Interim report – first quarter 2021

Danske Bank Group

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Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Net interest income	5,450	5,560	98	5,447	100	22,151
Net fee income	3,402	3,240	105	3,644	93	12,217
Net trading income	1,266	141	-	1,044	121	4,297
Net income from insurance business	491	99	-	350	140	1,669
Other income	195	186	105	97	201	594
Total income	10,805	9,227	117	10,582	102	40,928
Operating expenses	6,273	6,385	98	7,316	86	26,648
Impairment charges, other intangible assets	-	-	-	379	-	379
Profit before loan impairment charges	4,531	2,842	159	2,886	157	13,901
Loan impairment charges	497	4,251	12	713	70	7,001
Profit before tax, core	4,034	-1,409	-	2,173	186	6,900
Profit before tax, Non-core	20	-254	-	-113	-	-596
Profit before tax	4,054	-1,663	-	2,059	197	6,304
Tax	914	-374	-	609	150	1,715
Net profit	**3,139**	**-1,289**	**-**	**1,450**	**216**	**4,589**
Attributable to additional tier 1 etc.	115	195	59	118	97	551

Balance sheet (end of period) (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Due from credit institutions and central banks	336,606	221,566	152	345,938	97	345,938
Repo loans	276,908	336,609	82	257,883	107	257,883
Loans	1,827,873	1,781,846	103	1,838,126	99	1,838,126
Trading portfolio assets	652,541	706,541	92	682,945	96	682,945
Investment securities	302,638	292,797	103	296,769	102	296,769
Assets under insurance contracts	532,470	527,969	101	545,708	98	545,708
Total assets in Non-core	1,913	6,168	31	2,797	68	2,797
Other assets	141,952	134,195	106	139,064	102	139,064
Total assets	**4,072,903**	**4,007,691**	**102**	**4,109,231**	**99**	**4,109,231**
Due to credit institutions and central banks	111,284	96,839	115	125,267	89	125,267
Repo deposits	250,403	307,804	81	223,973	112	223,973
Deposits	1,229,654	995,249	124	1,193,173	103	1,193,173
Bonds issued by Realkredit Danmark	771,138	762,026	101	775,844	99	775,844
Other issued bonds	358,195	351,612	102	360,127	99	360,127
Trading portfolio liabilities	419,881	603,008	70	499,331	84	499,331
Liabilities under insurance contracts	574,696	565,202	102	591,930	97	591,930
Total liabilities in Non-core	2,538	2,492	102	2,975	85	2,975
Other liabilities	146,355	124,476	118	135,596	108	135,596
Subordinated debt	38,253	31,968	120	32,337	118	32,337
Additional tier 1	8,615	14,428	60	8,508	101	8,508
Shareholders' equity	161,890	152,587	106	160,171	101	160,171
Total liabilities and equity	**4,072,903**	**4,007,691**	**102**	**4,109,231**	**99**	**4,109,231**

Ratios and key figures	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Dividend per share (DKK)	-	-		2.0		2.0
Earnings per share (DKK)	3.5	-1.7		1.6		4.7
Return on avg. shareholders' equity (% p.a.)	7.5	-3.8		3.4		2.6
Net interest income as % p.a. of loans and deposits	0.72	0.80		0.73		0.76
Cost/income ratio (C/I), (%)	58.1	69.2		72.7		66.0
C/I, excluding impairment on intangible assets (%)	58.1	69.2		69.1		65.1
Total capital ratio (%)	23.4	22.3		23.0		23.0
Common equity tier 1 capital ratio (%)	18.1	17.6		18.3		18.3
Share price (end of period) (DKK)	118.7	76.9		100.7		100.7
Book value per share (DKK)	189.7	178.8		187.6		187.6
Full-time-equivalent staff (end of period)	21,978	22,032	100	22,376	98	22,376

**The financial highlights have been restated as explained in note G2(b). 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 21.*

Executive summary

On 19 April 2021, the Board of Directors of Danske Bank A/S appointed Carsten Rasch Egeriis as Chief Executive Officer. He replaced Chris Vogelzang who resigned from his position. The execution of the plan to make us a better bank for the benefit of all our stakeholders will still continue.

The first quarter of 2021 was the first with our new organisational structure, under which our commercial activities are now organised in two business units; Personal & Business Customers and Large Corporates & Institutions. From a reporting point of view, the activities are organised in four reporting segments, including also Danica Pension and Northern Ireland. Furthermore, the Commercial Leadership Team was established with effect from 1 February 2021. This team is responsible for ensuring strong cooperation across the Group and focuses on developing Danske Bank's customer offerings. The redesigned organisation will reduce complexity, increase efficiency and ensure that we become even more competitive for our customers.

In the first quarter of 2021, the Nordic economies steered well through the second wave of the pandemic. Sectors not directly affected by the lockdowns thrived in particular, for example the manufacturing and construction industries. Similarly, the housing markets in the Nordic countries maintained their good performance at the beginning of 2021. On the other hand, certain sectors, such as the travel and tourism sectors, remained affected by the negative economic effects of the lockdowns. Denmark experienced the first quarter in full lockdown, while lockdowns were less comprehensive in the other Nordic countries. Overall, however, government support packages continued to help affected sectors, just as they are lowering credit demand.

Looking forward, the positive effect of the gradual implementation of vaccine programmes is expected to stimulate the economy. Furthermore, the recovery of economic activity in Denmark as well as in the other Nordic countries during the rest of the year is likely to generate customer activity and credit demand, thus supporting our income streams in the second half of the year.

In general, our diversified and resilient business model continued to prove valuable in the current lending and interest rate environment, ensuring a positive development in income.

Financials

Danske Bank posted a net profit of DKK 3.1 billion for the first quarter of 2021, against DKK -1.3 billion for the same period in 2020. The increase was driven by a 17% rise in total income and lower impairment charges due to the macroeconomic developments as well as a continued decline in operating expenses as a result of our strict focus on cost control.

The return on shareholders' equity was 7.5%, against -3.8% in the first quarter of 2020.

In the first quarter of 2021, we saw growth in lending from the same period in 2020. This was driven mainly by Personal & Business Customers Nordic, with Norway in particular seeing good commercial momentum.

At Personal & Business Customers Denmark, on the other hand, bank lending to personal customers continued to decline as customers switched to mortgage loans. Furthermore, the repayment of bank loans accelerated in the first quarter as a result of personal customers having ample liquidity.

Deposit volumes maintained an elevated level at both Personal & Business Customers and Large Corporates & Institutions.

Net interest income was positively impacted by deposit repricing initiatives in Denmark that took effect in January 2021 and higher Group volumes. This positive effect was, however, offset by continued product mix effects as well as margin effects at Large Corporates & Institutions.

