first half of 2020. Further details are given in the credit exposure disclosures in the financial statements.

In the first half of 2020, extensive changes to forward-looking estimates were made and are expected to capture most of the downside from macroeconomic deterioration of the affected portfolios in the remainder of 2020.

Corporates & Institutions saw loan impairments primarily against single-name exposures, mainly in the oil and gas industry and the retailing industry. This reflects the decline in oil prices and led to a deteriorating outlook for non-performing loans with ongoing restructuring. Banking Nordic saw increased impairments following the changed macroeconomic scenarios, with impairments made against single-name exposures. Banking DK was impacted primarily by the changed macroeconomic scenarios in the IFRS 9 impairment model, however limited credit deterioration has been observed.

Loan impairment charges

(DKK millions)	First half 2020		First half 2019	
	Charges	% of net credit exposure*	Charges	% of net credit exposure*
Banking DK	609	0.13	27	0.01
Banking Nordic	1,107	0.35	-87	-0.03
C&I	3,270	2.74	520	0.44
Northern Ireland	252	0.93	14	0.06
Other Activities	30	1.07	-5	-0.14
Total	5,269	0.56	470	0.05

* Relating to lending activities in core segments.

Q2 2020 vs Q1 2020

The Group delivered a profit before tax of DKK 3.1 billion (Q1 2020: a loss of DKK 1.7 billion). The increase was due to a decline in the level of loan impairment charges and an increase in net trading income due to the stabilisation in the financial markets.

Net interest income amounted to DKK 5.5 billion. The increase of 1% was due to higher deposit margins and higher deposit and lending volumes. The positive effects were partly offset by lower lending margins.

Net fee income amounted to DKK 3.6 billion, a decrease of 1%. The decrease in net fee income was due to decreases in the banking units, which were partly offset by an increase in net fee income at Wealth Management, Danica Pension, due primarily to income related to products with investment guarantees.

Net trading income amounted to DKK 2.0 billion (Q1 2020: DKK 0.3 billion). The increase was due to higher income from the rates business and an increase in value adjustment of the derivatives portfolio at Corporates & Institutions. Net trading income also increased at Wealth Management, primarily at Danica Pension, due to a better investment result in the health and accident business.

Operating expenses amounted to DKK 7.0 billion, an increase of 3%. The increase was driven by costs for financial crime prevention, costs for the Estonia case and costs for the strengthening of our compliance and regulatory setup.

Loan impairments amounted to DKK 1.0 billion (Q1 2020: DKK 4.3 billion). Impairments due to a deterioration of the creditworthiness of specific customers amounted to DKK 1.3 billion. This was driven primarily by the oil and gas industry at Corporates & Institutions, mostly in Norway. Overall, credit quality remains strong. An update of the macroeconomic scenarios led to a reversal of DKK 0.5 billion. In addition, post-model adjustments against sectors severely affected by the corona crisis led to an impairment charge of DKK 0.2 billion in the second quarter.

Balance sheet

Lending (end of period) (DKK billions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Full year 2019	Index 20/FY19
Banking DK	926.0	945.5	98	926.0	927.0	100	943.7	98
Banking Nordic	637.2	630.9	101	637.2	606.8	105	635.0	100
Corporates & Institutions	227.5	203.0	112	227.5	216.5	105	209.1	109
Wealth Management	0.1	0.2	50	0.1	0.1	100	0.1	100
Northern Ireland	51.1	50.2	102	51.1	51.2	100	54.3	94
Other Activities incl. eliminations	3.2	-3.8	-	3.2	2.2	145	-3.0	-
Allowance account, lending	22.5	17.3	130	22.5	22.1	102	18.0	125
Total lending	1,822.5	1,808.7	101	1,822.5	1,781.8	102	1,821.3	100

Deposits (end of period) (DKK billions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Full year 2019	Index 20/FY19
Banking DK	386.0	346.5	111	386.0	363.5	106	358.0	108
Banking Nordic	298.1	263.0	113	298.1	269.8	110	270.5	110
Corporates & Institutions	341.2	270.5	126	341.2	301.4	113	270.7	126
Wealth Management	-	0.2	-	-	0.2	-	0.2	-
Northern Ireland	75.5	64.1	118	75.5	70.1	108	70.9	106
Other Activities incl. eliminations	-8.1	-12.6	-	-8.1	-9.7	-	-7.4	-
Total deposits	1,092.7	931.6	117	1,092.7	995.2	110	962.9	113

Covered bonds (DKK billions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Full year 2019	Index 20/FY19
Bonds issued by Realkredit Danmark	749.2	779.1	96	749.2	762.0	98	795.7	94
Own holdings of bonds	53.9	27.8	194	53.9	33.2	162	9.7	-
Total Realkredit Danmark bonds	803.1	806.9	100	803.1	795.2	101	805.4	100
Other covered bonds issued	181.6	196.3	93	181.6	173.8	104	176.5	103
Own holdings of bonds	85.2	58.6	145	85.2	89.3	95	61.9	138
Total other covered bonds	266.8	254.9	105	266.8	263.1	101	238.4	112
Total deposits and issued mortgage bonds etc.	2,162.7	1,993.4	108	2,162.7	2,053.5	105	2,006.7	108
Lending as % of deposits and issued mortgage bonds etc.	84.3	90.7	-	84.3	86.8	105	90.8	-

End of June 2020 vs end of December 2019

Lending

Total lending was maintained at the same level in spite of the movements in lending at business unit level and the increasing allowance account. The increases in lending at Corporates & Institutions more than offset the decrease in lending at Banking DK. At Corporates & Institutions, lending increased due to an increase in demand for credit from corporate customers. At Banking DK, lending decreased due to a decline in the demand for credit from commercial customers and for mortgage credit finance.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 43.2 billion. Lending to retail customers accounted for DKK 11.3 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased 0.4 percentage points due to a decreasing market share in the mortgage credit market. In Norway, Sweden and Finland, our market shares increased.

Market shares of lending (%)	31 May 2020	31 December 2019
Denmark incl. RD (excl. repo)	25.8	26.2
Finland	10.0	9.6
Sweden (excl. repo)	5.8	5.5
Norway	6.5	6.1

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

Deposits

The increase in total deposits of 13% was due to an increase at Corporates & Institutions, General Banking, due to customers bolstering their liquidity in the wake of the outbreak of the coronavirus pandemic.

Our market share of deposits generally increased. In Norway, the increase of 1.2 percentage points related primarily to

deposits from corporates and the public sector. The Group maintained its strong funding position.

Market shares of deposits (%)	31 May 2020	31 December 2019
Denmark (excl. repo)	29.7	28.9
Finland	11.6	10.7
Sweden (excl. repo)	4.9	4.3
Norway	7.6	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 2,596 billion (end 2019: DKK 2,444 billion), driven by an increase in loan commitments at Corporates & Institutions. Demand deposits with central banks and due from credit institutions and central banks increased DKK 83 billion from the level at the end of 2019.

Risk Management 2019, section 3, which is available at [danskebank.com/ir](https://www.danskebank.com/ir), provides details on Danske Bank's credit risks.

Credit quality

Credit quality remained strong in most segments in the first half of 2020. The effects of the corona crisis are expected to materialise in the coming quarters, and apart from existing portfolios that are challenged, the rate of new non-performing loans was therefore limited in the first half of 2020. Total net non-performing loans (NPL) decreased DKK 1.5 billion from the end of 2019. The decrease was due to a single-name exposure in the capital goods industry at Corporates & Institutions, with the effect being partly offset by an increase in NPL related to single-name exposures in the transportation, retailing and consumer goods industries.

Given the current economic conditions, the increase in gross NPL of 3% during the first half of 2020 was very limited. At the same time, the NPL coverage ratio increased significantly to 89% from 78% at the end of 2019. The increase in the coverage ratio was driven primarily by the recognition of higher expected credit losses (ECL) on customers in the oil and gas industry.

The risk management notes on pp. 61-76 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 June 2020	31 Dec. 2019
Gross NPL	35,698	34,713
NPL allowance account	15,859	13,367
Net NPL	19,838	21,346
Collateral (after haircut)	17,845	17,479
NPL coverage ratio (%)	88.8	77.6
NPL coverage ratio of which is in default (%)	99.8	73.6
NPL as a percentage of total gross exposure (%)	1.4	1.4

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

Accumulated impairments increased to 1.3% (end 2019: 1.1%) of lending and guarantees due to impairment charges against single-name exposures, mainly in the oil and gas industry, updates of the macroeconomic scenarios and post-model adjustments.

Allowance account by business units (DKK millions)	30 June 2020		31 Dec. 2019	
	Accum. impairm. charges	% of net credit exposure ¹	Accum. impairm. charges	% of net credit exposure ¹
Banking DK	11,749	1.22	11,662	1.21
Banking Nordic	5,301	0.83	4,333	0.68
C&I	6,862	2.93	3,718	1.61
Northern Ireland	915	1.71	730	1.37
Other	38	0.06	8	0.01
Total	24,866	1.31	20,451	1.08

¹ Relating to lending activities in core segments.

Trading and investment activities

Credit exposure from trading and investment activities increased to DKK 1,289 billion (end 2019: DKK 1,124 billion) due to an increase in bond holdings and in the positive market values of derivatives.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 100.0 billion (end 2019: DKK 76.4 billion). The increase was due to pressure on market rates in relation to the corona crisis and a weaker Norwegian krone.

The value of the bond portfolio was DKK 557 billion. Of the total bond portfolio, 77% was recognised at fair value and 23% at amortised cost.

Bond portfolio (%)	30 June 2020	31 December 2019
Government bonds and bonds guaranteed by central or local governments	38	32
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	43	53
Swedish covered bonds	14	10
Other covered bonds	2	2
Corporate bonds	2	2
Total holdings	100	100
Bonds at amortised cost included in total holdings	23	26

The financial highlights on page 3 provide information about the balance sheet.

Trading portfolio assets and trading portfolio liabilities increased to net assets of DKK 113.7 billion (end 2019: net assets of DKK 43.1 billion). The increase was due to an increase in bond holdings.

Other balance sheet items

Assets under insurance contracts and Liabilities under insurance contracts increased DKK 59.6 billion and DKK 55.8 billion, respectively, from the end of 2019, primarily as a result of an increase in the market value of derivatives.

Implications of the corona crisis for capital

The corona crisis had significant implications for the Group's capital position at the end of June 2020. In order to support the initiatives aimed at minimising the economic consequences of the coronavirus pandemic, no dividends were paid for 2019 – effectively increasing regulatory capital by DKK 7.3 billion at the end of June 2020.

The Group's excess capital level was further supported by the release of the national countercyclical buffer rates in core markets during March 2020, leading to a 1.1% percentage point decrease in the Group's combined buffer requirement.

Capital ratios

The 0.3 percentage point increase in the CET1 capital ratio during the first half of 2020 was largely driven by the cancellation of dividends for 2019 and further supported by the realised net profit and changes to the IFRS9 transitional arrangements. A higher level of REA, however, slightly dampened the effect of the increase in CET1 capital. The total capital ratio was further affected by the redemption of additional tier 1 (AT1) capital instruments in April 2020, resulting in a 0.6 percentage point decrease in the total capital ratio.

During the first half of 2020, the total REA rose approximately DKK 18 billion, due mainly to increased REAs for counterparty credit and market risks. Counterparty credit risk was driven mainly by exposure increases, while high volatility in the financial markets led to the increase in market risk. Despite increased exposure, credit risk REA decreased slightly due mainly to the effect of the legislative package adopted by EU co-legislators in June 2020.

At the end of June 2020, the Group's leverage ratio was 4.4% under both the transitional rules and 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 June 2020, the Group's solvency need ratio was 12.5%. The solvency need still includes the DKK 10 billion CET1 requirement as a consequence of the orders issued by the Danish FSA in 2018 in relation to the Estonia case.

A combined buffer requirement applies in addition to the solvency need ratio. At the end of June 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 corona crisis. 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 decreased 1.1 percentage points to 0.1%.

Capital ratios and requirements

(% of the total REA)	30 June 2020	Fully phased-in*
Capital ratios		
CET 1 capital ratio	17.6	17.3
Total capital ratio	22.1	21.9
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	18.1	18.1
Excess capital		
CET 1 capital	4.3	4.1
Total capital	4.0	3.7

* 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](https://www.danskebank.com/ir).

Minimum requirement for own funds and eligible liabilities

The requirement is set as two times the total capital requirement, but includes the institution-specific countercyclical buffer only once. At the end of June 2020, the requirement was equivalent to DKK 258 billion. Taking the deduction of capital and debt buffer requirements in Realkredit Danmark into account, the MREL-eligible liabilities amounted to DKK 272 billion.

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.

On 1 May 2020, the Danish FSA announced a reduction in the minimum amount of subordinated debt required to meet the MREL requirement. By doing so, the subordination requirement for Danish SIFIs is effectively equivalent to the maximum subordination cap according to the revised Bank Recovery and Resolution Directive (BRRD2) without applying the gradual transition to 2024.

At the end of June 2020, the subordination requirement was equivalent to DKK 202 billion. The subordinated MREL-eligible liabilities stood at DKK 226 billion.

Capital targets

The Group's capital targets are unchanged from the increased levels set by the Board of Directors in 2019. 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 support the initiatives aimed at minimising the economic consequences of the coronavirus pandemic, on 20 April 2020, the Board of Directors proposed to the general meeting that no dividends be paid for 2019. The proposal was adopted at the annual general meeting on 9 June 2020.

The decision for no dividend payments in 2020 does not change the Group's general dividend ambition, which is still to pay out 40-60% of its net profit.

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 corona crisis is clear.

Credit ratings

Moody's and S&P both affirmed their ratings and outlook for Danske Bank on 19 June and 2 July, respectively, incorporating their assessments of the impact of the corona crisis.

On 19 June, Fitch removed its ratings from Rating Watch Negative and affirmed its ratings of Danske Bank. At the same time, Fitch assigned a Negative outlook to Danske Bank's 'A' issuer rating. The Negative outlook reflects the economic uncertainties relating to the fallout from the corona crisis and the financial uncertainties relating to the Estonia case.

With regard to Realkredit Danmark, Fitch affirmed its rating and revised its outlook to Stable from Negative. The change in outlook reflects the view of the agency that the strength of the capital position more than offsets medium-term concerns about asset quality and earnings.

Danske Bank's credit ratings 30 June 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	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 and, as of 30 April, 'AAA' by Nordic Credit Rating.

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.

ESG rating agency	Score at 30 June 2020	Score at 31 Dec 2019
CDP Worldwide, UK	C	C
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

Unlike credit ratings, 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 corona crisis continued to impact the market for credit in the second quarter of 2020. The monetary easing of central banks and the fiscal responses by governments improved market sentiment, but market conditions remained volatile.

Changes to the MREL framework in May implemented a new subordination cap and meant that a part of the MREL need can be covered by preferred senior debt. Going forward, the Group expects to cover the MREL need with new issues of both preferred senior debt and non-preferred senior debt.

During the first half of 2020, the Group issued non-preferred senior bonds of DKK 10.1 billion, senior debt of DKK 18.5 billion and covered bonds of DKK 26.9 billion, bringing total long-term wholesale funding to DKK 55.5 billion.

In addition, we exchanged part of two non-preferred notes issued in 2019 with new notes, a USD 419 million note and a EUR 379 million note, respectively, with a call-date on the original maturity date in 2022. We expect the new notes to be eligible for the MREL until the call date in 2022.

Issuance during the first half of 2020 implies that we are already well advanced in meeting our 2020 funding requirement of DKK 70-90 billion. We remain dedicated to our strategy of securing more funding directly in our main lending currencies, including in 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 half of 2020, our liquidity coverage ratio stood at 156%, (31 December 2019: 140%) with an LCR reserve of DKK 596 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 30 June 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 384 billion (31 December 2019: DKK 370 billion).

Danske Bank excluding Realkredit Danmark (DKK billions)	30 June 2020	31 December 2019
Covered bonds	181.6	176.5
Preferred senior bonds	75.4	75.3
Non-preferred senior bonds	95.5	86.9
Subordinated debt	31.5	31.6
Total	384.1	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 June 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 corona crisis, the BCBS has delayed the implementation of the Basel IV standards from 2022 to 2023. This will also delay the process for implementation of the standards in the EU, and the EU Commission is now expected to publish a legislative proposal in the fourth quarter of 2020.

In response to the corona crisis, a legislative package with targeted legislative changes and selected changes to application timing was agreed and adopted by the EU co-legislators in June 2020. The most significant changes were to prolong the IFRS 9 transitional arrangement, increasing the Group's CET1 capital by around DKK 0.4 billion, and to move forward the application date of the CRR2 SME discount factor, which will reduce the Group's REA by around DKK 17 billion at 30 June 2020.

In accordance with the European Banking Authority's (EBA) roadmap to enhance internal models used to calculate credit risk, Danske Bank has started to implement the revised set of EBA guidelines and technical standards, and this will impact the Group REA from the second half of 2020. We expect the implementation to increase the REA by around 3% in 2020, with further increases in 2021.