Net fee income and net trading income continued to deliver in the first quarter on the back of strong customer activity. Specifically, we saw our investment banking offerings at Large Corporates & Institutions continue to generate business, as we won important mandates to assist customers with the raising of capital and provided advisory services, which is evidence that the investments in our capital markets platform are paying off. Assets under management in Asset Management increased, driven partly by customers moving deposits to investments products.

The result of our insurance business at Danica Pension increased, due primarily to a higher result from the life insurance business, which benefited significantly from an increase in the investment result.

Credit quality remains strong, and we continue to see a low level of actual credit deterioration. We do see some sectors affected, but Danske Bank has only minor exposure to these and maintains a prudent post-model adjustment buffer. For the first quarter of 2021, we recognised impairments of DKK 0.5 billion. Within our oil-related exposure, impairment charges continue on a lower trajectory.

The execution of our Better Bank plan proceeded according to plan in the first quarter. Our new organisation is now in place, and our Better Bank initiatives have become an even more integral part of the business. We also continue to see the results of our strict focus on cost control, with a downward trend in total costs, as we saw lower costs in the first quarter in line with expectations. We will carry on with our execution of the planned cost initiatives in 2021.

Our capital position remained strong with a total capital ratio of 23.4 % and a CET1 capital ratio of 18.1%.

Sustainable financing

In the first quarter, new green loans were launched across the various business customer segments. The product range for sustainable financing was widened with an offering for business customers of green loans for large investments and an expansion of our green loans offering through Realkredit Danmark by lowering the threshold for obtaining green loans from DKK 100 million to DKK 30 million.

In terms of green bond underwriting, we maintained our top position among the banks in the Nordic countries.

Annual General Meeting

Danske Bank's Annual General Meeting was held on 16 March 2021. The proposed dividend for 2020 of DKK 2 per share was approved by the meeting and was paid out on 19 March 2021.

Outlook for 2021

Based on the development seen in the first quarter of 2021, we maintain our outlook for 2021 with a net profit in the range of DKK 9-11 billion.

We expect total income to be slightly higher than the level in 2020, subject mainly to commercial momentum and broader economic developments.

Expenses are expected to be no more than DKK 24.5 billion, driven by ongoing cost initiatives and lower costs for transformation and remediation.

Loan impairments are expected to be no more than DKK 3.5 billion, subject to a modest macroeconomic recovery based on a positive impact from COVID-19 vaccines.

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

Financial review

First quarter 2021 vs first quarter 2020

Net profit increased to DKK 3,139 million (Q1 2020: a loss of DKK 1,289 million) in spite of the lockdown that was in place throughout the first quarter of 2021 in Denmark. The increase was due mainly to a rise in total income of 17% and a significant reduction in loan impairment charges.

Income

Net interest income stood at DKK 5,450 million (Q1 2020: DKK 5,560 million) and thus decreased slightly. The decrease occurred despite the positive effects of larger volumes, an increase in the amortisation of loan origination fees as a result of stronger demand for credit facilities, as well as lower customer deposit rates and positive exchange-rate movements. The fall was due primarily to lower lending margins and other interest-related items and a minor effect from fewer interest days in the quarter.

Net fee income rose 5% to DKK 3,402 million (Q1 2020: DKK 3,240 million), as high activity on the capital markets led to an increase in corporate finance activities at Large Corporates and Institutions.

Net trading income increased to DKK 1,266 million (Q1 2020: DKK 141 million). The increase was due primarily to improved net trading income at Large Corporates & Institutions as a result of an improvement in market conditions from the first quarter of 2020. A gain of DKK 227 million on the sale of shares in the Group's private equity portfolio also contributed to the increase,

Net income from insurance business amounted to DKK 491 million (Q1 2020: DKK 99 million). The increase was due mainly to higher fees and an increased investment result in the life insurance business. The health and accident business also saw a positive development, which was, however countered by a provision for pension yield tax of DKK 200 million.

Expenses

Operating expenses decreased to DKK 6,273 million (Q1 2020: DKK 6,385 million) and thus continued the downward trend into the first quarter of 2021. The decrease mainly reflects our Better Bank transformation efforts and a decline in costs relating to the Estonia case. A one-off investment of DKK 122 million to ensure good working-from-home conditions had a partly offsetting effect.

Loan impairments

Loan impairment charges in core activities amounted to DKK 497 million (Q1 2020: DKK 4,251 million).

Impairments mainly reflected a credit deterioration of individual customer exposures of DKK 400 million relating mostly to segments hit by the continued lockdown of societies, in respect of which we have seen part of the effect materialising on specific credit exposures. The full effect of the corona crisis is, however, still uncertain and depends on the phase-out of government support packages and the roll-out of vaccinations. Consequently, corona crisis-related post-model adjustments were reversed only to a small degree.

The expected increase in the allowance account as a result of EBA guidelines on credit risk modelling is fully included as of this quarter through post-model adjustments established to address the impact.

On 16 April 2021, the Danish FSA published orders regarding impairments. The conclusions were known to Danske Bank and were addressed in the impairment levels in the fourth quarter of 2020.

Personal & Business Customers accounted for the main part of the loan impairment charges due to charges made against individual customer exposures as a result of the corona crisis, for instance in the hotel, restaurants, and leisure segment. We continued to see limited spillover into other sectors. However, whether this will continue to be so is uncertain due to the length of lockdowns and uncertainty regarding the phasing out of government support packages.

At Large Corporates & Institutions, loan impairment charges fell owing to a decline in charges against exposures to customers in the oil and gas industry. Charges against exposures to customers outside the oil and gas industry were limited.

Loan impairment charges

	Q1 2021		Q1 2020	
(DKK millions)	Charges	% of net credit exposure[1]	Charges	% of net credit exposure[1]
Personal & Business Customers	435	0.11	1,751	0.45
Large Corporates & Institutions	69	0.09	2,328	3.40
Northern Ireland	-7	-0.06	165	1.22
Group Functions	1	0.12	7	0.50
Total core	**497**	**0.10**	**4,251**	**0.90**

[1] Defined as net credit exposure from lending activities in core segments, excluding exposures related to credit institutions and central banks and loan commitments.

First quarter 2021 vs fourth quarter 2020

Net profit increased DKK 1,689 million from the level in the fourth quarter of 2020. The increase was due mainly to a decline of 14% in operating expenses, lower impairment charges for other tangible assets and an increase in total income.

Net interest income was stable from the fourth to the first quarter. Reduced customer deposit rates in particular as well as higher deposit volumes and favourable exchange-rate movements had a positive effect on net interest income, however, this was offset by a negative effect from fewer days in the quarter, higher funding costs and a decrease in the amortisation of loan origination fees.

Net fee income decreased to DKK 3,402 million (Q4 2020: 3,644 million). Despite an increase in net fee income at Personal & Business Customers related primarily to personal customers, net fee income fell as the fourth quarter benefited from a seasonal increase in performance fees at Large Corporates & Institutions, Asset Management, which was partly offset by lower income from a distribution agreement in Finland.

Net trading income increased to DKK 1,266 billion from DKK 1,044 million in the fourth quarter. The increase was due to a seasonal increase in income at Large Corporates & Institutions, Markets, and higher trading income in Equities. A gain of DKK 227 million on the sale of shares in the Group's private equity portfolio also contributed to the increase,

Operating expenses fell to DKK 6,273 million, a decrease of 14% from the fourth quarter. The decrease was due to the Group's continued focus on costs, lower costs for compliance remediation and the Estonia case as well as lower transformation costs.

Loan impairment charges decreased to DKK 497 million (Q4 2020: DKK 713 million). Impairments relating to individual customer exposures subject to credit deterioration amounted to DKK 400 million. Personal & Business Customers accounted for the main part of the charges due to the charges made as a result of the corona crisis. Impairments decreased notably at Large Corporates & Institutions owing to lower charges against facilities to customers in the oil and gas industry. Furthermore, we saw reversals of charges against a single-name exposure, which contributed further to the decline in charges.

The remainder of the impairment charges were attributable to adjustments to macroeconomic scenarios.

Lending and deposits

Lending decreased 1% from the level at the end of 2020. The decrease was due primarily to a decline in lending at Large Corporates & Institutions. A substantial amount of credit facilities was comitted last year in order to support customers in managing the impact of the corona crisis. As the economic outlook has improved, customers are drawing less on these facilities. At Personal & Business Customers, an increase in lending at Personal Customers Nordic was offset by a decrease in lending at Realkredit Danmark.

Deposits increased 3% from the level at the end of 2020. Deposits continued to be affected by low consumer spending, direct government support to customers and corporate customers having secured backup liquidity.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 20.4 billion (Q1 2020: DKK 13.1 billion). Lending to retail customers accounted for DKK 6.8 billion (Q1 2020: DKK 2.8 billion) of this amount.

Our market share of lending increased in Finland, while it was stable in Sweden and Norway. In Denmark, our market share of lending, excluding repo loans, decreased to 25.2% (end-2020: 25.5%). The decrease was due primarily to a lower market share in the business segment of the banking market.

Our market share of deposits was stable in Sweden, while it was lower in Finland and Norway. In Denmark, our market share of deposits fell to 30.2% (end-2020: 30.5%), due primarily to a lower market share in the retail segment.

Credit exposure and credit quality

Credit exposure from lending activities in core segments decreased to DKK 2,710 billion (end-2020: DKK 2,728 billion), as higher activity with personal customers in Norway was more than offset by lower activity at Realkredit Danmark, fewer loan commitments and lower deposits with central banks.

Credit quality remained overall strong in most segments in the first quarter of 2021. The potential effects of the corona crisis remain to be seen, and apart from existing portfolios that are challenged, the volume of new non-performing loans was limited in the first quarter of 2021. At Large Corporates & Institutions, the general rating trend was slightly positive, which resulted in the lowest quarterly loan impairment charges since 2018. Large Corporates & Institutions actively reduced its net oil-related exposure (excluding oil majors) by 45% in 2020.

Total net non-performing loans (NPL) saw a decrease from the level at the end of 2020, driven mainly by lower NPL in the construction and building materials and consumer goods industries and in the agriculture industry.

The NPL coverage ratio increased to 84% from 75% at the end of 2020, due to a combination of lower NPL and higher impairments and collateral in respect of NPL customers.

The risk management notes on pp. 49-61 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	31 Mar. 2021	31 Dec. 2020
Gross NPL	30,931	31,776
NPL allowance account	13,219	12,934
Net NPL	**17,712**	**18,842**
Collateral (after haircut)	**15,112**	**14,567**
NPL coverage ratio (%)	83.6	75.2
NPL coverage ratio of which is in default (%)	99.4	100.0
NPL as a percentage of total gross exposure (%)	1.1	1.2

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

Allowance account by business units (DKK millions)	31 Mar. 2021 Accum. impairm. charges	% of net credit exposure[1]	31 Dec. 2020 Accum. impairm. charges	% of net credit exposure[1]
Personal & Business Customers	15,930	1.02	15,773	1.01
Large Corporates & Institutions	5,493	1.81	5,777	1.84
Northern Ireland	1,036	1.80	990	1.87
Group Functions	17	0.34	15	0.31
Total	**22,477**	**1.16**	**22,554**	**1.16**

[1] *Defined as net credit exposure from lending activities in core segments, excluding exposures related to credit institutions and central banks and loan commitments.*

Capital ratios and requirements

At the end of March 2021, the total capital ratio was 23.4%, and the CET1 capital ratio was 18.1%, against 23.0% and 18.3%, respectively, at the end of 2020. The movement in the capital ratios during the first quarter of 2021 was driven mainly by an increase in the total REA, which was partly countered by the realised net profit. The total capital ratio was further affected by an issue of tier 2 capital in February 2021, resulting in a 0.4 percentage points increase in the total capital ratio.

During the first quarter of 2021, the total REA increased approximately DKK 14 billion, due primarily to increased volatility in the financial markets, driving the REA for market risk upwards.

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

At the end of March 2021, the Group's solvency need ratio was 12.5%, a slight decrease of 0.1 percentage points from the level at the end of 2020.

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

A combined buffer requirement (CBR) applies in addition to the solvency need ratio. At the end of March 2021, the Group's combined capital buffer requirement was 5.6%.

Capital ratios and requirements (% of the total REA)	31 March 2021	Fully phased-in*
Capital ratios		
CET 1 capital ratio	18.1	17.9
Total capital ratio	23.4	23.2
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
Solvency need ratio	12.5	12.5
Total capital requirement	**18.1**	**18.1**
Excess capital		
CET 1 capital	4.9	4.7
Total capital	5.3	5.1

* *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 2020, which is available at danskebank.com/ir.