Changes to the Board of Directors and the Executive Leadership Team

On 18 May 2020, Jacob Aarup-Andersen, member of the Executive Leadership Team and Head of Banking DK, resigned and left his position at Danske Bank.

Danske Bank's Annual General Meeting was held on 9 June 2020. Martin Blessing and Raija-Leena Hankonen were elected to the Board of Directors. Lars-Erik Brenøe, Karsten Dybvad, Bente Avnung Landsnes, Jan Thorsgaard Nielsen, Christian Sagild, Carol Sergeant and Gerrit Zalm were re-elected.

Banking DK

Banking DK posted a profit before tax of DKK 2.0 billion, a decrease of 36% from the first half of 2019. The result reflects a combination of increased loan impairment charges on the back of the coronavirus pandemic, continued margin pressure, and increasing costs for compliance and financial crime prevention. Despite margin pressure, income ended almost on par with income in the first half of 2019 due to strong retail customer remortgaging activity and higher investment fee income from private wealth management at the beginning of the year.

Banking DK (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Net interest income	4,481	4,629	97	2,277	2,203	103	2,283	100	9,111
Net fee income	2,116	1,952	108	937	1,179	79	941	100	4,397
Net trading income	542	570	95	213	329	65	257	83	1,176
Other income	86	115	75	40	45	89	60	67	227
Total income	7,224	7,266	99	3,468	3,756	92	3,542	98	14,912
Operating expenses	4,645	4,144	112	2,457	2,187	112	2,120	116	8,736
Profit before loan impairment charges	2,579	3,123	83	1,010	1,569	64	1,421	71	6,176
Loan impairment charges	609	27	-	-337	945	-	-177	-	-342
Profit before tax	1,971	3,095	64	1,347	624	216	1,598	84	6,518
Loans, excluding reverse transactions before impairments	925,992	945,519	98	925,992	927,025	100	945,519	98	943,723
Allowance account, loans	10,313	10,806	95	10,313	11,011	94	10,806	95	10,235
Deposits, excluding repo deposits	385,981	346,474	111	385,981	363,514	106	346,474	111	357,967
Covered bonds issued*	800,478	802,185	100	800,478	793,044	101	802,185	100	804,130
Allowance account, guarantees	1,426	1,588	90	1,426	1,452	98	1,588	90	1,425
Allocated capital (average)	38,394	36,488	105	38,417	38,370	100	36,544	105	36,430
Net interest income as % p.a. of loans and deposits	0.70	0.73		0.71	0.69		0.72		0.72
Profit before tax as % p.a. of allocated capital (avg.)	10.3	17.0		14.0	6.5		17.5		17.9
Cost/income ratio (%)	64.3	57.0		70.8	58.2		59.9		58.6
Full-time-equivalent staff	4,798	4,374	110	4,798	4,792	100	4,374	110	4,588

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

Fact Book Q2 2020 provides financial highlights at customer type level for Banking DK. Fact Book Q2 2020 is available at danskebank.com/ir.

First half 2020 vs first half 2019

Since mid-March, the corona crisis has heavily affected the Danish society, households and businesses. Banking DK launched a range of initiatives to assist our customers in the best possible way and mitigate the effects of this extraordinary situation. The lockdown also meant that the dialogue with customers switched exclusively to digital channels. The transition ran smoothly, and the vast majority of customers embraced the advantages of digital communication.

Customer activity

The outbreak of the coronavirus pandemic led to extraordinarily high business activity at Banking DK, especially in the commercial segment, and we reached out proactively to thousands of customers to offer advice on business planning and on how to protect their businesses.

During the period, we made approximately DKK 26 billion worth of liquidity available to our customers, but as the recovery and reopening of societies started in May and government support remained in place, this did not translate into actual borrowing for most of our customers.

In the weeks following the outbreak, many retail customers contacted us for help to postpone repayment of debt or to

obtain credit to pay bills because of income loss etc. Most recently, we have introduced an interest- and fee-free holiday funds loan secured on the later disbursement by the Danish government of withheld holiday pay. The loan has been well received by our customers.

Lending decreased 2% due to declining demand for credit among commercial customers owing to substantial support packages from the Danish government, including tax postponement schemes and salary compensation, as well as low customer investment appetite related to the uncertainty in the market.

Since mid-March, overall demand for mortgage finance has declined. However, applications for loans for holiday homes increased following the decline in international travel. The decrease in lending also reflected negative market value adjustments that adversely affected our mortgage portfolio.

During the period, deposit levels increased. To offset the cost effect of holding deposits on net interest income, we introduced negative interest rates for retail customers above specific thresholds on 1 June 2020.

Financial results

In the first half of 2020, Banking DK posted a profit before tax of DKK 2.0 billion. The result was due to a combination of a significant increase in loan impairments related to the corona crisis and increased costs. Income was almost on par with the level in the first half of 2019.

Net interest income decreased due to the continuously low interest rate environment continuing at the beginning of 2020, and we saw customers switching to lower-margin products. The decrease was partly offset by increasing CIBOR rates following the Danish central bank's rate hike on 19 March and adjusted deposit rates for commercial customers. The effect of the negative deposit rates introduced for retail customers in June was minimal.

Net fee income benefited from high remortgaging activity in the first two months of the year and additional investment fees. On the negative side, we saw remortgaging activity come to a halt mid-March, and by comparison with the second quarter of 2019, when remortgaging activity was very high, this had a negative impact on fees. The corona crisis also led to lower demand for foreign currency given the strict travel restrictions, a decline in card use due to limited retail opening hours, few transactions at our branches and not least a low number of property sales, which adversely affected fee income. Excluding the compensation to certain Flexinvest Fri customers in the second quarter of 2019, the development in net fee income was flat.

Operating expenses rose 12% from the level in the first half of 2019. The increase was due mainly to continued costs for regulatory compliance and financial crime prevention. Investments in the Better Bank transformation and digitalisation also added to costs. However, a strong focus on cost savings kept underlying costs flat during the period.

Net loan impairment charges for the period of DKK 609 million reflect the revised outlook for the portfolio caused by updated model expectations in the wake of the outbreak of the coronavirus pandemic. In the first quarter, we saw significant impairments followed by a reversal in the second quarter as the macroeconomic scenarios were updated to reflect actual data on, for example, house prices and unemployment.

Credit quality

Overall credit quality remained strong despite the corona crisis. The situation had a negative effect on especially the commercial portfolio, as reflected in negative rating migrations. The effects on the retail customer portfolio were more modest. We have not yet seen an increase in actual losses, but we expect some of the model-related impairments that have already been recognised to materialise at individual customer level once the government support packages expire.

Credit quality at Realkredit Danmark remained solid in first half of 2020 despite a negative effect following the outbreak of the pandemic.

The average retail loan-to-value (LTV) level decreased 0.5 percentage points over the period.

Loan-to-value ratio, home loans	30 June 2020		31 Dec. 2019	
	Average	Net credit	Average	Net credit
	LTV (%)	exposure (DKK bn)	LTV (%)	exposure (DKK bn)
Retail	60.1	505	60.6	508
Total	60.1	505	60.6	508

Credit exposure

The decrease in credit exposure was driven mainly by the commercial portfolio and primarily reflects lower exposure to the Danish central bank.

(DKK millions)	Net credit exposure		Impairments (ann.) [%]
	30 June 2020	31 Dec. 2019	30 June 2020
Retail	563,877	567,125	0.05%
Commercial	448,669	486,987	0.24%
Total	1,012,545	1,054,111	0.13%

Q2 2020 vs Q1 2020

Profit before tax increased 116% to DKK 1.3 billion. This was due to a reversal of loan impairments in the second quarter. The reversals more than offset the 8% decline in total income.

Net interest income increased slightly following rising CIBOR rates that benefited deposits and adjusted deposit rates for commercial customers.

Net fee income fell as a result of the corona crisis, resulting in low demand for foreign currency, a decline in card use and a low number of property sales.

Operating expenses increased 12% due to costs for regulatory compliance and financial crime prevention as well as investments in the Better Bank transformation and digitalisation.

The second quarter of 2020 saw net loan impairment reversals of DKK 337 million, against a charge of DKK 945 million in the first quarter of 2020. The reversal reflects an update of the macroeconomic scenarios and a more positive view on future housing prices, the effect of which was partly offset by an increase in impairments from post-model adjustments.

Banking Nordic

In the first half of 2020, Banking Nordic posted a profit before tax of DKK 1.1 billion, a decline of 54% from the first half of 2019. This was due to the significant increase in loan impairments of DKK 1.2 billion that resulted from the corona crisis. Profit before loan impairment charges decreased 2% from the level in the first half of 2019. The decrease was the result of increased costs for compliance and transformation. The underlying business costs declined, not least due to restructuring programmes at the beginning of the year.

Banking Nordic (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Net interest income	4,047	3,888	104	2,048	1,999	102	1,930	106	7,839
Net fee income	928	908	102	451	477	95	445	101	1,857
Net trading income	120	147	82	53	67	79	77	69	280
Other income	277	322	86	128	149	86	168	76	592
Total income	5,372	5,266	102	2,680	2,692	100	2,619	102	10,567
Operating expenses	3,188	3,032	105	1,651	1,537	107	1,513	109	6,269
Profit before loan impairment charges	2,184	2,234	98	1,029	1,155	89	1,106	93	4,298
Loan impairment charges	1,107	-87	-	155	952	16	-37	-	510
Profit before tax	1,077	2,321	46	874	203	-	1,143	76	3,788
Loans, excluding reverse transactions before impairments	637,185	630,851	101	637,185	606,799	105	630,851	101	634,974
Allowance account, loans	4,838	3,502	138	4,838	4,554	106	3,502	138	3,880
Deposits, excluding repo deposits	298,108	262,989	113	298,108	269,789	110	262,989	113	270,522
Covered bonds issued*	252,190	242,367	104	252,190	248,096	102	242,367	104	223,604
Allowance account, guarantees	463	383	121	463	476	97	383	121	451
Allocated capital (average)	36,899	34,324	108	36,729	37,070	99	34,521	106	34,371
Net interest income as % p.a. of loans and deposits	0.90	0.89		0.90	0.90		0.88		0.89
Profit before tax as % p.a. of allocated capital (avg.)	5.8	13.5		9.5	2.2		13.2		11.0
Cost/income ratio (%)	59.3	57.6		61.6	57.1		57.8		59.3
Full-time-equivalent staff	2,467	2,750	90	2,467	2,509	98	2,750	90	2,599

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

Fact Book Q2 2020 provides financial highlights at customer level for Banking Nordic. Fact Book Q2 2020 is available at [danskebank.com/ir](https://www.danskebank.com/ir).

First half 2020 vs first half 2019

In the first half of 2020, Banking Nordic's markets were hit by the corona crisis, as significant turmoil arose on the global markets and businesses and societies were impacted by the lockdown in many countries. However, the income line remained resilient, and the financial impact on Banking Nordic was visible mainly in the form of the high impairment charges for the period, although impairments declined significantly in the second quarter of 2020 due to a more positive outlook.

Customer activity

Banking Nordic launched several initiatives to support customers through the turmoil resulting from the corona crisis. In the weeks after the outbreak of the pandemic, many of our retail customers made use of our initiatives, such as offers for interest-only periods on mortgage loans and a range of streaming services and live chats set up specifically to provide advice in relation to the market situation following the outbreak.

A large number of customers in the large-customer segments have been contacted with advice, and we have focused on the various government support packages as well

as on giving advice on tools to increase liquidity, including establishment or extension of credit lines.

The lockdown accelerated Danske Bank's digital transformation, and the majority of our customers interacted with us via online channels, including phone and eMeetings.

Despite the global turmoil, Banking Nordic experienced a high inflow of retail customers, especially in Sweden and Norway in the first half of 2020. In Norway, the value proposition for our partnership customers facilitated growth, and in Sweden, we saw an increase in deposits in particular due to a successful start to the migration of HSB partnership customers, with more than 50,000 customers onboarded by the end of June.

In all market areas, lending grew in local currency from the levels at the end of 2019. Alongside this growth, we maintained our focus on expanding business with existing customers.

Financial results

Banking Nordic posted a profit before tax of DKK 1.1 billion, a decrease of 54% from the level in the first half of 2019. This was due to a combination of a significant increase in loan

impairments related to the corona crisis and rising costs for compliance and transformation.

Net interest income increased 4%, despite adverse currency effects, benefiting from the development in the interest rate environment, especially the several rate cuts made by the Norwegian central bank. In the second quarter, reduced margin pressure in Sweden also benefited net interest income. The increase was also a result of the strategy of growth via partnerships.

Net fee income increased 2% from the level in the first half of 2019, driven mainly by good investment activity at the beginning of the year and higher commission fees from activities in Sweden.

Banking Nordic saw an increase in operating expenses of 5% from the level in the first half of 2019. The increase was due to costs for regulatory compliance and financial crime prevention. Banking Nordic also had increased investments in the Better Bank transformation and digitalisation. These investments aim to increase efficiency while keeping a high customer service level. The underlying business costs at Banking Nordic decreased due to the strong focus on cost control as well as a restructuring of the business at the beginning of 2020, which sparked the implementation of the new retail service model. The new model will make the retail business at Banking Nordic more efficient and allow us to be able to scale our products and solutions to a much larger extent.

Loan impairments amounted to a net charge of DKK 1.1 billion, driven mainly by the update of the macroeconomic scenarios and a few single names. However, the charges were more subdued in the second quarter of 2020 due to a more positive macroeconomic outlook. The increase was seen mainly for the commercial portfolio and was driven by Banking Sweden and Banking Finland.

The overall loan-to-value (LTV) ratio decreased 0.2 percentage points from the level at the end of 2019.

Credit quality

Credit quality remained strong in the first half of 2020 despite some effects following the outbreak of the coronavirus pandemic. The commercial customer portfolio was slightly negatively affected due to negative rating migrations, while the retail customer portfolio was stable during the period. The effects on the retail customer portfolio were more modest. We have not yet seen an increase in actual losses, but we expect some of the model-related impairments that have already been booked to materialise at individual customer level once the government support packages expire. Banking Nordic has implemented initiatives to support retail and commercial customers, for example by offering increased limits and interest-only periods.

Loan-to-value ratio, home loans	30 June 2020		31 Dec. 2019	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail Sweden	63.7	92	63.6	87
Retail Norway	62.1	118	62.7	125
Retail Finland	62.0	86	61.8	86
Total	62.5	295	62.7	297

Credit exposure

Credit exposure increased to DKK 774 billion in the second quarter of 2020. The increase in the Swedish portfolio was driven by increased loans and loan offers to retail customers. The decrease in the Norwegian portfolio was due to the depreciation of the Norwegian krone vis-à-vis the Danish krone that has occurred since end-2019.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	30 June 2020	31 Dec. 2019	30 June 2020
Sweden	306,021	289,206	0.44%
Norway	236,260	249,001	0.13%
Finland	179,137	172,857	0.52%
Other	52,651	53,159	0.25%
Total	774,068	764,224	0.35%

Q2 2020 vs Q1 2020

Profit before tax increased DKK 671 million due to impairment charges declining from the level in the first quarter of 2020.

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

Net interest income increased slightly due mainly to reduced margin pressure in Sweden and an appreciation of the Swedish krona vis-à-vis the Danish krone.

Net fee income fell as a result of the corona crisis causing low demand for foreign currency and a decline in card use and transaction fees.

Operating expenses increased 7% due to costs for regulatory compliance and financial crime prevention as well as investments in the Better Bank transformation and digitalisation.

Loan impairments amounted to a charge of DKK 155 million in the second quarter of 2020, against a charge of DKK 952 million in the first quarter of 2020.

Corporates & Institutions

After a difficult first quarter of 2020, income at Corporates & Institutions increased significantly in the second quarter following high customer activity and a recovery in net trading income as financial markets normalised. Total income was up 11% year on year. Profit before tax was, however, negative in the first half of 2020 as a result of high loan impairment charges. Operating expenses increased due to costs for regulatory and compliance-related activities.

Corporates & Institutions (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Net interest income	1,951	1,787	109	1,058	893	118	857	123	3,656
Net fee income	1,471	1,401	105	699	772	91	709	99	2,909
Net trading income	1,619	1,347	120	1,777	-158	-	432	-	2,114
Other income	7	1	-	7	-	-	1	-	8
Total income	5,048	4,535	111	3,541	1,507	235	1,999	177	8,688
Operating expenses	2,631	2,388	110	1,396	1,235	113	1,184	118	4,834
Goodwill impairment charges	-	-	-	-	-	-	-	-	803
Profit before loan impairment charges	2,417	2,147	113	2,144	272	-	815	263	3,051
Loan impairment charges	3,270	520	-	1,089	2,181	50	300	-	1,348
Profit before tax	-854	1,627	-	1,055	-1,909	-	516	204	1,703
Profit before tax and goodwill impairment charges	-854	1,627	-	1,055	-1,909	-	516	204	2,506
Loans, excluding reverse trans. before impairments	227,516	202,984	112	227,516	216,524	105	202,984	112	209,148
hereof loans in General Banking	182,284	168,162	108	182,284	178,245	102	168,162	108	171,478
Allowance account, loans	5,951	2,260	263	5,951	5,065	117	2,260	263	3,156
Allowance account, credit institutions	22	8	275	22	19	116	8	275	9
Deposits, excluding repo deposits	341,249	270,529	126	341,249	301,443	113	270,529	126	270,685
hereof deposits in General Banking	286,734	223,795	128	286,734	249,621	115	223,795	128	227,131
Covered bonds issued*	16,905	17,061	99	16,905	16,800	101	17,061	99	15,856
Allowance account, guarantees	889	21	-	889	662	134	21	-	552
Allocated capital (average)	37,033	31,499	118	39,450	34,590	114	31,412	126	32,684
Net interest income as % p.a. of loans and deposits	0.76	0.79	-	0.77	0.74	-	0.75	-	0.79
Profit before tax as % p.a. of allocated capital (avg.)	-4.6	10.3	-	10.7	-22.1	-	6.6	-	5.2
Cost/income ratio (%)	52.1	52.7	-	39.4	82.0	-	59.2	-	64.9
Full-time-equivalent staff	1,647	1,675	98	1,647	1,666	99	1,675	98	1,665

Total income (DKK millions)

FI&C	2,176	1,676	130	1,954	222	-	590	-	2,845
hereof xVA**	-148	-218	68	196	-344	-	-54	-	-283
Capital Markets	446	597	75	294	151	195	301	98	1,211
General Banking	2,426	2,262	107	1,293	1,134	114	1,108	117	4,631
Total income	5,048	4,535	111	3,541	1,507	235	1,999	177	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 (CoVA) 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.

First half 2020 vs first half 2019

Following the extraordinary volatility in March, the financial markets recovered during the second quarter of 2020. However, even as most societies gradually reopened, economic activity continued to be negatively impacted by the corona crisis.

As a result, customer demand for risk hedging, liquidity and capital raising was high during the first half of 2020, and income for the first half of 2020 ended 11% higher than

income in the same period in 2019. As a leading wholesale bank in the Nordic economies, we recognise our obligation to help minimise the negative impact of the corona crisis on the societies we are part of, and we will continue to support customers through these challenging times.

Notwithstanding the positive income development, profit before tax was negative for the first half of 2020 as a result of high loan impairment charges. Impairments remain driven by second-round restructurings on single-name exposures in

the oil and gas industry as the lower oil price is having a negative impact on capital expenditure.

Net interest income increased from the level in the first half of 2019, driven by higher average lending and deposit volumes. The large contraction of economic activity amid the corona crisis led to a significant increase in corporate demand for credit, and we extended substantial short-term facilities. A significant and increasing share of these remains unutilised and serves as backup liquidity facilities for customers. Deposit volumes also increased significantly, especially from corporate customers, which contributed to the increase in net interest income, although the uncertainty about the economic outlook translates into uncertainty about how long deposit volumes will remain elevated.

Net fee income increased from the level in the first half of 2019, driven by higher customer activity in mainly Equities and Debt Capital Markets. Despite the standstill in March in both debt and equity primary markets, income before and after more than made up for this. Fee income from Equities sales increased, driven by high customer activity amid the high market volatility. The increase was partly offset by a decrease in activity within M&A and Loan Capital Markets.

Net trading income improved significantly in the second quarter of 2020 after a very challenging first quarter. The negative performance in the first quarter was driven mainly by a negative impact in March, with the significantly wider spreads affecting our trading activities within mortgage and credit products in FI&C, as well as lower trading income in Equities. In the second quarter, Rates & Credit recovered from March headwinds, benefiting from both high activity as well as the normalisation across financial markets. Customer activity was high in Currencies & Liquidity throughout the period.

Operating expenses increased from the level in the first half of 2019, despite lower direct staff costs as the result of cost savings in the Markets area and lower provisions for performance-based compensation. The higher costs reflect continually high expenses for anti-money laundering activities and regulatory compliance as well as a higher resolution fund contribution.

Fixed Income & Currencies

Total income in FI&C increased from the first half of 2019. The increase was driven mainly by higher customer activity and more favourable market conditions in Currencies and Liquidity amid higher market volatility.

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 mid-March when primary markets froze. The markets reopened in April, and we saw high activity, especially in corporate euro issuance and government debt issuance throughout the second quarter.

Secondary Rates & Credit income was challenged by the volatility and spread widening that followed the outbreak of the coronavirus pandemic in March. However, in the second quarter, income recovered as a result of the normalisation of

market conditions, higher customer activity as well as strong performance in credit markets.

Valuation adjustments of the derivatives portfolio (xVA) contributed negatively to trading income in the first half of 2020, however, less so than in the same period last year. The normalisation of credit markets and Danske Bank's funding spread in the second quarter led to a reversal of some of the funding valuation losses seen in the first quarter of 2020. 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 result of the volatile market movements.

Capital Markets

Income in Capital Markets decreased in the first half of 2020 from the level in the same period last year as a result of negative trading income in Equities derivatives and lower originate-to-distribute activity in Loan Capital Markets. A negative value adjustment of a bridge loan in Loan Capital Markets in the first quarter also contributed to the lower income. Customer activity was high in Equities, and within ECM we saw good activity with customers looking to strengthen their balance sheets.

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

General Banking

Income from General Banking activities increased as bank lending, off-balance-sheet committed facilities and deposits all increased as customers bolstered their liquidity in the wake of the outbreak of the coronavirus pandemic.

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 our investor services offering.

Credit quality

The deterioration in credit quality seen during the first six months was driven by the macroeconomic uncertainty caused by the corona crisis and the deteriorating outlook for the oil and gas sector. Customer credit assessments were made on an ongoing basis and impacted mainly the shipping, oil and gas, and retailing industries.

Loan impairments in the first six months of 2020 amounted to a net charge of DKK 3,270 million. The majority of the impairment charge is attributable to the oil and gas-related exposures. With the initial impairments driven by the rapid decline in oil prices, the continued uncertainty in the asset-heavy offshore service and drilling segments led to additional impairments during the period, as lower activity makes restructurings increasingly difficult.

Credit exposure

Net credit exposure from lending activities amounted to DKK 554 billion at the end of June 2020, an increase of DKK 110 billion from the level at the end of 2019. The majority of the increase in exposure was driven by loans and unutilised committed facilities to corporate customers. Exposures to central banks and credit institutions also increased.

(DKK millions)	Net credit exposure		Impairments
	30 June 2020	31 Dec. 2019	(ann.) (%)
Sovereign	56,967	23,056	0.02%
Financial Institutions	89,101	84,347	0.32%
Corporate	407,488	335,783	3.48%
Other	34	36	
Total	553,590	443,223	2.74%

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.

Q2 2020 vs Q1 2020

Profit before tax increased significantly from the low level in the first quarter of 2020, driven by a recovery in net trading income as well as higher net interest income and lower loan impairment charges.

FI&C income increased significantly, driven by higher trading income and positive developments in value adjustments, as the normalisation of credit markets and Danske Bank's funding spread in the second quarter led to a reversal of some of the funding valuation losses in the first quarter of 2020.

Capital Markets income increased due to the negative one-off value adjustment in Loan Capital Markets in the first quarter of 2020 and an improvement in net trading income.

General Banking income increased from the first quarter of 2020, as a result of higher net interest income from bank lending and deposits.

Operating expenses increased despite lower travel and representation costs. The increase was due mainly to a continued increase in costs for regulatory compliance as well as a higher resolution fund payment and higher provisions for performance-based compensation.

The second quarter of 2020 saw net loan impairment charges of DKK 1,089 million, against charges of DKK 2,181 million in the first quarter of 2020. The impairment charges in the second quarter of 2020 were driven by the asset-heavy oil and gas portfolio.

Wealth Management

Profit before tax amounted to DKK 1 billion, a decrease of 53% from the level in the first half of 2019 that was due to the year-earlier figure benefiting from the DKK 1.3 billion gain from the sale of Danica Pension Sweden. Excluding this gain, profit before tax was up 17%. This was due mainly to the decrease in operating expenses caused by the integration of SEB Pension as well as the compensation payable to certain Flexinvest Fri customers in 2019. Net fee and net trading income rebounded during the second quarter, driven mainly by a better investment result in the health and accident business as well by as improved fee income in Danica Pension.

Wealth Management (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Net interest income	-143	-103	-	-60	-84	-	-55	109	-248
Net fee income	2,791	2,731	102	1,569	1,222	128	1,371	114	5,902
Net trading income	44	136	32	125	-81	-	-	-	340
Other income	-29	1,331	-	-5	-23	-	1,368	-	1,405
Total income	2,663	4,095	65	1,629	1,034	158	2,685	61	7,398
Operating expenses	1,644	1,927	85	779	865	90	1,074	73	3,589
Goodwill impairment charges	-	-	-	-	-	-	-	-	800
Profit before tax	1,019	2,168	47	850	169	-	1,610	53	3,009
Profit before tax and goodwill impairment charges	1,019	2,168	47	850	169	-	1,610	53	3,809
Allocated capital (average)	16,114	14,766	109	16,100	16,127	100	15,420	104	15,569
Profit before tax as % p.a. of allocated capital (avg.)	12.6	29.4	-	21.1	4.2	-	41.8	-	19.3
Cost/income ratio (%)	61.7	47.1	-	47.8	83.7	-	40.0	-	59.3
Full-time-equivalent staff	1,515	1,557	97	1,515	1,527	99	1,557	97	1,563

Breakdown of assets under management* (DKK billions)

	2020	2019	Index	2020	2019	Index	2020	2019	Index
Life conventional	187	198	94	187	184	102	198	94	194
Asset management	879	891	99	879	814	108	891	99	934
Assets under advice	494	482	102	494	430	115	482	102	489
Total assets under management	1,560	1,571	99	1,560	1,428	109	1,571	99	1,616

Breakdown of net fee income (DKK millions)

	2020	2019	Index	2020	2019	Index	2020	2019	Index
Management fees	2,059	2,088	99	1,213	846	143	1,044	116	4,236
Performance fees	11	14	79	2	9	22	11	18	376
Risk allowance fees	722	629	115	355	367	97	316	112	1,290
Total net fee income	2,791	2,731	102	1,569	1,222	128	1,371	114	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.

First half 2020 vs first half 2019

Profit before tax amounted to DKK 1 billion, a decrease of 53% from the level in the first half of 2019 that was due to the profit for the first half of 2019 being positively affected by the gain from the sale of Danica Pension Sweden. Profit before tax for Danica Pension amounted to DKK 897 million, against DKK 2,074 million in the first half of 2019, and for Asset Management, profit before tax amounted to DKK 122 million, against DKK 94 million in the first half of 2019, which was negatively impacted by the compensation payable to certain Flexinvest Fri customers.

The first half of 2020 was impacted significantly by the corona crisis. The financial markets saw low returns on equities, and an increase in interest rates led to low investment returns in the first quarter, especially for customers with unit-linked products. During the second quarter, the markets rebounded, and customers with unit-linked products received positive returns. For Danica Pension, the market developments in the second quarter also led to positive returns on the life conventional products (Danica Traditionel).

During the outbreak of the coronavirus pandemic, we continued to provide our customers with new solutions within pensions, savings and investments. However, since then, our focus has been on assisting and supporting pension and investment customers affected by the consequences of the corona crisis.

Financial results

Combined, net fee income and net trading income were on par with the level in the first half of 2019 due to a positive second quarter of 2020 that lifted income to a normalised level.

In the first quarter of 2020, net fee income was negatively impacted by losses on certain products with investment guarantees in Danica Pension, while the second quarter of 2020 saw improved income from these products and a correction of pension tax. Overall, net fee income was up 2% year on year.

Net trading income mainly reflects the better investment result in the health and accident business, which also rebounded in the second quarter as financial markets rebounded. Net trading income, however, remains significantly lower than in the first half of 2019, due primarily to the negative investment result in the first quarter of 2020.

Other income amounted to a negative DKK 29 million, against a positive DKK 1,331 million in the first half of 2019, which was positively impacted by the gain from the sale of Danica Pension Sweden.

Operating expenses were down 15% from the level in the first half of 2019, which was negatively impacted by the integration of SEB Pension and the compensation payable to certain Flexinvest Fri customers.

An increasing use of digital channels for customers as well as internally was well received by customers and employees alike while at the same time lowering costs. Across Asset Management and Danica Pension, focus was also on delayering and simplifying the operating model, which has started to positively impact our underlying operating costs. However, we continue to see an increase in regulatory and compliance-related costs.

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 amounted to DKK 1,560 billion by the end of the second quarter of 2020, a decrease of DKK 56 billion from the end of 2019. The decrease was driven primarily by negative developments in the financial markets towards the end of the first quarter 2020 in addition to a general need for liquidity among customers during the corona crisis affecting net sales negatively.

In the first half of 2020, we also saw positive developments in our sustainable investments, which increased DKK 10 billion to a total of DKK 20 billion in the period.

Premiums in Danica Pension amounted to DKK 15.3 billion, against DKK 15.0 billion in the first half of 2019. The increase was driven primarily by higher single premiums.

Investment return on customer funds

In the first half of 2020, the financial markets were characterised by a significant drop during the first quarter and a rebound during the second quarter. Looking overall at our funds, 64% of investment products generated above-benchmark returns in the first half of 2020 – similar to the returns in the first half of 2019. On a 3-year horizon, 64% of all investment products generated above-benchmark results.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*		
	2020	3-year
All funds	64%	64%
Equity funds	60%	54%
Fixed-income funds	66%	80%
Balanced funds etc.	69%	10%
Hedge funds	67%	100%

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

Customers with *Danica Balance Mix* achieved returns on investments of a negative 1.8% for low-risk profiles with 5 years to retirement and a negative 5.2% 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 4.3%.

Q2 2020 vs Q1 2020

In the second quarter of 2020, profit before tax increased DKK 0.7 billion to DKK 0.9 billion, driven primarily by Danica Pension.

Total income increased DKK 0.6 billion to DKK 1.6 billion.

Net fee income increased primarily because of income related to products with investment guarantees in Danica Pension, and net trading income increased due to a better investment result in the health and accident business.

Operating expenses decreased 10% to DKK 779 million, driven, among other things, by lower staff costs.

Northern Ireland

Profit before tax amounted to DKK 76 million in the first half of 2020, a decrease of 82%. This was driven by provisions for potential future loan losses made as a result of the corona crisis. Profit before loan impairment charges also reduced from the profit in the same period last year, reflecting sharply reduced UK interest rates and low activity levels.

Northern Ireland (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Net interest income	703	765	92	327	375	87	379	86	1,524
Net fee income	133	189	70	50	83	60	93	54	363
Net trading income	78	70	111	26	52	50	40	65	110
Other income	8	7	114	4	4	100	4	100	14
Total income	923	1,030	90	408	515	79	516	79	2,011
Operating expenses	595	595	100	295	300	98	293	101	1,216
Profit before loan impairment charges	327	436	75	113	215	53	223	51	794
Loan impairment charges	252	14	-	87	165	53	28	-	5
Profit before tax	76	421	18	26	49	53	195	13	789
Loans, excluding reverse transactions before impairments	51,054	50,189	102	51,054	51,218	100	50,189	102	54,287
Allowance account, loans	842	702	120	842	819	103	702	120	696
Deposits, excluding repo deposits	75,467	64,060	118	75,467	70,075	108	64,060	118	70,943
Allowance account, guarantees	73	36	203	73	46	159	36	203	34
Allocated capital (average)*	6,348	6,650	95	6,186	6,512	95	6,735	92	6,425
Net interest income as % p.a. of loans and deposits	1.09	1.28		0.99	1.19		1.26		1.26
Profit before tax as % p.a. of allocated capital (avg.)	2.4	12.7		1.7	3.0		11.6		12.3
Cost/income ratio (%)	64.5	57.8		72.3	58.3		56.8		60.5
Full-time-equivalent staff	1,365	1,335	102	1,365	1,334	102	1,335	102	1,285

* Allocated capital equals the legal entity's capital.

First half 2020 vs first half 2019

Profit before tax reduced in the first half of 2020, driven by timely impairment provisions and lower income, while costs were maintained flat.

Total income was 10% lower, reflecting sharply reduced UK interest rates and very low activity levels in the second quarter as a result of the corona crisis. This is evident in both net interest income and net fee income, whereas trading income was higher, reflecting interest rate risk hedging.

Operating expenses continued to be very tightly controlled, with costs maintained flat.

First half 2020 vs first half 2019 in local currency

Profitability also fell in local currency, with the fall driven by higher impairment charges and lower income, while costs were maintained at 2019 levels. While income was lower, lending and deposits increased 1% and 19%, respectively. Lending balances reflect a combination of residential mortgage growth, notwithstanding very low activity levels in the second quarter, and government-backed business support loans in response to the corona crisis. Offsetting this, many retail and commercial customers have reduced their borrowing and are holding additional liquidity, as reflected in the year-on-year deposit growth.

Credit quality

While there has been little material deterioration to date in credit quality at individual customer level as a result of the corona crisis, the economic outlook for 2020 remains challenging. This is reflected in higher loan impairments given the expectation that some customers and certain sectors will experience financial difficulties.