Minimum requirement for own funds and eligible liabilities

The Group received an updated decision from the Danish FSA on the minimum requirement for own funds and eligible liabilities (MREL) on 28 December 2020 based on Q2 2020 data. The requirement is set at two times the solvency need and one time the SIFI buffer and capital conservation buffer. Further, the CBR must now be met in addition to the MREL. At the end of 2020, the requirement was equivalent to DKK 207 billion and DKK 245 billion with the CBR considered in addition to the MREL, corresponding to 30.5% and 36.1% of the REA adjusted for Realkredit Danmark, respectively. Taking the deduction of capital and debt buffer requirements in Realkredit Danmark into account, MREL eligible liabilities amounted to DKK 276 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.

The Danish FSA has currently set the subordination requirement as the higher of 8% of total liabilities and own funds (TLOF) and two times the solvency need and one time the CBR.

At the end of March 2021, the subordination requirement was equivalent to DKK 208 billion. Subordinated MREL-eligible liabilities stood at DKK 244 billion.

Leverage ratio
With the adoption of Capital Requirements Regulation II (CRR II), a minimum leverage ratio requirement of 3% will be introduced in the second quarter of 2021. At the end of March 2021, the Group's leverage ratio was 4.4% under both the transitional rules and the fully-phased in rules.

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

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

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

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

Funding and liquidity
Corona vaccination roll-outs have supported optimism, and the financial markets are gradually adapting to more normal economic conditions.

During the first quarter of 2021, the Group issued senior debt of DKK 1 billion, covered bonds of DKK 8 billion and tier 2 capital of DKK 5.6 billion, bringing total long-term wholesale funding to DKK 14.6 billion.

Our strategy of securing more funding directly in our main lending currencies, including NOK and SEK, remains in place, but we will also utilise central bank facilities to obtain funding in the most cost-efficient manner.

We plan for regular issues in the EUR benchmark format in covered bonds, senior and non-preferred senior bonds as well as issues in the domestic USD market for senior and non-preferred senior bonds in the Rule 144A format. The benchmark issues are expected to be supplemented by private placements of bonds.

From time to time, we will issue in GBP, JPY, CHF and other currencies when market conditions allow. Issuance plans for subordinated debt in either the additional tier 1 or tier 2 formats will depend on balance-sheet growth and redemptions on the one side and our capital targets on the other. Any issuance of subordinated debt may cover part of our funding need. Note G6 provides more information about the issuing of bonds in 2021.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of the first quarter of 2021, our liquidity coverage ratio stood at 151% (31 December 2020: 154%), with an LCR reserve of DKK 737 billion (31 December 2020: DKK 710 billion).

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

At 31 March 2021, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 372 billion (31 December 2020: DKK 369 billion).

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

At the end of March 2021, 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 second quarter of 2021.

As part of the European Banking Authority's (EBA) roadmap to enhance internal models used to calculate credit risk, Danske Bank has started implementing the revised set of EBA guidelines and technical standards. For the first half of 2021, we expect the REA to increase around DKK 25-35 billion, of which around DKK 12 billion materialised in the first quarter of 2021. We expect further increases in the second half of 2021 of a similar magnitude as for the first half of the year, all else equal.

In February 2021, the Danish implementation of the EU covered bonds package was presented to the Danish parliament. The rules include a requirement for a cover pool liquidity buffer and stipulate eligible cover pool assets. Further, a new requirement for a minimum level of cover pool overcollateralisation is introduced. On the basis of the legislation presented to the Danish parliament, the new rules are expected to have only a limited impact on the Group. The new rules are expected to be adopted in the second quarter of 2021 and to apply from the second quarter of 2022.

Changes to the Executive Leadership Team and the Board of Directors
On 19 April 2021, the Board of Directors of Danske Bank A/S appointed Carsten Rasch Egeriis as Chief Executive Officer. He replaced Chris Vogelzang, who resigned from his position following a decision by the Dutch authorities to name him a suspect in connection with their investigations of

potential violations of Dutch legislation relating to the prevention of money laundering at ABN AMRO. The Executive Leadership Team now consists of Carsten Rasch Egeriis, Berit Behring, Stephan Engels, Frans Woelders, Karsten Breum, Glenn Söderholm and Philippe Vollot.

In the context of the changes to the Executive Leadership Team mentioned above, Gerrit Zalm resigned from the Board of Directors on 19 April 2021.

Following the appointment of Carsten Rasch Egeriis as new Chief Executive Officer, George Anagnostopoulos will take over as head of Group Risk Management on an interim basis until a new Chief Risk Officer is in place.

Furthermore, Christian Sagild decided not to stand for re-election at the Annual General Meeting held on the 16 March 2021. The Board of Directors thus now consists of Karsten Dybvad, Jan Thorsgaard Nielsen, Carol Sergeant, Martin Blessing, Lars-Erik Brenøe, Raija-Leena Hankonen, Bente Avnung Landsnes, Bente Bang, Kirsten Ebbe Brich, Thorbjørn Lundholm Dahl and Charlotte Hoffmann.

Estonia case

The internal investigation at Danske Bank was completed in the fourth quarter of 2020, and Danske Bank has reported the findings to the relevant authorities investigating Danske Bank. We continue to fully cooperate with the authorities, which may require Danske Bank to undertake further internal investigation in 2021. The overall timing of the authorities' investigations remains unknown and is not within Danske Bank's control.

Personal & Business Customers

In the first quarter of 2021, the coronavirus pandemic continued to have a significant impact on the societies in which we operate. The lockdown of societies has accelerated customer demand for more digital banking solutions and since the beginning of 2020, this has resulted in increased digital offerings, as well as a reduction in our physical presence across our core markets. The Better Ways of Working organisation was launched in January with the perspective of driving efficiency and accelerating digitalisation by working in more agile ways across business units and increasing the empowerment of employees. Among the digital offerings was a new digital tool called Proctor, which has been launched to provide investment customers with an improved and more customised overview of the costs associated with investing. The tool was launched in Denmark and Luxembourg in the first quarter of 2021 and roll-out in the other Nordic countries will follow.

Sustainability also continued to be high on the agenda in the first quarter of 2021. Personal & Business Customers launched several green products and has a focus on financing eco-friendly solutions. Across the various business customer segments, new green loans were launched in the first quarter of 2021. The product range for sustainable financing was widened with an offering for business customers of green loans for large investments and an expansion of our green loans offering through Realkredit Danmark by lowering the threshold for obtaining green loans from DKK 100 million to DKK 30 million. In addition, Danske Bank Sweden and Norway will also be offering business customers green loans for assets below DKK 100 million. Asset Finance supported bus companies in both Norway and Sweden with the financing of electric bus fleets.

Profit before tax was up DKK 1.1 billion from the same period last year due to lower loan impairment charges.