(DKK millions)	Net credit exposure		Impairments [ann.] (%)
	30 June 2020	31 Dec. 2019	30 June 2020
Retail customers	24,933	26,812	0.29%
Public institutions	29,239	19,934	0.02%
Financial customers	504	459	0.27%
Commercial customers	29,365	31,332	1.71%
Total	84,041	78,537	0.93%

Q2 2020 vs Q1 2020

The profitability movement in the second quarter was dominated by lower UK interest rates and the impact of the corona crisis on income, partially offset by lower impairment provisions relative to the first quarter.

Non-core

The winding-up of the Non-core portfolios is proceeding according to plan. Profit before tax for the first half of 2020 was a negative DKK 446 million, against a negative DKK 270 million in the first half of 2019. Total lending stood at DKK 5.4 billion at the end of June 2020, against DKK 13.1 billion at the end of June 2019.

Non-Core (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Total income	-106	109	-	-71	-35		42	-	-61
Operating expenses	165	10	-	40	126	32	-83	-	219
Profit before loan impairment charges	-271	99	-	-110	-161		126	-	-280
Loan impairment charges	175	369	47	82	93	88	108	76	213
Profit before tax	-446	-270		-192	-254		18	-	-493
Loans, excluding reverse transactions before impairments*	5,414	13,109	41	5,414	6,732	80	13,109	41	7,456
Allowance account, loans	971	769	126	971	954	102	769	126	842
Deposits, excluding repo deposits	1,751	3,565	49	1,751	1,542	114	3,565	49	1,668
Allowance account, guarantees	18	23	78	18	19	95	23	78	19
Allocated capital (average)	1,634	2,591	63	1,421	1,850	77	2,580	55	2,379
Net interest income as % p.a. of loans and deposits	0.92	1.16		0.99	0.86		1.01		1.27
Profit before tax as % p.a. of allocated capital (avg.)	-54.6	-20.8		-54.0	-54.9		2.8		-20.7
Cost/income ratio (%)	-155.7	9.2		-56.3	-360.0		-197.6		-359.0
Full-time-equivalent staff	64	320	20	64	83	77	320	20	159

Loan impairment charges (DKK millions)

	2020	2019	Index	2020	2019	Index	2020	2019	2019
Non-core banking**	87	274	32	74	13	-	1	-	19
Non-core conduits etc.	88	94	94	8	80	10	107	7	194
Total	175	369	47	82	93	88	108	76	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.

First half 2020 vs first half 2019

The Non-core unit posted a loss before tax of DKK 446 million (H1 2019: a loss of DKK 270 million) due mainly to losses related to the final exit from Estonia. Further, operating expenses in the first half of 2019 benefited from a positive adjustment of VAT regarding previous years.

Net credit exposure totalled DKK 6.9 billion, against DKK 10.4 billion at the end of 2019. The decrease was due primarily to the settlement of the sale of the personal customer loan portfolio in Lithuania in the first half of 2020.

Total lending amounted to DKK 5.4 billion (end 2019: DKK 7.5 billion). Lending consisted of exposure to commercial customers and public institutions in the Baltics as well as conduits.

The Group has exited its banking activities in Estonia, Russia and Latvia. In January 2020, the Group entered into an agreement to sell its personal customer loan portfolio in Lithuania. The sale was settled in the second quarter of 2020.

At the Lithuanian branch, the only portfolio remaining is a portfolio of commercial loans, which is to mature according to contractual terms. In June 2020, an agreement to sell part of the portfolio was entered into, however. The settlement requires the approval of the competent authorities.

(DKK millions)	Net credit exposure		Expected credit loss	
	30 June 2020	31 Dec. 2019	30 June 2020	31 Dec. 2019
Non-core banking	4,127	6,653	275	222
-of which personal customers	30	983	-	21
-of which commercial customers	2,808	3,696	274	201
-of which public institutions	1,290	1,974	-	-
Non-core conduits etc.	2,768	3,749	724	640
Total	6,896	10,402	999	862

Total impairments amounted to DKK 175 million (H1 2019: DKK 369 million). Loan impairments in the first half of 2020 related to the Lithuanian portfolio and to a single-name exposure in a legacy portfolio. Total impairments in the first half of 2019 were adversely affected by a negative value adjustment.

Q2 2020 vs Q1 2020

Profit before tax amounted to a negative DKK 192 million, against a negative DKK 254 million in the first quarter of 2020. The improved result was due mainly to decreasing operating expenses. Operating expenses for the first quarter of 2020 were adversely affected by losses related to the final exit from Estonia.

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)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Index Q2/Q1	Q2 2019	Index 20/19	Full year 2019
Net interest income	-49	-75	-	-142	93	-	-23	-	-5
Net fee income	-129	-123	-	-69	-60	-	-70	-	-227
Net trading income	-103	332	-	-184	81	-	209	-	1,421
Other income	-69	6	-	-57	-12	-	55	-	217
Total income	-350	141	-	-451	102	-	172	-	1,407
Operating expenses	1,014	739	137	374	640	58	495	76	2,903
Profit before loan impairment charges	-1,364	-598	-	-825	-538	-	-323	-	-1,497
Loan impairment charges	30	-5	-	23	7	-	-	-	-5
Profit before tax	-1,394	-593	-	-849	-545	-	-323	-	-1,491

Profit before tax (DKK millions)

Group Treasury	-534	-51	-	-224	-310	-	-18	-	825
Own shares and issues	139	41	-	-82	221	-	55	-	59
Additional tier 1 capital	317	391	81	122	195	63	197	62	785
Group support functions	-1,316	-975	-	-665	-651	-	-557	-	-3,160
Total Other Activities	-1,394	-593	-	-849	-545	-	-323	-	-1,491

First half 2020 vs first half 2019

Other Activities posted a loss before tax of DKK 1,394 million (H1 2019: a loss of DKK 593 million) that was driven by lower net trading income due partly to negative market value adjustments of interest rate hedges as a result of the spread widening between DKK and EUR rates.

Net interest income amounted to a negative DKK 49 million (H1 2019: a negative DKK 75 million). The improved result was due to income related to the structural FX hedge of Danske Bank's CET 1 capital, which was implemented in the second quarter of 2019. Higher bond portfolio income and internal funding optimisation also contributed to the increase, although the positive development was partly offset by higher funding costs and lower income from allocated liquidity costs.

Net trading income amounted to a loss of DKK 103 million (H1 2019: DKK 332 million). The decrease was due mainly to negative value adjustments of hedges. In addition, there was a lower return on investments.

The increase in operating expenses of 37% was due primarily to higher costs for the Estonia case and transformation costs.

Q2 2020 vs Q1 2020

Other Activities posted a loss before tax of DKK 849 million (Q1 2020: a loss before tax of DKK 545 million) due primarily to lower net trading income.

Net interest income decreased to a loss of DKK 142 million (Q1 2020: DKK 93 million) that was driven by larger differences between accrued and allocated liquidity costs at the Internal Bank. This development was partly offset by internal funding optimisation, however.

Net trading income decreased to a loss of DKK 184 million (Q1 2020: DKK 81 million) due to negative value adjustments of hedges. In addition, there was a lower return on investments.

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 3 and in other sections of the Management's report:

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend per share proposed in the Annual report and paid to shareholders in the subsequent year. Accordingly, for 2018, it is the dividend paid in 2019. For 2019, no dividend was paid in 2020. Further information can be found in note G1 (a).
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 first half 2020 is reduced by interest expenses of DKK 316 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 13,161 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 0.78% (full-year 2019: 0.79%) with the daily average of the sum of loans and deposits being DKK 82.6 billion lower 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 5,269 million (full-year 2019: DKK 1,516 million) from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 1,025.2 billion, Loans at fair value of DKK 799.6 billion and guarantees of DKK 67.6 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 24.9 billion at the end of the period, as disclosed in the "Allowance account in core activities broken down by segment" table in the notes to the financial statements. The denominator is the sum of Loans at amortised cost of DKK 1,025.2 billion, Loans at fair value of DKK 799.6 billion, and guarantees of DKK 67.6 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.

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Income statement – Danske Bank Group

Note	(DKK millions)	First half 2020	First half 2019	Q2 2020	Q2 2019	Full year 2019
G4	Interest income calculated using the effective interest method	11,976	12,286	5,717	5,366	24,754
G4	Other interest income	22,299	21,799	10,220	10,559	45,065
G4	Interest expense	20,430	20,178	8,361	8,944	41,927
	Net interest income	13,844	13,907	7,577	6,981	27,892
G4	Fee income	7,736	7,684	3,508	3,552	16,437
G4	Fee expenses	2,572	3,057	1,112	1,293	6,079
	Net trading income or loss	-2,968	29,823	19,891	6,238	34,533
	Gain or loss on sale of disposal groups	-	-	-	-	1,879
	Income from holdings in associates	-493	243	-468	81	386
G4	Other income	2,264	3,135	843	2,432	4,857
	Net premiums	14,444	12,453	6,446	5,885	26,316
	Net insurance benefits	9,506	40,323	24,412	11,531	58,106
	Operating expenses	15,858	14,258	8,062	7,368	30,960
	Impairment charges on goodwill	-	-	-	-	1,603
	Profit before loan impairment charges	6,892	9,608	4,211	4,978	15,551
G5	Loan impairment charges	5,443	839	1,099	221	1,729
	Profit before tax	1,449	8,769	3,112	4,757	13,822
	Tax	413	1,749	787	725	-1,249
	Net profit	1,036	7,020	2,325	4,031	15,072
	Portion attributable to					
	Shareholders of Danske Bank A/S (the Parent Company)	720	6,629	2,204	3,835	14,285
	Additional Tier 1 capital holders	316	390	121	197	786
	Net profit	1,036	7,020	2,325	4,031	15,072
	Earnings per share (DKK)	0.8	7.8	2.6	4.5	16.7
	Diluted earnings per share (DKK)	0.8	7.8	2.6	4.5	16.7
	Proposed dividend per share (DKK)*	-	-	-	-	8.5

*For 2019, no dividends were paid in 2020. See note G1(a) for further information.

Statement of comprehensive income – Danske Bank Group

(DKK millions)	First half 2020	First half 2019	Q2 2020	Q2 2019	Full year 2019
Net profit	1,036	7,020	2,325	4,031	15,072
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension plans	390	130	205	134	228
Tax	-102	-15	-12	-32	-21
Items that will not be reclassified to profit or loss	287	115	193	102	207
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	-3,581	439	2,119	13	692
Hedging of units outside Denmark	2,077	-28	-1,236	630	-324
Reclassified to the income statement on disposal of units outside Denmark	-	-	-	-	5
Unrealised value adjustments of bonds at fair value (OCI)	51	189	451	82	9
Realised value adjustments of bonds at fair value (OCI)	-15	-8	-4	10	3
Tax	146	-39	-257	-158	47
Items that are or may be reclassified subsequently to profit or loss	-1,322	554	1,073	576	432
Total other comprehensive income	-1,035	669	1,266	678	639
Total comprehensive income	1	7,689	3,590	4,709	15,711
Portion attributable to					
Shareholders of Danske Bank A/S (the Parent Company)	-315	7,298	3,469	4,513	14,925
Additional Tier 1 capital holders	316	390	121	197	786
Total comprehensive income	1	7,689	3,590	4,709	15,711

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 June 2020	31 December 2019	30 June 2019
Assets				
	Cash in hand and demand deposits with central banks	221,198	99,035	137,358
	Due from credit institutions and central banks	82,013	105,674	156,627
	Trading portfolio assets	655,583	495,321	534,067
	Investment securities	298,758	284,873	265,507
	Loans at amortised cost	1,027,472	1,028,011	1,014,937
G6	Loans at fair value	1,094,540	1,122,048	1,058,493
	Assets under pooled schemes and unit-linked investment contracts	106,653	111,089	94,818
	Assets under insurance contracts	523,427	463,816	459,406
G9	Assets held for sale	2,655	1,352	3,770
	Intangible assets	8,986	9,165	11,119
	Tax assets	4,811	2,987	3,792
G10	Other assets	35,508	37,679	38,516
Total assets		4,061,603	3,761,050	3,778,409
Liabilities				
G7	Due to credit institutions and central banks	217,117	155,246	222,229
	Trading portfolio liabilities	541,920	452,202	450,973
G7	Deposits	1,270,695	1,140,726	1,117,275
G8	Issued bonds at fair value	756,185	802,501	792,352
G8	Issued bonds at amortised cost	268,104	256,355	287,751
	Deposits under pooled schemes and unit-linked investment contracts	107,314	111,537	100,177
	Liabilities under insurance contracts	560,512	504,714	503,148
G9	Liabilities in disposal groups held for sale	140	110	331
	Tax liabilities	2,147	2,172	7,793
G10	Other liabilities	43,103	46,191	41,765
G8	Non-preferred senior bonds	98,075	87,054	66,216
G8	Subordinated debt	31,790	31,733	25,415
Total liabilities		3,897,103	3,590,541	3,615,422
Equity				
	Share capital	8,622	8,622	8,622
G11	Foreign currency translation reserve	-1,875	-372	-334
	Reserve for bonds at fair value (OCI)	138	102	272
	Retained earnings	149,043	140,590	140,188
	Proposed dividends*	-	7,329	-
	Shareholders of Danske Bank A/S (the Parent Company)	155,927	156,271	148,748
G8	Additional tier 1 capital holders	8,573	14,237	14,239
Total equity		164,500	170,508	162,988
Total liabilities and equity		4,061,603	3,761,050	3,778,409

*For 2019, no dividends were paid in 2020. See note G1(a) for further information.

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company)							Additional tier 1 capital	Total
	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total			
Total equity as at 1 January 2020	8,622	-372	102	140,590	7,329	156,271	14,237	170,508	
Net profit	-	-	-	720	-	720	316	1,036	
Other comprehensive income									
Remeasurement of defined benefit pension plans	-	-	-	390	-	390	-	390	
Translation of units outside Denmark	-	-3,581	-	-	-	-3,581	-	-3,581	
Hedging of units outside Denmark	-	2,077	-	-	-	2,077	-	2,077	
Unrealised value adjustments	-	-	51	-	-	51	-	51	
Realised value adjustments	-	-	-15	-	-	-15	-	-15	
Tax	-	-	-	44	-	44	-	44	
Total other comprehensive income	-	-1,503	36	433	-	-1,035	-	-1,035	
Total comprehensive income	-	-1,503	36	1,153	-	-315	316	1	
Transactions with owners									
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-391	-391	
Proposed dividends reversed*	-	-	-	7,329	-7,329	-	-	-	
Redemption of additional tier 1 capital	-	-	-	-5	-	-5	-5,596	-5,600	
Acquisition of own shares and additional tier 1 capital	-	-	-	-18,851	-	-18,851	7	-18,844	
Sale of own shares and additional tier 1 capital	-	-	-	18,805	-	18,805	-	18,805	
Tax	-	-	-	22	-	22	-	22	
Total equity as at 30 June 2020	8,622	-1,875	138	149,043	-	155,927	8,573	164,500	

*For 2019, no dividends were paid in 2020. The previously proposed dividends have been reversed to Retained earnings in 2020. See note G1(a) for further information.