Personal & Business Customers (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Net interest income	3,879	3,951	98	3,910	99	16,018
Net fee income	1,750	1,815	96	1,414	124	6,080
Net trading income	150	162	93	153	98	575
Other income	196	194	101	164	120	702
Total income	5,975	6,122	98	5,641	106	23,375
Operating expenses	3,638	3,528	103	4,318	84	15,716
Profit before loan impairment charges	2,337	2,594	90	1,322	177	7,659
Loan impairment charges	435	1,751	25	-73	-	1,996
Profit before tax	**1,903**	**843**	**226**	**1,396**	**136**	**5,663**
Loans, excluding reverse transactions before impairments	1,529,183	1,471,201	104	1,532,786	100	1,532,786
Allowance account, loans	13,925	14,358	97	13,957	100	13,957
Deposits, excluding repo deposits	696,439	602,048	116	685,609	102	685,609
Covered bonds issued	1,046,385	1,034,985	101	1,058,209	99	1,058,209
Allocated capital (average)	73,009	70,036	104	67,919	107	68,929
Net interest income as % p.a. of loans and deposits	0.71	0.76	-	0.72	-	0.75
Profit before loan impairment charges as % p.a. of allocated capital	12.8	14.8	-	7.8	-	11.1
Profit before tax as % p.a. of allocated capital (avg.)	10.4	4.8	-	8.2	-	8.2
Cost/income ratio (%)	60.9	57.6	-	76.5	-	67.2
Full-time-equivalent staff	6,853	6,824	100	6,913	99	6,913

Assets under management (DKK millions)						
Assets under custody	**601,757**	**446,958**	**135**	**596,467**	**101**	**596,467**

Fact Book Q1 2021 provides financial highlights at customer type level for Personal & Business Customers. Fact Book Q1 2021 is available at danskebank.com/ir.

First quarter 2021 vs first quarter 2020
Profit before tax increased DKK 1.060 million, mainly as a result of decreasing loan impairment charges.

Net interest income decreased 2%. This was due to margin pressure and a challenged interest rate environment across the Nordic countries. The effects were only partly mitigated by growing volumes and repricing initiatives for deposits in our market in Denmark, which took effect in the first quarter of 2021.

Net fee income decreased 4% despite increased investment activity. This was due to a combination of lower refinancing activity than in the same period last year and the second lockdown caused by the coronavirus pandemic. The effect of the latter materialised mainly in the form of a decline in card use and other service fees.

Net trading income decreased due to lower foreign exchange activity as a result of the lockdown.

Operating expenses increased 3% due to costs for ongoing compliance remediation as well as the planned costs for the Better Bank transformation.

In the first quarter of 2021, loan impairments charges amounted to DKK 435 million (Q1 2020: DKK 1,751 million), and impairments thus returned to a more normal level that although still affected by the corona crisis was not impacted to the extent seen in the first quarter of 2020. The impairment charges for the first quarter of 2021 were driven mainly by charges against individual customer exposures made as a result of the corona crisis as well as model adjustments.

Lending volumes increased, mainly in Personal Customers Nordic, driven by the partnership agreements in Norway and Sweden. Deposit volumes increased due to business customers' liquidity management as a result of the corona crisis, lower spending and government support packages.

First quarter 2021 vs fourth quarter 2020
Profit before tax increased DKK 507 million, due primarily to increased net fee income and lower operating expenses.

Net interest income was on par with the level in the fourth quarter of 2020. Deposit repricing initiatives were offset mainly by a downward traction in terms of lending volumes and margin pressure.

Net fee income increased, mainly because the fourth quarter of 2020 was affected by lower income from a distribution agreement in Finland.

Net trading income was on par with the income in the fourth quarter of 2020.

Operating expenses decreased 16% due to transformation and redundancy costs being booked in the fourth quarter of 2020. Furthermore, the effects of the cost initiatives executed in 2020 are starting to materialise.

Lending volumes decreased as the need for credit facilities fell among personal customers in Denmark and among business customers generally and as businesses were also helped by government support packages. However, the partnerships in Norway continued to fuel growth.

The first quarter of 2021 saw loan impairment charges of DKK 435 million, against a net reversal of DKK 73 million in the fourth quarter of 2020. The increase in impairment charges was attributable to charges against individual customer exposures made as a result of the corona crisis and to somewhat higher impairments due to updated macroeconomic scenarios.

Large Corporates & Institutions

The coronavirus pandemic continued to affect societies in the first quarter of 2021, and we remain committed to supporting customers in managing the impact of the crisis, as evidenced by the substantial credit facilities provided last year. However, although most societies remain in lockdown, the advancement of vaccination programmes and continued monetary and fiscal support helped drive improved economic sentiment, and we are working with our customers to prepare for a post-pandemic operating environment.

The positive sentiment contributed to high customer activity across our business areas, and we supported customers with advisory services and execution in a number of landmark transactions across loan, debt and equity capital markets. Among many successful transactions executed during the quarter, we are proud to have supported insurance company Tryg as joint Global Coordinator and Joint Bookrunner in a DKK 37 billion rights issue – the largest ever ECM capital raising transaction in the Nordic countries – which also emphasised our number one ranking in Q1 Nordic ECM League Tables.

Sustainable financing continued to be in high demand, and we supported issuers and investors in a substantial number of transactions, affirming our position as the leading Nordic bank within sustainable financing. The successful H&M 500 million EUR Sustainability-Linked Bond, which was 7.6 times oversubscribed at final books, illustrates the significant investor interest and the growth potential in this market. In order to support the transition to a low-carbon economy, we also introduced new sustainability targets for Asset Management with the goal that investors will be able to increase investments in funds promoting environmental or social aspects to DKK 400 billion, up from around DKK 230 billion at the end of March 2021.

Large Corporates & Institutions (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Net interest income	1,216	1,143	106	1,267	96	5,034
Net fee income	1,599	1,347	119	2,176	73	5,911
Net trading income	1,102	-154	-	750	147	3,485
Other income	1	-	-	-1	-	6
Total income	3,918	2,336	168	4,191	93	14,437
Operating expenses	1,851	1,812	102	2,119	87	7,672
Profit before loan impairment charges	2,067	523	-	2,072	100	6,764
Loan impairment charges	69	2,328	3	703	10	4,619
Profit before tax	**1,998**	**-1,804**	**-**	**1,368**	**146**	**2,146**
Loans, excluding reverse trans. before impairments	259,102	279,283	93	271,359	95	271,359
of which loans in General Banking	233,641	240,872	97	225,067	104	225,067
Allowance account, loans (incl. credit institutions)	3,989	6,292	63	4,557	88	4,557
Deposits, excluding repo deposits	448,560	332,673	135	433,090	104	433,090
of which deposits in General Banking	407,243	280,690	145	378,939	107	378,939
Covered bonds issued	21,663	22,954	94	22,728	95	22,728
Allocated capital (average)	44,565	42,893	104	43,486	102	44,825
Net interest income as % p.a. of loans and deposits	0.71	0.80	-	0.76	-	0.79
Profit before loan impairment charges as % p.a. of allocated capital	18.6	4.9	-	19.1	-	15.1
Profit before tax as % p.a. of allocated capital (avg.)	17.9	-16.8	-	12.6	-	4.8
Cost/income ratio (%)	47.2	77.6	-	50.6	-	53.1
Full-time-equivalent staff	2,506	2,505	100	2,553	98	2,553