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	148,688	14,299	162,988
Net profit	-	-	-	6,629	-	6,629	390	7,020
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	130	-	130	-	130
Translation of units outside Denmark	-	439	-	-	-	439	-	439
Hedging of units outside Denmark	-	-28	-	-	-	-28	-	-28
Unrealised value adjustments	-	-	189	-	-	189	-	189
Realised value adjustments	-	-	-8	-	-	-8	-	-8
Tax	-	-	-	-54	-	-54	-	-54
Total other comprehensive income	-	411	181	76	-	669	-	669
Total comprehensive income	-	411	181	6,706	-	7,298	390	7,689
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-394	-394
Dividends paid	-	-	-	383	-7,616	-7,233	-	-7,233
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-9,438	-	-9,438	-57	-9,494
Sale of own shares and additional tier 1 capital	-	-	-	9,390	-	9,390	-	9,390
Tax	-	-	-	42	-	42	-	42
Total equity as at 30 June 2019	8,622	-334	272	140,188	-	148,748	14,239	162,988

Statement of capital – Danske Bank Group

(DKK millions)	30 June 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	852,597,788	853,704,915
Average number of shares outstanding for the period	856,494,325	854,354,479
Average number of shares outstanding, including dilutive shares, for the period	857,554,433	854,911,769

(DKK millions)	30 June 2020	31 December 2019
Total capital and total capital ratio		
Total equity	164,500	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	164,733	170,741
Additional tier 1 capital instruments included in total equity	-8,481	-14,070
Accrued interest on additional tier 1 capital instruments	-91	-167
Tax on accrued interest on additional tier 1 capital instruments	20	37
Common equity tier 1 capital instruments	156,180	156,541
Adjustment to eligible capital instruments	-121	-344
IFRS 9 reversal due to transitional rules	1,923	1,325
Prudent valuation	-846	-926
Prudential filters	-189	-178
Proposed dividends*	-621	-7,329
Intangible assets of banking operations	-6,235	-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	-2,291	-1,925
Statutory deduction for insurance subsidiaries	-10,378	-8,439
Other statutory deductions	-	-197
Common equity tier 1 capital	137,821	132,664
Additional tier 1 capital instruments	18,292	23,944
Tier 1 capital	156,113	156,608
Tier 2 capital instruments	17,554	17,598
Total capital	173,667	174,206
Total risk exposure amount	784,941	767,177
Common equity tier 1 capital ratio (%)	17.6	17.3
Tier 1 capital ratio (%)	19.9	20.4
Total capital ratio (%)	22.1	22.7

*For 2019, no dividends were paid in 2020. 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)	First half 2020	First half 2019	Full year 2019
Cash Flow from operations			
Profit before tax	1,449	8,769	13,822
Tax paid	-2,577	-3,427	-5,245
Adjustment for non-cash operating items	6,128	2,266	10,369
Total	5,000	7,608	18,946
Changes in operating capital			
Amounts due to/from credit institutions and central banks	66,339	-25,957	-96,693
Trading portfolio	-70,544	-57,502	-17,527
Acquisition/sale of own shares and additional tier 1 capital	-39	-104	-278
Investment securities	-13,885	34,425	-8,449
Loans at amortised cost and fair value	22,604	-30,689	-108,208
Deposits	129,969	58,155	81,606
Issued bonds at amortised cost and fair value	-33,583	37,107	14,533
Assets/liabilities under insurance contracts	-3,813	2,163	988
Other assets/liabilities	387	-37,282	-11,690
Cash flow from operations	102,435	-12,076	-126,772
Cash flow from investing activities			
Acquisition/sale of businesses	5	1,668	1,683
Acquisition of intangible assets	-353	-392	-878
Acquisition of tangible assets	-218	-276	-666
Sale of tangible assets	7	5	12
Cash flow from investing activities	-559	1,005	151
Cash flow from financing activities			
Issue of subordinated debt	-	5,550	11,791
Redemption of subordinated debt	-	3,455	-3,467
Issue of non-preferred senior bonds	10,037	37,642	59,808
Dividends paid	-	-7,233	-7,239
Redemption of equity accounted additional tier 1 capital	-5,600	-	-
Paid interest on equity accounted additional tier 1 capital	-391	-394	-787
Principal portion of lessee lease payments	-373	-360	-729
Cash flow from financing activities	3,672	38,660	59,377
Cash and cash equivalents as at 1 January	199,608	264,836	264,836
Foreign currency translation	-2,574	215	2,016
Change in cash and cash equivalents	105,548	27,588	-67,244
Cash and cash equivalents, end of period	302,582	292,639	199,608
Cash and cash equivalents, end of period			
Cash in hand	5,462	5,820	6,235
Demand deposits with central banks	215,736	131,538	92,800
Amounts due from credit institutions and central banks within three months	81,384	155,281	100,574
Total	302,582	292,639	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.

As announced on 20 April 2020 and in light of the economic situation caused by the coronavirus (COVID-19) pandemic, the Board of Directors decided to propose to the general meeting that no dividends be paid for 2019. The impact from the change to proposed dividends was recognised in Interim report – first quarter of 2020 as a reversal in the first quarter of 2020. On 15 May 2020, the Group published the document '[Supplement to Annual Report 2019](#)' illustrating the impact on the Annual Report 2019 on a condensed basis. The Annual Report 2019 and the changed proposal for allocation of dividends were approved by the general meeting on 9 June 2020.

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, the macroeconomic scenarios have been revised during 2020, see further in the separate section below.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

With the new suite of scenarios, the base case scenario enters with a probability of 70% (31 December 2019: 60%), the upside scenario with a probability of 10% (31 December 2019: 10%) and the downside scenario with a probability of 20% (31 December 2019: 30%). On the basis of these assessments, the allowance account as at 30 June 2020 amounted to DKK 25.9 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 1.1 billion (31 December 2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 6.1 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 0.8 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 second 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.

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 30 June 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 30 June 2020, the post-model adjustments amounted to DKK 4.3 billion (31 December 2019: DKK 4.0 billion). The post-model adjustments cover for instance specific macroeconomic risks in the Agriculture industry and the Shipping, oil and gas industry not fully captured by the expected credit loss model. For these, supplementary calculations are made in order to ensure sufficient impairment coverage. The post-model adjustments continue to include the immediate risks arising from the COVID-19 pandemic that were introduced in the first quarter of 2020, see further in the separate section below. Remaining adjustments are made to take into account non-linear downside risks, for instance on the property market in Copenhagen and other high growth areas for which the macroeconomic forecasts used in the models are based on the property market as a whole. 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 30 June 2020 as part of the post-model adjustments at 31 December 2019 are now covered through the scenarios used at 30 June 2020 to reflect the worsening of the macroeconomic outlook in the first half of 2020.

Loan impairment charges for the period ended 30 June 2020 amounted to DKK 5,443 million (30 June 2019: DKK 839 million). While impairments in the first quarter of 2020 were driven primarily by the update of the macroeconomic scenarios as a result of the COVID-19 pandemic and credit deterioration for the oil and gas exposure (within the Shipping, oil and gas industry), impairments in the second quarter of 2020 related primarily to the oil and gas exposure. Although the impairments made in the first quarter of 2020 against the oil and gas exposure were driven by the low oil price, the continued uncertainty in the market led to further impairments in the second quarter of 2020.

Accounting treatment of the impacts on expected credit losses 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. However, we remain to see further credit deterioration as the effect is currently limited and mitigated by the continued government support packages. 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, although especially in the Nordic economies, the activity in many sectors was back to a normal activity level already in the second quarter of 2020 after the reopening of societies. However, the implications of the COVID-19 pandemic are expected to have an impact on the credit quality of the Group's credit exposure in future periods. The forward-looking elements of the IFRS 9 impairment model implies that impairments for expected upcoming credit deteriorations are covered through the estimated worsening of the macroeconomic scenarios used.

For most of the Group's credit portfolio, the negative impact on individual customers of the COVID-19 pandemic is expected to materialise over the coming quarters. Customer assessments were made on an ongoing basis throughout the second quarter of 2020, and impairments were revisited in light of the changed outlook. While customer activity in the first half of 2020 was higher than usual, most customers are still assessing the consequences, and the financial consequences still remain to be seen when, for instance, government support comes to an end. 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 short-term concessions to customers in rating categories 1 to 5 during the first half of 2020 are not considered a forbearance measure when taking the ongoing customer assessments into account. For customers in rating categories 6 and 7, an individual assessment of the customer's financial strength is made, whereas concessions to lower-rated customers are considered forbearance.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

A large part of the impact on expected credit losses resulting from the COVID-19 pandemic continues to be related to changes to forward-looking information. The macroeconomic scenarios applied have been changed from those applied in 2019. The Group's base case scenario is based on the Nordic Outlook and reflects a significant decline in economic activity in 2020 followed by a recovery in 2021. The downside scenario has been updated to a longer-lasting COVID-19 scenario that includes a steeper decline than during the global financial crisis with a close to double-digit decrease in GDP. The base case scenario is considered the most likely scenario with a likelihood of 70% while the downside scenario has a likelihood of 20%. Further information on the macroeconomic scenarios used in the second quarter of 2020 can be found in the risk management notes. Compared with the scenarios used in the first quarter of 2020, the scenarios have been updated to more COVID-19 bespoke scenarios that reflect the latest developments in the market. Most notably, the new downside scenario replaces the downside scenario used in the first quarter of 2020, which was aligned with the severe recession scenarios applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests.

For some industries directly affected by the COVID-19 pandemic, 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. This includes retailing, hotels and restaurants (within the Hotels, restaurants and leisure industry) as well as oil and gas (within the Shipping, oil and gas industry. It also includes expected, but not yet materialised, credit deterioration in relation to the Personal customers and Commercial property industries in Denmark as government support ends. A targeted adjustment related to such sectors of DKK 0.7 billion has been introduced in addition to the impact from the scenario changes, as the negative impact has not yet been materialised at individual customer level.

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 30 June 2020, financial assets covered by the expected credit loss model accounted for approximately 52% of total assets (31 December 2019: 57%).

Fair value measurement of financial instruments

Following the outbreak of the COVID-19 pandemic, the financial markets have been more volatile than usual, but liquidity has returned to the markets. Therefore, no unusual challenges in obtaining reliable pricing apart from insignificant parts of the portfolio remain. 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 30 June 2020, the adjustments totalled DKK 2.4 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.

Following the outbreak of the COVID-19 pandemic, the assessment of whether indication of impairment existed at the end of June 2020 was considered at a more detailed level than usual. This assessment was performed as a high level 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. Based on this assessment, it was concluded that no indications of impairment were noted.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

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 half 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 9.7 billion at 30 June 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 half 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

Business segments first half 2019	Adjustments to organisation				Alignment of presentation, Wealth Management	Adjusted Financial highlights
	Financial highlights	Banking DK	Banking Nordic	Wealth Management		
(DKK millions)						
Net interest income	10,890	323	115	-438	-	10,890
Net fee income	7,570	467	132	-598	-512	7,058
Net trading income or loss	2,128	60	8	-68	474	2,602
Other income	1,745	-	-	-	38	1,783
Total income	22,333	850	254	-1,104	-	22,333
Operating expenses	12,824	490	187	-677	-	12,824
Profit before loan impairment charges	9,509	359	68	-427	-	9,509
Loan impairment charges	470	-26	-5	30	-	470
Profit before tax, core	9,039	385	72	-457	-	9,039
Profit before tax, non-core	-270	-	-	-	-	-270
Profit before tax	8,769	385	72	-457	-	8,769
Loans, excluding reverse transactions	1,808,656	63,493	17,772	-81,265	-	1,808,656
Other assets	1,969,753	47,150	12,047	-59,197	-	1,969,753
Total assets	3,778,409	110,643	29,818	-140,462	-	3,778,409
Deposits, excluding repo transactions	931,646	52,144	21,057	-73,201	-	931,646
Other liabilities	2,698,015	55,508	7,964	-63,472	-	2,698,015
Allocated capital	148,748	2,992	797	-3,789	-	148,748
Total liabilities and equity	3,778,409	110,643	29,818	-140,462	-	3,778,409
Profit before tax as % of allocated capital (avg.)	11.8	2.2	0.2	-4.3	-	11.8
Cost/income ratio (%)	57.4	0.3	1.6	-4.1	-	57.4
Assets under management (DKK billions)	1,587				-16	1,571

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

C3. Business model and business segmentation continued

Business segments first half 2020

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non- core	Other Activities	Elimina- tions	Financial highlights	Reclassi- fication	IFRS financial statements
Net interest income	4,481	4,047	1,951	-143	703	-	-48	-1	10,989	2,855	13,844
Net fee income	2,116	928	1,471	2,791	133	-	-130	1	7,311	-2,147	5,164
Net trading income	542	120	1,619	44	78	-	-225	122	2,300	-5,268	-2,968
Other income	86	277	7	-29	8	-	202	-271	280	1,491	1,771
Net premiums	-	-	-	-	-	-	-	-	-	14,444	14,444
Net insurance benefits	-	-	-	-	-	-	-	-	-	9,506	9,506
Total income	7,224	5,372	5,048	2,663	923	-	-200	-150	20,880	1,869	22,750
Operating expenses	4,645	3,188	2,631	1,644	595	-	1,096	-83	13,717	2,141	15,858
Profit before loan impair- ment charges	2,579	2,184	2,417	1,019	327	-	-1,297	-67	7,163	-271	6,892
Loan impairment charges	609	1,107	3,270	-	252	-	30	-	5,269	175	5,443
Profit before tax, core	1,971	1,077	-854	1,019	76	-	-1,327	-67	1,894	-446	1,449
Profit before tax, Non-core	-	-	-	-	-	-446	-	-	-446	446	-
Profit before tax	1,971	1,077	-854	1,019	76	-446	-1,327	-67	1,449	-	1,449
Loans, excluding reverse transactions	915,679	632,346	221,565	130	50,212	-	35,784	-33,172	1,822,545	2,249	1,824,793
Other assets	389,335	116,131	3,739,612	672,933	41,799	-	3,614,920	-6,340,488	2,234,243	2,566	2,236,810
Total assets in Non-core	-	-	-	-	-	4,815	-	-	4,815	-4,815	-
Total assets	1,305,014	748,478	3,961,177	673,064	92,011	4,815	3,650,704	-6,373,660	4,061,603	-	4,061,603
Deposits, excluding repo deposits	385,981	298,108	341,249	16	75,467	-	1,242	-9,328	1,092,735	1,751	1,094,486
Other liabilities	880,385	412,875	3,579,784	656,542	10,158	-	3,634,817	-6,364,332	2,810,229	961	2,811,190
Allocated capital	38,648	37,495	40,144	16,507	6,386	-	16,748	-	155,927	-	155,927
Total liabilities in Non-core	-	-	-	-	-	2,712	-	-	2,712	-2,712	-
Total liabilities and equity	1,305,014	748,478	3,961,177	673,064	92,011	2,712	3,652,807	-6,373,660	4,061,603	-	4,061,603
Profit before tax as % p.a. of allocated capital (avg.)	10.3	5.8	-4.6	12.6	2.4	-	-10.2	-	1.9	-	1.9
Cost/income ratio (%)	64.3	59.3	52.1	61.7	64.5	-	-548.0	-	65.7	-	69.7
Full-time-equivalent staff, end of period	4,798	2,467	1,647	1,515	1,365	64	10,335	-	22,191	-	22,191

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Business segments first half 2019

(DKK millions)	Banking DK ¹	Banking Nordic ¹	C&I	Wealth Man. ¹	Northern Ireland	Non- core	Other Activities	Elimina- tions	Financial highlights	Reclassi- fication ¹	IFRS financial statements
Net interest income	4,629	3,888	1,787	-103	765	-	-171	96	10,890	3,016	13,907
Net fee income	1,952	908	1,401	2,731	189	-	-123	-	7,058	-2,431	4,627
Net trading income	570	147	1,347	136	70	-	189	143	2,602	27,221	29,823
Other income	115	322	1	1,331	7	-	84	-78	1,783	1,595	3,378
Net premiums	-	-	-	-	-	-	-	-	-	12,453	12,453
Net insurance benefits	-	-	-	-	-	-	-	-	-	40,323	40,323
Total income	7,266	5,266	4,535	4,095	1,030	-	-20	161	22,333	1,532	23,865
Operating expenses	4,144	3,032	2,388	1,927	595	-	820	-81	12,824	1,434	14,258
Profit before loan impair- ment charges	3,123	2,234	2,147	2,168	436	-	-840	242	9,509	99	9,608
Loan impairment charges	27	-87	520	-	14	-	-5	-	470	369	839
Profit before tax, core	3,095	2,321	1,627	2,168	421	-	-835	242	9,039	-270	8,769
Profit before tax, Non-core	-	-	-	-	-	-270	-	-	-270	270	-
Profit before tax	3,095	2,321	1,627	2,168	421	-270	-835	242	8,769	-	8,769
Loans, excluding reverse transactions	934,713	627,349	200,724	169	49,487	-	28,589	-32,375	1,808,656	8,986	1,817,642
Other assets	375,818	64,553	3,259,019	602,963	31,519	-	3,062,463	-5,439,736	1,956,599	4,169	1,960,767
Total assets in Non-core	-	-	-	-	-	13,155	-	-	13,155	-13,155	-
Total assets	1,310,531	691,902	3,459,743	603,132	81,006	13,155	3,091,052	-5,472,112	3,778,409	-	3,778,409
Deposits, excluding repo deposits	346,474	262,989	270,529	202	64,060	-	2,616	-15,225	931,646	3,565	935,210
Other liabilities	927,584	394,476	3,157,401	587,083	10,406	-	3,072,808	-5,456,887	2,692,870	1,581	2,694,451
Allocated capital	36,473	34,436	31,813	15,848	6,540	-	23,637	-	148,748	-	148,748
Total liabilities in Non-core	-	-	-	-	-	5,145	-	-	5,145	-5,145	-
Total liabilities and equity	1,310,532	691,901	3,459,743	603,132	81,006	5,145	3,099,061	-5,472,112	3,778,409	-	3,778,409
Profit before tax as % p.a. of allocated capital (avg.)	17.0	13.5	10.3	29.4	12.7	-	-7.4	-	11.8	-	11.8
Cost/income ratio (%)	57.0	57.6	52.7	47.1	57.8	-	-4,100.0	-	57.4	-	59.7
Full-time-equivalent staff, end of period	4,374	2,750	1,675	1,557	1,335	320	9,894	-	21,462	-	21,462

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 first half 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	13,844	-	-1,126	-1,700	-30	-2,855	10,989
Net fee income	5,164	-	-18	2,168	-3	2,147	7,311
Net trading income	-2,968	-	1,092	4,120	56	5,268	2,300
Other income	1,771	-2,042	51	418	83	-1,491	280
Net premiums	14,444	-	-	-14,444	-	-14,444	-
Net insurance benefits	9,506	-	-	-9,506	-	-9,506	-
Total income	22,750	-2,042	-	67	106	-1,869	20,880
Operating expenses	15,858	-2,042	-	67	-165	-2,141	13,717
Profit before loan impairment charges	6,892	-	-	-	271	271	7,163
Loan impairment charges	5,443	-	-	-	-175	-175	5,269
Profit before tax, core	1,449	-	-	-	446	446	1,894
Profit before tax, Non-core	-	-	-	-	-446	-446	-446
Profit before tax	1,449	-	-	-	-	-	1,449

Reclassification first half 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	13,907	-	-385	-2,536	-96	-3,016	10,890
Net fee income	4,627	-	75	2,359	-3	2,431	7,058
Net trading income	29,823	-	311	-27,524	-8	-27,221	2,602
Other income	3,378	-1,699	-1	107	-2	-1,595	1,783
Net premiums	12,453	-	-	-12,453	-	-12,453	-
Net insurance benefits	40,323	-	-	-40,323	-	-40,323	-
Total income	23,865	-1,699	-	276	-109	-1,532	22,333
Operating expenses	14,258	-1,699	-	276	-10	-1,434	12,824
Profit before loan impairment charges	9,608	-	-	-	-99	-99	9,509
Loan impairment charges	839	-	-	-	-369	-369	470
Profit before tax, core	8,769	-	-	-	270	270	9,039
Profit before tax, Non-core	-	-	-	-	-270	-270	-270
Profit before tax	8,769	-	-	-	-	-	8,769

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 June 2020 amounted to DKK 1,040 million (30 June 2019: DKK 1,338 million). Negative interest expenses amounted to DKK 1,324 million (30 June 2019: DKK 1,230 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 first half 2020

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	2,631	-208	2,423	1,842	4,265
Pension and Insurance	1,810	-1,720	90	-	90
Money transfers, account fees and cash management	1,182	25	1,207	606	1,813
Lending and Guarantees	1,045	267	1,312	124	1,435
Capital markets	643	-511	132	-	132
Total	7,311	-2,147	5,164	2,572	7,736

Fee income first half 2019

(DKK millions)	Financial highlights - net fee income	Reclassifications ¹	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	2,385	-632	1,753	2,204	3,957
Pension and Insurance	1,673	-1,601	72	-	72
Money transfers, account fees and cash management	1,317	-17	1,300	728	2,028
Lending and Guarantees	1,079	304	1,392	124	1,516
Capital markets	603	-484	110	-	110
Total	7,058	-2,431	4,627	3,057	7,684

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 2,264 million for the six months ending 30 June 2020 (30 June 2019: DKK 3,135 million). Other income includes primarily income from lease assets, investment property and real estate brokerage. For 2019, other income further included the gain of DKK 1.3 billion on the sale of Danica Försäkringsaktiebolag.

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)	30 June 2020	30 June 2019
ECL on new assets	3,239	2,309
ECL on assets derecognised	-2,631	-2,213
Impact of net remeasurement of ECL (incl. changes in models)	4,478	621
Write-offs charged directly to income statement	747	509
Received on claims previously written off	-246	-250
Interest income, effective interest method	-143	-136
Total	5,443	839

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	426	-403	-23	-
Transferred to stage 2 during the period	-193	607	-414	-
Transferred to stage 3 during the period	-11	-715	726	-
ECL on new assets	278	1,185	1,776	3,239
ECL on assets derecognised	-173	-805	-1,654	-2,631
Impact of net remeasurement of ECL (incl. changes in models)	-147	1,857	2,768	4,478
Write-offs debited to the allowance account	-	-	-197	-197
Foreign exchange adjustments	-13	-38	-202	-254
Other changes	-6	-89	12	-83
ECL allowance account as at 30 June 2020	1,476	7,562	16,826	25,865

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. 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 30 June 2020, these loans amounted to DKK 294,924 million (31 December 2019: DKK 319,469 million).

G7. Deposits

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

(DKK millions)	30 June 2020	31 December 2019
Deposits from other credit institutions	217,117	155,246
hereof repo transactions	121,740	56,078
Other deposits	1,270,695	1,140,726
hereof repo transactions	176,209	176,193
Total deposits excluding repo transactions	1,189,863	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)	30 June 2020	31 December 2019
Bonds issued by Realkredit Danmark (covered bonds)	749,168	795,721
Commercial papers and certificates of deposits	7,017	6,780
Issued bonds at fair value, total	756,185	802,501

Issued bonds at amortised cost

(DKK millions)	30 June 2020	31 December 2019
Commercial papers and certificates of deposits	9,669	4,043
Preferred senior bonds	74,119	70,395
Covered bonds	184,316	181,918
Issued bonds at amortised cost, total	268,104	256,355
Non-preferred senior bonds	98,075	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	30 June 2020
Commercial papers and certificate of deposits	10,821	18,939	12,823	-169	16,769
Preferred senior bonds	75,280	18,485	18,210	-122	75,434
Covered bonds	176,489	26,871	17,577	-4,163	181,621
Non-preferred senior bonds	86,891	10,076	-	-1,430	95,537
Other issued bonds	349,481	74,372	48,609	-5,883	369,361

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 six months ended 30 June 2020, the Group redeemed EUR 750 million (DKK 5,600 million) of additional tier 1 capital accounted for as equity. During 2019, the Group issued DKK 11,901 million and redeemed DKK 3,467 million of tier 2 capital.

As at 30 June 2020, the total nominal value of issued additional tier 1 capital amounted to DKK 18,574 million (31 December 2019: DKK 24,219 million) of which DKK 8,589 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 30 June 2020, distributable items for Danske Bank A/S amounted to DKK 124.2 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 30 June 2020 the common equity tier 1 capital ratio was 20.0% (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)	30 June 2020	31 December 2019
Loans held for sale	2,195	938
Other	460	414
Total	2,655	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 transactions settled in the first half of 2020. In June 2020, an agreement to sell a portfolio of Estonian corporate loans managed by the Lithuania branch was entered into. The settlement requires the approval of the competent authorities. Liabilities in disposal groups held for sale consist of deposits in the same portfolios.

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 35,508 million (31 December 2019: DKK 37,679 million), including holdings in associates of DKK 285 million (31 December 2019: DKK 341 million), investment property of DKK 2,569 million (31 December 2019: DKK 2,644 million), tangible assets of DKK 8,162 million (31 December 2019: DKK 8,450 million) and right-of-use lease assets of DKK 5,217 million (31 December 2019: DKK 5,634 million), consisting of domicile property of DKK 4,275 million (31 December 2019: DKK 4,650 million) and other tangible assets of DKK 943 million (31 December 2019: DKK 984 million).

Other liabilities amounted to DKK 43,103 million (31 December 2019: DKK 46,191 million), including accrued interest and commissions due of DKK 4,635 million (31 December 2019: DKK 6,833 million), lease liabilities of DKK 5,141 million (31 December 2019: 5,526), other staff commitments of DKK 2,238 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 35,682 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 30 June 2020, the structural FX hedge position totalled DKK 30,877 million (31 December 2019: DKK 29,988 million) and a loss of DKK 1,198 million has been recognised in Other comprehensive income during the first half of 2020, due to a significant weakening of NOK against DKK throughout the first half 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)	30 June 2020	31 December 2019
Financial guarantees	7,049	4,661
Other guarantees	60,572	64,403
Total	67,621	69,064

(b) Commitments (DKK millions)	30 June 2020	31 December 2019
Loan commitments shorter than 1 year	258,904	204,610
Loan commitments longer than 1 year	189,181	174,211
Other unutilised loan commitments	183	283
Total	448,267	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 212 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 Bank's internal investigation into the non-resident portfolio is progressing as planned and expected to be completed during the fourth quarter of 2020.

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 (165), October 2019 (64), January 2020 (9), and March 2020 (38), in total 276 separate cases were initiated against the Bank with a total claim amount of approximately DKK 6.5 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. 225 of the 276 cases filed in the period from March 2019 to March 2020 have subsequently been referred to the Eastern High Court. 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 30 June 2020, the Group had deposited securities worth DKK 33.9 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 30 June 2020, the Group had provided cash and securities worth DKK 120.7 billion as collateral for derivatives transactions (31 December 2019: DKK 107.4 billion).

As at 30 June 2020, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 439.8 billion (31 December 2019: DKK 450.9 billion) as collateral for policyholders' savings of DKK 428.7 billion (31 December 2019: DKK 437.4 billion).

As at 30 June 2020, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 811.3 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 324.7 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'.

(DKK millions)	30 June 2020			31 December 2019		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	45,281	45,281	-	43,230	43,230
Trading portfolio securities	250,189	150,444	400,633	186,473	75,876	262,349
Loans at fair value	-	799,616	799,616	-	802,579	802,579
Loans at amortised cost	-	353,394	353,394	-	277,395	277,395
Assets under insurance contracts	-	341,896	341,896	-	359,246	359,246
Other assets	-	48	48	-	72	72
Total	250,189	1,690,679	1,940,868	186,473	1,558,398	1,744,871
Own issued bonds	41,914	50,898	92,812	43,322	81,354	124,675
Total, including own issued bonds	292,103	1,741,577	2,033,680	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 250.2 billion as at 30 June 2020 (31 December 2019: DKK 186.5 billion).

As at 30 June 2020, the Group had received securities worth DKK 408.9 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 30 June 2020, the Group had sold securities or provided securities as collateral worth DKK 152.7 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.

(DKK millions)	30 June 2020		31 December 2019	
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	221,198	-	99,035
Due from credit institutions and central banks	39,499	42,514	24,354	81,320
Trading portfolio assets	655,583	-	495,321	-
Investment securities	168,471	130,287	163,782	121,091
Loans at amortised cost	-	1,027,472	-	1,028,011
Loans at fair value	1,094,540	-	1,122,048	-
Assets under pooled schemes and unit-linked investment contracts	106,653	-	111,089	-
Assets under insurance contracts	496,629	-	434,945	-
Loans held for sale	-	2,195	-	938
Total	2,561,375	1,423,666	2,351,538	1,330,395
Financial liabilities				
Due to credit institutions and central banks	107,203	109,914	79,877	75,369
Trading portfolio liabilities	541,920	-	452,202	-
Deposits	194,291	1,076,404	184,755	955,970
Issued bonds at fair value	756,185	-	802,501	-
Issued bonds at amortised cost	-	268,104	-	256,355
Deposits under pooled schemes and unit-linked investment contracts	107,314	-	111,537	-
Liabilities in disposal groups held for sale	-	140	-	110
Non-preferred senior bonds	-	98,075	-	87,054
Subordinated debt	-	31,790	-	31,733
Loan commitments and guarantees	-	2,306	-	2,485
Total	1,706,913	1,586,734	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
30 June 2020				
Financial assets				
Due from credit institutions and central banks	-	39,499	-	39,499
Derivatives				
Interest rate contracts	4,124	294,694	3,419	302,237
Currency contracts etc.	20	85,421	2,097	87,538
Trading portfolio bonds	236,496	22,893	-	259,389
Trading portfolio shares	6,285	-	135	6,420
Investment securities, bonds	143,894	23,454	-	167,348
Investment securities, shares	31	-	1,091	1,122
Loans at fair value	-	1,094,540	-	1,094,540
Assets under pooled schemes and unit-linked investment contracts	106,653	-	-	106,653
Assets under insurance contracts, bonds				
Danish mortgage bonds	57,176	8,376	444	65,996
Other covered bonds	123,579	13,492	4,465	141,536
Assets under insurance contracts, shares	87,454	2,297	36,109	125,860
Assets under insurance contracts, derivatives	2,814	158,955	1,468	163,237
Total	768,526	1,743,621	49,228	2,561,375
Financial liabilities				
Due to credit institutions and central banks	-	107,203	-	107,203
Derivatives				
Interest rate contracts	4,679	269,294	3,880	277,853
Currency contracts etc.	27	110,005	1,307	111,339
Obligations to repurchase securities	152,077	625	27	152,729
Deposits	-	194,291	-	194,291
Issued bonds at fair value	756,185	-	-	756,185
Deposits under pooled schemes and unit-linked investment contracts	-	107,314	-	107,314
Total	912,968	788,732	5,214	1,706,913

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.

(DKK millions)	Carrying amount	Sensitivity (change in fair value)		Gains/losses for the period		
		Increase	Decrease	Realised	Unrealised	
30 June 2020						
Unlisted shares						
allocated to insurance contract policyholders	36,109	-	-	-37	-1,759	
other	1,199	120	120	95	34	
Illiquid bonds	4,909	76	76	-5	-327	
Derivatives, net fair value	1,798	-	-	-	-468	
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 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 the six month period ended 30 June 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 (DKK millions)	30 June 2020			31 December 2019		
	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	-1,667	-332	-468	3,808	235	1,690
Acquisitions	4,383	1,694	1,682	20,437	8,512	-233
Sale and redemption	-5,096	-552	-902	-17,752	-8,779	-2,455
Transferred from quoted prices and observable input	-	-	-	-	-	-
Transferred to quoted prices and observable input	-1,535	-	-994	-	-	-19
Fair value end of period	37,308	4,909	1,798	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.

30 June 2020 (DKK millions)	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	130,287	132,505	111,931	20,574	-
Loans at amortised cost	1,027,472	1,027,412	-	10,050	1,017,362
Financial liabilities					
Other issued bonds	366,179	366,006	302,140	41,304	22,563
Subordinated debt	31,790	31,697	28,546	3,151	-
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) 30 June 2020	Lending activities					
	Total	Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer- funded investments
Balance sheet items						
Demand deposits with central banks	215.7	215.4	0.3	-	-	-
Due from credit institutions and central banks	82.0	42.5	-	39.5	-	-
Trading portfolio assets	655.6	-	-	389.8	265.8	-
Investment securities	298.8	-	-	-	298.8	-
Loans at amortised cost	1,027.5	1,025.2	2.2	-	-	-
Loans at fair value	1,094.5	799.6	-	294.9	-	-
Assets under pooled schemes and unit-linked investment contracts	106.7	-	-	-	-	106.7
Assets under insurance contracts	523.4	-	-	-	-	523.4
Loans held for sale	2.2	-	2.2	-	-	-
Off-balance-sheet items						
Guarantees	67.6	67.6	-	-	-	-
Loan commitments shorter than 1 year	258.9	256.8	2.1	-	-	-
Loan commitments longer than 1 year	189.2	189.2	-	-	-	-
Other unutilised commitments	0.2	-	-	-	0.2	-
Total	4,522.3	2,596.3	6.9	724.2	564.7	630.1
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 212 billion at 30 June 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 forbore exposures.

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

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

Notes – Danske Bank Group

Credit exposure continued

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

30 June 2020 (DKK billions)	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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	216.1	0.1	-	-	-	-	216.1	0.1	-	204.4	-	-
2	0.01	0.03	230.7	0.4	-	-	-	-	230.7	0.4	-	117.2	0.2	-
3	0.03	0.06	485.9	1.7	-	0.1	-	-	485.9	1.7	-	192.0	0.8	-
4	0.06	0.14	570.3	12.9	0.6	0.6	-	-	569.7	12.8	0.6	241.3	9.5	0.1
5	0.14	0.31	472.4	46.5	0.4	0.2	0.2	-	472.2	46.3	0.4	151.9	27.0	0.1
6	0.31	0.63	225.1	56.3	0.3	0.2	0.4	-	224.9	55.9	0.3	74.7	19.9	-
7	0.63	1.90	90.9	82.2	0.3	0.2	1.5	-	90.6	80.7	0.3	30.4	24.7	0.1
8	1.90	7.98	6.7	35.6	0.4	0.1	2.7	-	6.6	33.0	0.4	1.9	8.8	0.1
9	7.98	25.70	1.0	12.6	0.2	-	0.9	-	1.0	11.7	0.2	0.2	1.2	-
10	25.70	99.99	0.7	24.7	26.2	-	1.8	5.8	0.7	22.9	20.4	0.2	9.7	5.2
11 (default)	100.00	100.00	-	0.2	19.6	-	-	10.1	-	0.2	9.6	-	-	-
Total			2,299.9	273.2	48.1	1.5	7.5	15.9	2,298.4	265.7	32.3	1,014.1	101.7	5.6

31 December 2019 (DKK billions)	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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

The breakdown of the credit portfolio by rating category in 2019 has been restated, leading to a reclassification of a gross and net exposure of DKK 9.4 billion in rating categories 10 and 11 to other rating categories. The restatement is only a matter of presentation and has no impact on the expected credit losses, allocation between stages 1-3 or non-performing loans.

Overall, the change in the macroeconomic scenarios used in the IFRS 9 impairment model as well as post-model adjustments led to an increase in gross exposure and expected credit losses within stage 2 during the first half of 2020. The post-model adjustments of DKK 4.3 billion (31 December 2019: 4.0 billion) are determined on portfolio level to ensure sufficient impairment coverage for the portfolios covered by the post-model adjustments. The post-model adjustments are subsequently allocated to the individual customers based on their proportionate share of the expected credit losses prior to post-model adjustments. As part of the post-model adjustments, an assessment of the impact on the PD levels for the customers covered by the post-model adjustment is made and triggers the transfer of some customers from stage 1 to stage 2 to reflect the increase in credit risk. This increases gross exposure within stage 2. Compared to the fourth quarter of 2019, the average exposure-weighted PD within stage 2 decreased during the first half of 2020 as the increase in exposure within stage 2 relates to exposures with a lower PD than the average exposure weighted PD at the end of 2019.