Total income (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
General Banking	1,564	1,467	107	1,598	98	6,322
Markets	1,190	222	-	904	132	4,345
of which xVA	94	-344	-	143	66	309
Asset Management	554	495	112	1,133	49	2,555
of which performance fees	24	9	267	628	4	640
Investment Banking & Securities (IBS)	610	151	-	557	110	1,214
Total income	**3,918**	**2,336**	**168**	**4,191**	**93**	**14,437**

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

Assets under management
(DKK millions)

Institutional clients	477,037	387,268	123	464,890	103	464,890
Retail clients	294,909	244,424	121	288,207	102	288,207
Total assets under management[1]	**771,946**	**631,692**	**122**	**753,097**	**103**	**753,097**

[1]. Includes assets under management from Group entities.

First quarter 2021 vs first quarter 2020

Profit before tax in the first quarter of 2021 increased to DKK 1,998 million (Q1 2020: a loss of DKK 1,804 million). High customer activity during the quarter combined with supportive market conditions led to the increase in total income of DKK 1,582 million and an improvement on all main income lines from the level in the same period last year.

Net interest income increased from the level in the same period last year despite lower lending volumes. In order to support customers in managing the impact of the corona crisis, we committed substantial credit facilities towards the end of the first quarter and during the second quarter of last year. As the economic outlook has improved, these facilities are now mostly undrawn, contributing to lower lending volumes but also still to higher net interest income, albeit at lower margins. Income from deposits declined from the level in the first quarter of 2020 as the impact of the more than DKK 100 billion increase in volumes was countered by lower deposit margins.

Net fee income increased significantly from the level in the first quarter of 2020 as we supported customers in utilising attractive market pricing to raise financing across loan, debt and equity capital markets. Activity on the capital markets was high, and we affirmed our position as the leading investment bank and adviser in the Nordic market. Sustainable bonds remained in high demand, and we managed to end the first quarter in the top ten among global green bond arrangers.

Rising asset prices and positive net sales in Asset Management led to a 22% increase in assets under management, which also contributed to the overall increase in net fee income.

Net trading income improved significantly from the first quarter of 2020, reflecting improved market conditions.

Operating expenses increased 2% from the level in the same period last year, driven mainly by higher provisions for performance-based compensation.

Loan impairments in the first quarter of 2021 amounted to a net charge of DKK 69 million, a notable decrease relative to the past eight quarters. This mainly reflected lower impairment charges against oil- and gas-related exposures, but also that credit quality continued to be strong.

First quarter 2021 vs fourth quarter 2020

Profit before tax increased from the level in the fourth quarter of 2020 as a result of lower loan impairment charges and lower operating expenses.

Total income declined as fee income in the fourth quarter of 2020 was positively impacted by a seasonal increase in performance fees in Asset Management.

Net interest income declined slightly as a result of lower income from deposits, as margins declined to reflect the lower value of surplus deposits.

Net trading income increased as a result of a seasonal increase in income at Markets in the first quarter and higher trading income in Equities.

Overall credit quality remained strong. During the first quarter of 2021, the general rating trend was slightly positive, as reflected in the lowest quarterly loan impairment charges since 2018. In 2020, credit deterioration was observed in the shipping, oil & gas portfolio. We actively reduced net oil-related exposure (excluding oil majors) by 45% during 2020.

Danica Pension

The financial markets saw considerable turbulence in the first quarter of 2021, which affected our customers' returns on their pension savings but also Danica Pension's result. The deployment of vaccines and the gradual reopening of societies brought economic progress and reasonable price increases in the equity markets. However, rising interest rates led to negative yields on many bonds. Despite the turbulence, many of our customers received moderately positive returns on their pension savings in the first quarter, just as Danica Pension profited from the developments, especially in the equity markets.

Danica Pension aims to ensure that its investments are CO_2 neutral by 2050. In the first quarter of 2021, Danica Pension set new sub-targets for investments focusing on reducing CO_2 intensity in key sectors towards 2025. These include the energy, supply, transportation, steel and cement sectors. Danica Pension's ambition is to reduce CO_2 emissions in these key sectors by between 15% and 35% relative to 2019 levels.

For many people, the coronavirus pandemic is a challenge to mental as well as physical health, and in the first quarter, Danica Pension launched a new health package. Customers now have quick and easy access to online consultations with doctors, psychologists and dieticians.

Danica Pension (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Result, life insurance	784	453	173	569	138	2,517
Result, health and accident insurance	-290	-274	106	-84	-	-643
Return on investments, shareholders' equity etc.	-	-157	-	-76	-	-78
Net income before tax in Danica Pension[1]	**494**	**22**	**-**	**409**	**121**	**1,797**
Included within Group Treasury[2]	-3	77	-	-59	5	-127
Net income from insurance business	**491**	**99**	**-**	**350**	**140**	**1,669**
Premiums, insurance contracts	8,599	8,142	106	7,708	112	28,958
Premiums, investment contracts	649	401	162	375	173	1,292
Provisions, insurance contracts	427,885	384,333	111	428,736	100	428,736
Provisions, investment contracts	32,317	21,917	147	29,525	109	29,525
Allocated capital (average)	13,834	13,244	104	14,102	98	13,735
Net income as % p.a. of allocated capital	14.2	3.0	-	9.9	-	12.2
Solvency coverage ratio	191	189	-	191	-	191
Full-time-equivalent staff	821	795	-	817	-	817

Asset under management						
Life insurance	449,037	386,567	116	447,783	100	447,783
Health and accident insurance	16,483	16,102	102	16,822	98	16,822
Total1	**465,520**	**402,669**	**116**	**464,605**	**100**	**464,605**

[1] Figures are for the Danica Group.

[2] Includes the difference between the actual return on the investment of shareholders' equity (net of interest on subordinated debt) and the sum of interest on allocated capital and allocated capital and shareholder costs. Special allotments are also included (page 174 of Annual Report 2020 provides further information).