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 the macroeconomic outlook following the outbreak of the COVID-19 pandemic. Further, expected credit losses reflect a deterioration of the creditworthiness of specific customers mainly within oil and gas (in the Shipping, oil and gas industry).

30 June 2020 (DKK billions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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	273.2	0.4	0.1	-	-	-	273.2	0.4	0.1	270.0	-	-
Financials	99.3	9.4	0.7	0.1	0.2	0.3	99.2	9.3	0.4	90.4	6.7	0.3
Agriculture	47.9	19.4	6.9	0.1	1.0	1.7	47.9	18.4	5.2	11.7	3.0	0.5
Automotive	31.8	3.2	0.5	-	0.1	0.1	31.8	3.1	0.4	23.5	1.9	0.1
Capital goods	67.1	10.1	1.3	0.1	0.3	0.5	67.1	9.8	0.7	59.0	8.4	0.3
Commercial property	269.1	38.3	5.8	0.3	1.1	1.2	268.8	37.3	4.5	52.6	8.4	0.1
Construction and building materials	41.9	7.2	1.9	-	0.4	0.7	41.8	6.8	1.2	30.7	3.0	0.6
Consumer goods	57.2	12.4	1.5	-	0.3	0.5	57.2	12.0	1.0	41.3	8.8	0.3
Hotels, restaurants and leisure	9.0	5.4	1.0	-	0.1	0.1	8.9	5.3	0.9	2.3	1.8	0.2
Metals and mining	12.4	2.1	0.1	-	-	-	12.4	2.1	0.1	11.0	1.0	-
Other commercials	42.9	4.5	0.9	-	-	-	42.9	4.5	0.9	41.5	3.6	0.4
Pharma and medical devices	46.3	4.8	0.1	-	0.1	-	46.3	4.8	-	43.7	3.4	-
Private housing co-ops and non-profit associations	198.4	6.9	2.1	0.1	0.3	0.3	198.4	6.7	1.8	35.0	1.2	0.2
Pulp, paper and chemicals	36.2	1.9	0.5	-	-	0.2	36.2	1.9	0.4	27.5	0.6	0.1
Retailing	20.5	3.1	2.8	-	0.2	0.9	20.5	2.9	1.9	12.0	1.9	1.0
Services	41.3	17.3	1.2	-	0.3	0.5	41.3	17.0	0.6	32.1	13.7	0.2
Shipping, oil and gas	14.5	29.9	10.1	-	0.6	5.0	14.5	29.3	5.1	10.8	10.6	-
Social services	29.3	1.2	1.0	-	-	0.3	29.3	1.2	0.7	11.4	0.6	0.4
Telecom and media	16.6	0.9	0.2	-	-	0.1	16.6	0.9	0.1	15.1	0.6	-
Transportation	5.0	10.9	0.8	-	0.2	0.1	5.0	10.8	0.7	2.2	5.7	0.3
Utilities and infrastructure	63.3	0.3	0.1	-	-	-	63.3	0.3	0.1	49.0	0.1	-
Personal customers	876.4	83.2	8.5	0.7	2.2	3.3	875.7	81.0	5.3	141.1	16.5	0.6
Total	2,299.9	273.2	48.1	1.5	7.5	15.9	2,298.4	265.7	32.3	1,014.1	101.7	5.6

As at 30 June 2020, oil and gas exposures represent a gross exposure of DKK 28 billion (31 December 2019: DKK 29.9 billion) and expected credit losses of DKK 4.9 billion (31 December 2019: DKK 2.7 billion). Those exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of June 2020.

Overall, the change in the macroeconomic scenarios used in the IFRS 9 impairment model as well as post-model adjustments led to an increase in gross exposure and expected credit losses within stage 2. The post-model adjustments of DKK 4.3 billion (31 December 2019: 4.0 billion) are determined on portfolio level to ensure sufficient impairment coverage for the portfolios covered by the post-model adjustments. The post-model adjustments are subsequently allocated to the individual customers based on their proportionate share of the expected credit losses prior to post-model adjustments. As part of the post-model adjustments, an assessment of the impact on the PD levels for the customers covered by the post-model adjustment is made and triggers the transfer of some customers from stage 1 to stage 2 to reflect the increase in credit risk. This increases gross exposure within stage 2. Compared to the fourth quarter of 2019, this improves the overall average credit quality of the exposure within stage 2. This effect is primarily visible on the industries with newly added post-model adjustments in the first half of 2020. That is, hotels, restaurants and leisure, services, consumer goods, transportation as well as shipping, oil and gas.

Notes – Danske Bank Group

Credit exposure continued

31 December 2019 (DKK billions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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 and 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. and 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, paper and 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 and 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 and 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

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral. In the Annual Report 2019, a table showing collateral by type (after haircut) is included. The mitigating effect from collateral at the end of June 2020 can be found as the difference between the columns 'Net exposure' and 'Net exposure, ex collateral' and amounted to DKK 1,475.0 billion at 30 June 2020 (31 December 2019: DKK 1,481.9 billion). The decrease relates primarily to declining collateral value within the shipping, oil and gas and Personal customers industries.

The Group uses guarantee schemes offered by the governments in our markets to mitigate the economic consequences of the COVID-19 pandemic. During first half 2020, loans of DKK 4.2 billion were originated under such guarantee schemes with the guarantees covering DKK 3.5 billion of the loans. A large part of the guarantees relates to Northern Ireland.

Notes – Danske Bank Group

Credit exposure continued

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

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

30 June 2020 (DKK billions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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	520.0	42.6	5.8	0.6	1.4	2.5	519.4	41.2	3.3	60.7	9.8	0.5
Commercial	387.1	51.5	17.3	0.4	2.3	4.5	386.7	49.2	12.8	77.3	14.0	1.2
Banking DK	907.1	94.1	23.1	1.0	3.7	7.1	906.1	90.3	16.0	138.1	23.8	1.7
Sweden	271.0	34.1	2.6	0.1	0.9	0.6	270.9	33.2	1.9	103.0	14.3	0.7
Norway	210.4	24.3	2.5	0.1	0.4	0.4	210.3	23.9	2.1	68.6	8.8	0.9
Finland	153.4	23.4	4.2	0.1	0.5	1.3	153.3	22.8	3.0	43.3	4.7	1.0
Other	32.4	20.0	1.1	0.0	0.4	0.4	32.4	19.6	0.7	12.5	4.5	-
Banking Nordic	667.2	101.8	10.4	0.3	2.3	2.7	666.9	99.5	7.7	227.3	32.2	2.6
C&I¹	485.0	63.6	11.8	0.2	1.2	5.4	485	62	6	438.2	40.3	0.9
Wealth Management	2.6	-	-	-	-	-	2.6	-	-	2.6	-	-
Northern Ireland	70.7	11.5	2.8	-	0.3	0.6	70.7	11.2	2.2	41.2	3.1	0.3
Other	167.1	2.3	-	-	-	-	167.1	2.3	-	166.7	2.3	-
Total	2,299.9	273.2	48.1	1.5	7.5	15.9	2,298.4	265.7	32.3	1,014.1	101.7	5.6

¹The 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 (DKK billions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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&I¹	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

¹The 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.

For further information on the increase in exposures within stage 2, see the tables on credit exposure broken down by rating category and by industry.

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 30 June 2020, the Group had recognised properties taken over in Denmark at a carrying amount of DKK 27 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 first half 2020, the Group increased the use of concessions to assist customers affected by the COVID-19 pandemic. The Group granted such concessions representing an increase in gross exposure of around DKK 60 billion, of which around DKK 9 billion is considered forbearance measures, see note G1 for the definition of when such concessions are considered to be a forbearance measure. In our Nordic markets, such concessions are made on a voluntary basis, while in Northern Ireland, the Bank was selected by the UK Government to provide concessions through the UK government-backed lending schemes.

The table below shows the net 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

(DKK millions)	30 June 2020		31 December 2019	
	Performing	Non-performing ¹	Performing	Non-performing ¹
Active forbearance	11,065	9,269	8,161	9,341
Under probation	12,956	-	4,933	-
Total	24,021	9,269	13,094	9,341

¹These 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 COVID-19 on total gross NPL exposures was limited in the first half of 2020. At the same time, net NPL decreased driven by a decrease in net NPL in default partly due to an increase in the expected credit loss. The decrease for net NPL in default was partly offset by an increase in net NPL in non-default.

The table below shows the reconciliation as at 30 June 2020 between the gross exposure in stage 3 and gross non-performing loans.

Non-performing loan bridge (DKK billions)	30 June 2020			31 December 2019		
	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	28.5	19.6	48.1	21.2	21.5	42.8
None or an immaterial allowance account	9.1	3.4	12.5	4.1	3.9	8.0
Gross non-performing loans	19.4	16.3	35.7	17.1	17.6	34.7
Expected credit loss	5.7	10.1	15.9	5.1	8.3	13.4
Net non-performing loans	13.7	6.1	19.8	12.0	9.4	21.3

For 2019, the amounts in the rows 'Gross exposure in stage 3' and 'None or an immaterial allowance account' have been restated. This has no impact on non-performing loans (gross and net), as the increase in the gross exposure in stage 3 relates to collateralised exposures with an immaterial allowance account.

Non-performing loans in core activities

(DKK millions)	30 June 2020	31 December 2019
Total non-performing loans	19,838	21,346
- portion from customers in default ¹	6,124	9,372
Coverage ratio (default) (%)	100	74
Coverage ratio (non-default) (%)	74	85
Coverage ratio (total non-performing loans) (%)	89	78
Non-performing loans as a percentage of total gross exposure (%)	1.4	1.4

¹Part 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	424	-402	-23	-
Transferred to stage 2 during the period	-191	603	-412	-
Transferred to stage 3 during the period	-11	-703	714	-
ECL on new assets	277	1,183	1,759	3,219
ECL on assets derecognised	-170	-792	-1,605	-2,568
Impact of net remeasurement of ECL (incl. changes in models)	-146	1,844	2,606	4,304
Write-offs debited to the allowance account	-	-	-197	-197
Foreign exchange adjustments	-13	-38	-199	-250
Other changes	-5	-79	-9	-94
ECL allowance account as at 30 June 2020	1,470	7,523	15,872	24,866

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	775	906	1,460	62	16	3,219
ECL on assets derecognised	-1,276	-537	-715	-38	-2	-2,568
Impact on remeasurement of ECL (incl. change in models)	761	719	2,580	228	16	4,304
Write-offs debited to allowance account	-157	-31	-	-9	-	-197
Foreign currency translation	-3	-92	-96	-57	-2	-250
Other changes	-14	4	-84	-1	1	-94
ECL allowance account as at 30 June 2020	11,749	5,301	6,862	915	38	24,866

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 macroeconomic 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). As at 30 June 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 at the end of 2019, despite including expectations of substantial government support packages to mitigate the macroeconomic impacts from the COVID-19 pandemic. The downside scenario has been updated to a longer-lasting COVID-19 scenario that includes a steeper decline than during the global financial crisis with a close to double-digit decrease in GDP and has a likelihood of 20%, 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 and includes substantial increases in unemployment and decreases in house prices.

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 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.

30 June 2020 Group average	Base case		Downside	
	2020	2021	2020	2021
GDP	-4.2	3.4	-9.5	-3.3
Industrial Production	-6.8	4.3	-11.7	-6.2
Unemployment	6.8	6.3	7.8	9.0
Inflation	0.5	1.6	0.1	-1.7
Consumption Expenditure	-4.4	4.1	-11.5	-0.1
Property prices - Residential	-0.6	1.8	-3.5	-13.1
Interest rate - 3 month	-0.1	0.0	-0.1	0.2
Interest rate - 10 year	0.1	0.4	0.0	1.5

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

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters.

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 70% (31 December 2019: 60%), the upside scenario with a probability of 10% (31 December 2019: 10%) and the downside scenario with a probability of 20% (31 December 2019: 30%). On the basis of these assessments, the allowance account as at 30 June 2020 amounted to DKK 24.9 billion (31 December 2019: 20.5 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.1 billion (31 December 2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 6.1 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 0.8 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 second 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).

Management applies judgement when determining the need for post-model adjustments. At 30 June 2020, the post-model adjustments amounted to DKK 4.3 billion (31 December 2019: 4.0 billion). The post-model adjustments cover, for instance, specific macroeconomic risks in the Agriculture or the Shipping, Oil and Gas industries that are not fully captured by the expected credit loss model. For these supplementary calculations are made in order to ensure sufficient impairment coverage. The post-model adjustments introduced in the first quarter of 2020 continue to include the immediate risks arising from the COVID-19 pandemic. Remaining adjustments are made to take into account non-linear downside risks, for instance on the property market in Copenhagen and other high growth areas for which the macroeconomic forecasts used in the models are based on the property market as a whole. 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 30 June 2020, as part of the post-model adjustments at 31 December 2019 are now covered through the scenarios used at 30 June 2020 to reflect the worsening of the macroeconomic outlook in the first half of 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 with personal customers in Latvia and Lithuania. The transactions settled in the first half of 2020. In June 2020, the Group entered into an agreement to sell a portfolio of Estonian corporate loans managed by the Lithuanian branch. The settlement requires the approval of the competent authorities. Further information can be found in note G9.

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

(DKK millions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	3,878	194	330	6	38	230	3,872	156	100	2,197	70	26
Personal customers	26	3	1	-	-	-	26	3	1	25	-	-
Commercial customers	2,582	171	329	6	38	230	2,576	132	99	1,021	52	26
Public Institutions	1,270	20	-	-	-	-	1,270	20	-	1,151	18	-
Non-core conduits etc.	2,637	-	855	-	-	724	2,637	-	131	112	-	-
Total	6,515	194	1,185	6	38	954	6,509	156	231	2,309	70	26

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

31 December 2019 (DKK millions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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

30 June 2020 (DKK millions)	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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	1,728	26	17	-	-	-	1,728	26	17	653	26	15
3	0.03	0.06	2,375	47	30	-	-	-	2,374	47	30	1,043	34	9
4	0.06	0.14	577	14	9	-	-	-	577	14	9	212	2	-
5	0.14	0.31	772	31	20	1	-	-	771	31	20	291	7	2
6	0.31	0.63	246	10	6	2	-	-	244	10	6	76	2	-
7	0.63	1.90	260	15	7	2	5	-	258	10	7	20	-	-
8	1.90	7.98	83	26	29	-	23	27	83	3	2	-	-	-
9	7.98	25.70	25	11	1	-	10	-	25	1	1	-	-	-
10	25.70	99.99	78	4	19	-	-	17	78	4	2	-	-	-
11 (default)	100.00	100.00	234	9	1,049	-	-	911	234	9	138	15	-	-
Total			6,515	194	1,185	6	38	954	6,509	156	231	2,309	70	26

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

31 December 2019 (DKK millions)	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	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)	30 June 2020	31 December 2019
Counterparty credit risk		
Derivatives with positive fair value	389.8	294.0
Reverse transactions and other loans at fair value ¹	334.4	343.1
Credit exposure from other trading and investment securities		
Bonds	557.0	472.5
Shares	7.5	13.7
Other unutilised commitments ²	0.2	0.3
Total	1,288.9	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 334.1 billion (31 December 2019: DKK 342.0 billion), of which DKK 39.5 billion relates to credit institutions and central banks (31 December 2019: DKK 23.6 billion), and other primarily short-term loans of DKK 0.3 billion ((31 December 2019: DKK 1.1 billion), of which DKK 0 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)	30 June 2020	31 December 2019
Derivatives with positive fair value before netting	920,980	622,353
Netting (under accounting rules)	531,206	328,372
Carrying amount	389,774	293,980
Netting (under capital adequacy rules)	289,779	217,620
Net current exposure	99,995	76,361
Collateral	67,356	50,730
Net amount	32,639	25,631
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	302,237	228,428
Currency contracts	85,594	64,374
Other contracts	1,944	1,178
Total	389,775	293,980

Bond portfolio

(DKK millions)	Central and local govern- ment bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2020							
Held-for-trading (FVPL)	149,590	1,898	33,442	60,022	4,120	10,318	259,389
Managed at fair value (FVPL)	11,525	741	35,936	2,249	596	1,106	52,152
Held to collect and sell (FVOCI)	13,843	2,745	84,948	8,664	4,085	910	115,195
Held to collect (AMC)	35,495	1,489	84,472	7,105	1,727	-	130,287
Total	210,452	6,872	238,798	78,040	10,528	12,335	557,025
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 30 June 2020, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 207,532 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 30 June 2020 and 31 December 2019, see note G14.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 June 2020							
Denmark	46,061	-	238,798	-	-	1,688	286,547
Sweden	54,060	-	-	78,040	-	3,856	135,956
UK	3,654	-	-	-	1,131	1,084	5,869
Norway	6,070	-	-	-	6,508	1,926	14,504
USA	17,312	1,263	-	-	-	10	18,585
Spain	5,086	-	-	-	1	7	5,094
France	12,399	-	-	-	922	41	13,363
Luxembourg	-	4,726	-	-	-	138	4,864
Finland	14,158	811	-	-	628	1,837	17,434
Ireland	7,052	-	-	-	4	31	7,087
Italy	2,232	-	-	-	-	12	2,244
Portugal	153	-	-	-	-	-	153
Austria	5,366	-	-	-	-	32	5,398
Netherlands	5,071	-	-	-	20	397	5,488
Germany	29,345	-	-	-	939	348	30,633
Belgium	2,434	5	-	-	1	-	2,440
Other	-	66	-	-	374	928	1,367
Total	210,452	6,872	238,798	78,040	10,528	12,335	557,025
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
30 June 2020							
AAA	160,848	6,328	238,614	77,985	9,538	1,201	494,514
AA+	6,471	83	-	-	356	153	7,063
AA	26,742	461	-	56	608	1,392	29,259
AA-	1,857	-	-	-	-	735	2,592
A+	-	-	-	-	-	517	517
A	7,978	-	145	-	5	2,526	10,654
A-	-	-	-	-	-	1,332	1,332
BBB+	4,172	-	-	-	-	1,046	5,219
BBB	135	-	38	-	-	2,114	2,288
BBB-	2,250	-	-	-	-	479	2,729
BB+	-	-	-	-	-	303	303
BB	-	-	-	-	-	278	278
BB-	-	-	-	-	-	24	24
Sub-inv. grade or unrated	-	-	-	-	20	234	253
Total	210,452	6,872	238,798	78,040	10,528	12,335	557,025
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 Annual Report 2019 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. Trading-related activities in Corporates & Institutions mainly involve market making and 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

(DKK millions)	30 June 2020		31 December 2019	
	Average	End of year	Average	End of year
Total	30	34	26	26

In the first half of 2020, the average trading-related market risk was DKK 30 million, which was slightly higher compared to the average for 2019. The market risk was fairly unchanged until the beginning of March, after which the COVID-19 market stress caused an increase in the average trading-related market risk driven by higher bond spread risk and interest rate risk. The risk remained elevated for two months, after which the average trading-related market risk decreased.