First quarter 2021 vs first quarter 2020
Net income from insurance business increased to DKK 491 million (Q1 2020: DKK 99 million) due primarily to a higher result from the life insurance business, which benefited significantly from the increasing investment result and higher fees on assets under management. Further, the first quarter of 2020 was significantly impacted by the corona crisis.

The result from the life insurance business increased 73% due to positive investment results on life insurance products where Danica Pension has the investment risk and an increase in fees resulting from higher assets under management.

The result from the health and accident business decreased to a loss of DKK 290 million (Q1 2020: a loss of DKK 274 million). The investment result increased from the first quarter of 2020, but was offset by increased provisions for pension yield tax of DKK 200 million.

The return on investment allocated to shareholders' equity etc. increased DKK 157 million from the level in the first quarter of 2020, driven mainly by better investment results on investment assets and liabilities allocated to shareholders' equity.

Total premiums increased 8%, driven mainly by an increase in single premiums.

Assets under management increased DKK 63 billion, due mainly to the positive developments in the financial markets after the first quarter of 2020.

First quarter 2021 vs fourth quarter 2020
Net income from insurance business increased DKK 141 million from the level in the fourth quarter of 2020, due mainly to an improved result from the life insurance business following the positive investment result.

The result from the life insurance business increased 38% due to improved investment results on life insurance products where Danica Pension has the investment risk and higher fees from an increase in assets under management.

The result from the health and accident business decreased DKK 206 million, despite a stable underlying business. The development was due mainly to a lower investment result in 2021. Both the first quarter of 2021 and the fourth quarter of 2020 were affected by provisions for pension yield tax of DKK 200 million.

The return on investment allocated to shareholders' equity etc. increased DKK 76 million. The investment results on investment assets and liabilities allocated to shareholders' equity were at around the same level as in the fourth quarter of 2020. However, the fourth quarter of 2020 was affected by a provision of DKK 135 million.

Premiums increased 14%, driven mainly by an increase in single premiums.

Assets under management increased DKK 1 billion, due mainly to the positive developments in the financial markets in 2021.

Northern Ireland

The commercial environment continues to be dominated by the impact of lockdown measures across the UK. However, restrictions on movement and activity are currently being eased, reflecting the progress on vaccination and case numbers. As the economy starts to recover, we move forward with growing optimism around the key role that Danske Bank will play in the economic recovery across Northern Ireland. In the first quarter of 2021, investment support requests from medium-sized and large business customers increased steadily, and the housing market remained robust with healthy demand from prospective buyers. We aim to be the bank that is going to 'Help Northern Ireland Grow Again', supported by a marketing campaign and the establishment of a growth fund. As the largest bank in Northern Ireland, we have announced the creation of a 'Helping Northern Ireland Grow Again' fund for medium-sized businesses. The GBP 500 million fund is in place for new and existing customers, and new customers will also benefit from a favourable fee package.

In a challenging environment, we continue to execute our strategic growth opportunities while tightly managing costs. Our vision is to be recognised as the best bank for customers, colleagues, partners and society. Supporting our customers and looking after our colleagues remain a priority. We have a leading digitalisation and green approach with customers as strong advocates. For colleagues, the bank continues to lead the way on the diversity agenda, recently launching a race equality network within the business to complement our well-established and recognised gender diversity, disability and LGBT networks.

Northern Ireland (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Net interest income	331	375	88	324	102	1,359
Net fee income	60	83	72	66	91	264
Net trading income	-20	52	-	6	-	98
Other income	3	4	75	4	75	16
Total income	374	515	73	400	94	1,736
Operating expenses	275	300	92	307	90	1,212
Profit before loan impairment charges	99	215	46	93	106	524
Loan impairment charges	-7	165	-	83	-	378
Profit before tax	**106**	**49**	**216**	**10**	**-**	**146**
Loans, excluding reverse transactions before impairments	56,743	51,218	111	52,179	109	52,179
Allowance account, loans	964	819	118	890	108	890
Deposits, excluding repo deposits	92,432	70,075	132	84,158	110	84,158
Allocated capital (average)*	6,516	6,512	100	6,210	105	6,269
Net interest income as % p.a. of loans and deposits	0.91	1.19		0.93		1.02
Profit before tax as % p.a. of allocated capital (avg.)	6.5	3.0		0.6		2.3
Cost/income ratio (%)	73.5	58.3		76.8		69.8
Full-time-equivalent staff	1,345	1,334	101	1,353	99	1,353

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

First quarter 2021 vs first quarter 2020

Profit before tax increased to DKK 106 million, driven by lower loan impairment charges, with the pre-impairments performance dominated by the impact of corona-related restrictions on movement and activity.

Net interest income was affected by higher lending and deposits, but due to the sharp decline in UK interest rates since March last year, net interest income decreased to DKK 331 million (Q1 2020: DKK 375 million).

Net fee income decreased to DKK 60 million (Q1 2020: DKK 83 million), reflecting very low activity levels since the turn of the year as a result of coronavirus-related lockdown measures. Net trading income and other income were similarly impacted, although net trading income also reflected adverse mark-to-market movements on our bond portfolio.

Operating expenses were 8% lower, reflecting the positive impact of ongoing cost reduction initiatives alongside lower activity.

Net loan impairment charges for the quarter were driven by an improved economic outlook, leading to no increase in provisions.

Higher lending balances were due largely to the volume of UK government-guaranteed corona-related business support loans alongside a relatively buoyant housing market. While deposit growth rates slowed in the first quarter of 2021, many personal and business customers continued to pay off debt and hold liquidity as reflected in the year-on-year uplift.

First quarter 2021 vs fourth quarter 2020

Profit before tax increased to DKK 106 million, driven by lower loan impairments and growth of 6% in profit before impairments.

Net interest income increased 2% due to higher lending and deposits, whereas non-interest income was lower quarter-on-quarter given the impact of renewed lockdown measures post-Christmas.

Operating expenses decreased to DKK 275 million (Q4 2020: DKK 307 million).

In respect of the balance sheet, we saw the same pattern as described for the year-on-year movements in lending and deposits, although the deposit growth rate slowed in the first quarter of 2021.

Non-core

Non-core mainly includes a legacy portfolio of liquidity facilities for conduits as well as a Lithuanian portfolio of commercial loans. The winding-up of the Non-core portfolios is proceeding according to plan. Total lending stood at DKK 2.6 billion at the end of March 2021, less than half the amount at the end of the first quarter of 2020, which led to lower capital requirements for the Group. Profit before tax for the first quarter of 2021 amounted to DKK 20 million, against a negative DKK 254 million in the first quarter of 2020.