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 0.4 billion as at 30 June 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 banking book (a parallel yield curve shift of 100 points)

At last business day (DKK millions)	30 June 2020		31 December 2019	
	+100bp	-100bp	+100bp	-100bp
Total	1,543	-433	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. At 30 June 2020, the only scenario causing a decline in the net interest income compared to the base scenario is the scenario 'short rates up', having an Earnings-at-Risk impact of DKK -489 million. At 31 December 2019, the worst scenario was a parallel downward yield curve shift of 1%, which however had a positive impact on the Group's Earnings-at-Risk of DKK 6 million compared to the 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 since the outbreak of the COVID-19 pandemic, this measure increased to DKK 241 million as at 30 June (31 December 2019: DKK 99 million).

Financial statements – Danske Bank A/S

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc. as amended by the Executive Order No. 707 of 1 June 2016, the Executive Order No. 1043 of 5 September 2017 and the Executive Order No. 1441 of 3 December 2018.

Note G2 provides further information on changes in accounting policies implemented as at 1 January 2020. Except for these changes, Danske Bank A/S has not changed its significant accounting policies from those applied in the Annual Report 2019 and explained on page 212 in Annual Report 2019.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the Parent Company's financial statements presented in accordance with Danish FSA rules.

	Net profit First half 2020	Net profit First half 2019	Equity 30 June 2020	Equity 31 December 2019
Consolidated financial statement (IFRS)	1,036	7,020	164,500	170,508
Domicile properties	-3	-	264	265
Tax effect	-	-	-31	-31
Consolidated financial statements (Danish FSA rules)	1,032	7,020	164,733	170,741

Income statement – Danske Bank A/S

Note	(DKK millions)	First half 2020	First half 2019
	Interest income	13,637	14,803
	Interest expense	6,411	8,484
	Net interest income	7,226	6,319
	Dividends from shares etc.	118	430
	Fee and commission income	6,349	6,230
	Fees and commissions paid	957	1,054
	Net interest and fee income	12,736	11,925
P1	Value adjustments	814	1,580
	Other operating income	738	773
	Staff costs and administrative expenses	10,548	9,301
	Amortisation, depreciation and impairment charges	1,646	1,610
	Loan impairment charges etc.	4,643	522
	Income from associates and group undertakings	3,064	4,948
	Profit before tax	516	7,790
	Tax	-516	771
	Net profit	1,032	7,020

Statement of comprehensive income – Danske Bank A/S

(DKK millions)	First half 2020	First half 2019
Net profit	1,032	7,020
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension plans	390	130
Tax	-102	-15
Items that will not be reclassified to profit or loss	288	115
Items that are or may be reclassified subsequently to profit or loss		
Translation of units outside Denmark	-3,581	439
Hedging of units outside Denmark	2,077	-28
Unrealised value adjustments of bonds at fair value (OCI)	51	189
Realised value adjustments of bonds at fair value (OCI)	-15	-8
Tax	146	-39
Items that are or may be reclassified subsequently to profit or loss	-1,322	554
Total other comprehensive income	-1,035	669
Total comprehensive income	-2	7,689
Portion attributable to		
Shareholders of Danske Bank A/S (the Parent Company)	-318	7,298
Additional Tier 1 capital holders	316	390
Total comprehensive income	-2	7,689

Balance sheet - Danske Bank A/S

Note	(DKK millions)	30 June 2020	31 December 2019	30 June 2019
	Assets			
	Cash in hand and demand deposits with central banks	191,629	77,548	116,825
	Due from credit institutions and central banks	114,319	108,698	133,735
P2	Loans and other amounts due at fair value	298,748	319,469	256,271
P2	Loans and other amounts due at amortised costs	851,172	866,361	870,074
	Bonds at fair value	404,836	327,326	365,228
	Bonds at amortised cost	93,561	86,531	86,323
	Shares etc.	7,529	13,632	7,101
	Holdings in associates	278	328	374
	Holdings in group undertakings	88,969	90,877	87,292
	Assets under pooled schemes	50,336	53,885	52,615
	Intangible assets	5,980	6,072	7,165
	Land and buildings	4,487	4,912	5,073
	Investment property	183	217	219
	Domicile property	4,304	4,696	4,854
	Other tangible assets	4,666	4,882	4,969
	Current tax assets	3,815	2,737	2,366
	Deferred tax assets	911	472	419
	Assets held for sale	2,388	1,128	3,505
	Other assets	416,723	315,951	323,495
	Prepayments	1,418	1,063	1,668
	Total assets	2,541,764	2,281,873	2,324,499
	Liabilities and equity			
	Amounts due			
	Due to credit institutions and central banks	227,789	181,660	235,568
	Deposits and other amounts due	1,195,692	1,071,274	1,057,015
	Deposits under pooled schemes	50,942	54,251	53,463
	Issued bonds at fair value	7,017	6,780	13,276
P3	Issued bonds at amortised cost	275,712	270,242	279,663
	Current tax liabilities	16	154	32
	Other liabilities	587,713	495,054	491,506
	Deferred income	579	628	417
	Total amounts due	2,345,460	2,080,044	2,130,941
	Provisions for liabilities			
	Provisions and pensions and similar obligations	439	277	173
	Provisions for deferred tax	238	286	5,944
	Provisions for losses on guarantees	2,766	2,406	2,445
	Other provisions for liabilities	320	336	337
	Total provisions for liabilities	3,763	3,305	8,899
	Subordinated debt			
	Subordinated debt	27,809	27,784	21,434
	Equity			
	Share capital	8,622	8,622	8,622
	Accumulated value adjustments	-1,747	-260	-59
	Equity method reserve	23,630	26,762	23,340
	Retained earnings	125,655	114,052	117,082
	Proposed dividends*	-	7,329	-
	Shareholders of Danske Bank A/S (the Parent Company)	156,160	156,504	148,985
	Additional tier 1 etc.	8,573	14,237	14,239
	Total equity	164,733	170,741	163,224
	Total liabilities and equity	2,541,764	2,281,873	2,324,499

*For 2019, no dividends were paid in 2020. See note G1(a) for further information.

Statement of capital – Danske Bank A/S

Changes in equity

(DKK millions)	Share capital	Accumulated value adjustments*	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2020	8,622	-260	26,762	114,052	7,329	156,504	14,237	170,741
Net profit	-	-	-3,132	3,848	-	717	316	1,032
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	390	-	390	-	390
Translation of units outside Denmark	-	-3,581	-	-	-	-3,581	-	-3,581
Hedging of units outside Denmark	-	2,077	-	-	-	2,077	-	2,077
Unrealised value adjustments	-	51	-	-	-	51	-	51
Realised value adjustments	-	-15	-	-	-	-15	-	-15
Tax	-	-19	-	63	-	44	-	44
Total other comprehensive income	-	-1,487	-	452	-	-1,035	-	-1,035
Total comprehensive income	-	-1,487	-3,132	4,301	-	-318	316	-2
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-391	-391
Proposed dividends reversed**	-	-	-	7,329	-7,329	-	-	-
Redemption of additional tier 1 capital	-	-	-	-5	-	-5	-5,596	-5,600
Acquisition of own shares and additional tier 1 capital	-	-	-	-18,851	-	-18,851	7	-18,844
Sale of own shares and additional tier 1 capital	-	-	-	18,805	-	18,805	-	18,805
Tax	-	-	-	24	-	24	-	24
Total equity as at 30 June 2020	8,622	-1,747	23,630	125,655	-	156,160	8,573	164,733

* Accumulated value adjustments includes foreign currency translation reserve, reserve for bonds at fair value through Other comprehensive income (FVOCI) and valuation reserve.

** For 2019, no dividends were paid in 2020. The previously proposed dividends have been reversed to Retained earnings in 2020. See note G1(a) for further information.

Statement of capital – Danske Bank A/S

Change in equity

(DKK millions)	Share capital	Accumulated value adjustments *	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2019	8,960	-640	23,340	109,650	7,616	148,925	14,299	163,225
Net profit	-	-	202	6,427	-	6,629	390	7,020
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	130	-	130	-	130
Translation of units outside Denmark	-	439	-	-	-	439	-	439
Hedging of units outside Denmark	-	-28	-	-	-	-28	-	-28
Unrealised value adjustments	-	189	-	-	-	189	-	189
Realised value adjustments	-	-8	-	-	-	-8	-	-8
Tax	-	-13	-	-41	-	-54	-	-54
Total other comprehensive income	-	580	-	89	-	669	-	669
Total comprehensive income	-	580	202	6,516	-	7,298	390	7,689
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-394	-394
Dividends paid	-	-	-	383	-7,616	-7,233	-	-7,233
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-9,438	-	-9,438	-57	-9,494
Sale of own shares and additional tier 1 capital	-	-	-	9,390	-	9,390	-	9,390
Tax	-	-	-	42	-	42	-	42
Total equity as at 30 June 2019	8,622	-59	23,542	116,880	-	148,985	14,239	163,224

* Accumulated value adjustments includes foreign currency translation reserve, reserve for bonds at fair value through Other comprehensive income (FVOCI) and valuation reserve.

Notes – Danske Bank A/S

P1. Value adjustments

(DKK millions)	30 June 2020	30 June 2019
Loans at fair value	788	210
Bonds	633	1,040
Shares etc.	-757	18
Currency	611	979
Derivatives	2,744	2,979
Assets under pooled schemes	26	21
Other liabilities	-3,232	-3,668
Total	814	1,580

P2. Impairment charges for loans and guarantees

	Due to credit institutions and central banks			Loans and other amounts due at AMC			Loan commitments and guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
ECL allowance account as at 1 January 2019	12	1	2	363	3,628	10,966	518	961	551	17,003
Transferred to stage 1 during the period	-	-	-	456	-423	-33	136	-131	-5	-
Transferred to stage 2 during the period	-	-	-	-45	560	-515	-8	87	-79	-
Transferred to stage 3 during the period	-	-	-	-3	-308	311	-2	-104	106	-
ECL on new assets	4	4	-	141	653	2,164	57	215	231	3,467
ECL on assets derecognised	-7	-2	-	-155	-781	-2,276	-44	-224	-271	-3,761
Impact of net remeasurement of ECL (incl. changes in models)	-	-1	-	-357	457	1,147	-92	141	19	1,314
Write offs debited to the allowance account	-	-	-	-	-	-669	-	-	-	-669
Foreign exchange adjustments	-	-	-	-1	9	52	1	4	11	77
Other changes	-	-	-	-23	-48	-64	-	-1	-13	-149
ECL allowance account as at 31 December 2019	9	2	2	376	3,747	11,083	565	949	550	17,283
Transferred to stage 1 during the period	-	-	-	189	-184	-5	59	-58	-	-
Transferred to stage 2 during the period	1	-1	-	-90	305	-216	-23	107	-84	-
Transferred to stage 3 during the period	-	-	-	-3	-555	558	-	-30	30	-
ECL on new assets	5	11	-	155	803	1,572	75	154	122	2,897
ECL on assets derecognised	-3	-3	-	-66	-502	-1,362	-46	-109	-124	-2,214
Impact of net remeasurement of ECL (incl. changes in models)	2	20	-	-92	975	2,669	-13	286	45	3,891
Write offs debited to the allowance account	-	-	-	-	11	-348	-	-	-	-337
Foreign exchange adjustments	-	-	-	-7	-16	-139	-2	-12	-18	-196
Other changes	-	-	-	-9	-13	-74	-	-	2	-95
ECL allowance account as at 30 June 2020	15	28	2	453	4,572	13,737	616	1,286	521	21,230

P3. Issued bonds at amortised cost

Issued bonds at amortised cost includes non-preferred senior bonds of DKK 98,075 million.

Notes – Danske Bank A/S

Ratios and key figures	First half 2020	Full year 2019	First half 2019
Total capital ratio (%)	26.3	26.4	24.9
Tier 1 capital ratio (%)	23.7	23.7	23.2
Return on equity before tax (%)	0.3	7.0	4.8
Return on equity after tax (%)	0.6	9.0	4.3
Income/cost ratio (%)	103.1	144.7	168.1
Interest rate risk (%)	2.6	3.4	3.7
Foreign exchange position (%)	0.3	3.8	3.9
Foreign exchange risk (%)	-	-	-
Loans plus impairment charges as % of deposits	93.7	106.7	102.7
Liquidity coverage ratio (90 ^{days}) (%)	144.1	119.8	122.9
Sum of large exposures as % of CET1 capital	127.9	125.1	103.8
Impairment ratio (%)	0.3	0.1	-
Growth in loans (%)	-1.6	2.8	-3.2
Loans as % of equity	7.0	6.9	6.9
Return on assets (%)	-	0.7	0.3
Earnings per share ¹	0.8	16.7	8.2
Book value per share (DKK)	192.3	198.9	191.1
Proposed dividend per share (DKK) ²	-	8.5	-
Share price end of period/earnings per share (DKK) ¹	105.4	6.4	12.6
Share price end of period/book value per share (DKK)	0.46	0.54	0.54

¹ After the deduction of interest on equity accounted additional tier 1 capital.

² For 2019, no dividends were paid in 2020. See note G1(a) for further information.

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first half 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 30 June 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 30 June 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, 17 July 2020

Executive Leadership Team

Chris Vogelzang
CEO

Berit Behring

Carsten Rasch Egeriis

Stephan Engels

Jakob Groot

Glenn Söderholm

Philippe Volland

Frans Woelders

Board of Directors

Karsten Dybvad
Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Carol Sergeant
Vice Chairman

Martin Blessing

Lars-Erik Brenøe

Raija-Leena Hankonen

Bente Avnung Landsnes

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 and parent interim financial statements

We have reviewed the consolidated and parent interim financial statements of Danske Bank A/S for the financial period 1 January to 30 June 2020, pp. 30-84 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, for the Group and Parent Company, respectively, as well as the consolidated cash flow statement.

Management's responsibility for the consolidated and parent 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 the preparation of the Parent Company's interim financial statements in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies, and for such internal control as Management determines is necessary to enable the preparation of the consolidated and parent 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 and parent interim financial statements. We conducted our review in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires that we express a conclusion about whether anything has come to our attention that causes us to believe that the consolidated and parent interim financial statements, taken as a whole, have not been prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

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

A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the consolidated and parent interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements for the financial period 1 January to 30 June 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, and that the Parent Company's Interim Financial Statements have not been prepared, in all material respects, in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial entities.

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, 17 July 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 95 35 56

Erik Holst Jørgensen
State-Authorised
Public Accountant
Identification No
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Jens Ringbæk
State-Authorised
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Supplementary information

Financial calendar

4 November 2020	Interim report – first nine months 2020
4 February 2021	Annual report 2020
16 March 2021	Annual general meeting
28 April 2021	Interim report – first quarter 2021
23 July 2021	Interim report – first half 2021
29 October 2021	Interim report – first nine months 2021

Contacts

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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](https://www.danskebank.com/Reports).