Non-core (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Total income	-5	-35	14	-128	4	-215
Operating expenses	31	126	25	84	37	293
Profit before loan impairment charges	-35	-161	22	-212	17	-508
Loan impairment charges	-55	93	-	-98	56	88
Profit before tax	**20**	**-254**	**-**	**-113**	**-**	**-596**
Loans, excluding reverse transactions before impairments*	2,628	6,732	39	3,083	85	3,083
Allowance account, loans	810	954	85	771	105	771
Deposits, excluding repo deposits	2,197	1,542	142	2,146	102	2,146
Allocated capital (average)	1,092	1,850	59	1,253	87	1,473
Net interest income as % p.a. of loans and deposits	0.58	0.86		0.53		0.96
Profit before tax as % p.a. of allocated capital (avg.)	7.3	-54.9		-36.1		-40.5
Cost/income ratio (%)	-	-		-65.6		-136.3
Full-time-equivalent staff	29	83	35	32	91	32

Loan impairment charges (DKK millions)						
Non-core banking**	-102	13	-	-100	102	-27
Non-core conduits etc.	47	80	59	1	-	116
Total	**-55**	**93**	**-**	**-98**	**56**	**88**

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

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

First quarter 2021 vs first quarter 2020

The Non-core unit posted a profit before tax of DKK 20 million, against a loss of DKK 254 million in the first quarter of 2020. The improvement in the result was due mainly to the sale of a Latvian portfolio of commercial loans held by the Lithuanian branch and the corresponding net reversal of loan impairment charges in Lithuania as well as to a decrease in operating expenses. In the first quarter of 2020, operating expenses were affected by losses related to the final exit from Estonia.

At the end of March 2021, total lending amounted to DKK 2.6 billion. The sale of most of the Baltic loan portfolios resulted in a reduction of total lending in Non-core to less than half the amount at the end of the first quarter of 2020, which led to lower capital requirements for the Group.

First quarter 2021 vs fourth quarter 2020

Profit before tax amounted to DKK 20 million, against a loss of DKK 113 million in the fourth quarter of 2020. The improvement in the result was due primarily to an increase in total income and a decline in operating expenses.

The increase in total income was due to the fourth quarter of 2020 being affected by losses related to the sale of Baltic portfolios.

The decline in operating expenses was the result of a one-off provision for legacy issues in Ireland, which affected operating expenses in the fourth quarter of 2020.

Group Functions

Group Functions includes Group Treasury, Technology & Services and other Group functions. The activities of Group Functions encompass the pricing of funding, allocation of funding costs for lending and deposit activities to the business units and the investment of shareholders' equity. In addition, this area includes other central Group Functions. The operating expenses related to these units are allocated to the business units. Further, Group Functions includes eliminations.

Group Functions (DKK millions)	Q1 2021	Q1 2020	Index 21/20	Q4 2020	Index Q1/Q4	Full year 2020
Net interest income	24	91	26	-53	-	-260
Net fee income	-8	-5	-	-12	67	-37
Net trading income	34	82	41	135	25	139
Other income	-4	-12	-	-70	6	-131
Total income	46	155	30	-	-	-289
Operating expenses	509	744	68	572	89	2,048
Impairment charges, other intangible assets*	-	-	-	379	-	379
Profit before loan impairment charges	-463	-589	79	-951	49	-2,716
Loan impairment charges	1	7	14	1	100	8
Profit before tax	**-464**	**-596**	**78**	**-951**	**49**	**-2,723**

Profit before tax (DKK millions)						
Group Treasury	195	-305	-	-65	-	-754
Own shares and issues	-175	315	-	-34	-	94
Additional tier 1 capital	116	195	59	116	100	550
Group support functions	-600	-802	75	-969	62	-2,614
Total Group Functions	**-464**	**-596**	**78**	**-951**	**49**	**-2,723**

First quarter 2021 vs first quarter 2020

Profit before tax increased to a loss of DKK 464 million (Q1 2020: a loss of DKK 596 million) due primarily to lower operating expenses, which were partly offset by a decrease in net interest income and net trading income.

Net interest income decreased to DKK 24 million (Q1 2020: DKK 91 million) due primarily to lower interest expenses for elimination as a result of redemption of equity-accounted additional tier 1 capital in 2020.

Net trading income decreased to DKK 34 million in the first quarter of 2021 from DKK 82 million in the first quarter of 2020. A gain of DKK 227 million on the sale of shares in the Group's private equity portfolio had a positive effect on net trading income, but it was offset by a decrease resulting from the elimination of changes in the value of own shares, which performed better than last year.

Operating expenses fell 32% to DKK 509 million. The fall mainly reflects a decrease in costs relating to the Estonia case. A one-off investment of DKK 122 million to ensure good working-from-home conditions had a partly offsetting effect.

First quarter 2021 vs fourth quarter 2020

The loss before tax in Group Functions in the first quarter of 2021 declined from the level in the fourth quarter of 2020. The decrease in the loss was due primarily to lower operating expenses.

Net interest income increased to DKK 24 million (Q4 2020: a loss of DKK 53 million) driven by an increase in allocated liquidity costs following a number of corrective actions to reduce deposit compensation to the business units. This was partially offset by an increase in interest expenses on corporate back tax.

Net trading income decreased to DKK 34 million (Q4 2020: DKK 135 million). A gain of DKK 227 million on the sale of shares in the Group's private equity portfolio had a positive effect on net trading income, but it was offset by a decrease resulting from the elimination of changes in the value of own shares, which performed better than last year.

Operating expenses fell to DKK 509 million (Q4 2020: DKK 572 million) due to lower costs for compliance remediation and the Estonia case as well as lower transformation costs. A one-off investment of DKK 122 million to ensure good working-from-home conditions had a partly offsetting effect.

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 2020, it is the dividend to be paid in 2021. For 2019, no dividend was paid in 2020.
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 numerator, net profit is reduced by interest expenses of DKK 115 million (full-year 2020: DKK 551 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 9,477 million (2020: 13,526 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 Q1 2021 would be 0.71% (full-year 2020: 0.73%) due to the daily average of the sum of loans and deposits being DKK 35.6 billion (2020: DKK 124.8 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 (C/I), (%)	Operating expenses, impairment charges on goodwill and impairment charges other intangible assets divided by total income. All amounts are from the financial highlights.
C/I, excluding impairment on intangible assets (%)	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 numerator is the loan impairment charges of DKK 497 million (full-year 2020: DKK 7,001 million) from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 1,022.7 billion (2020: DKK 1,022.3 billion), Loans at fair value of DKK 816.3 billion (2020: DKK 802.6 billion) and guarantees of DKK 71.7 billion (2020: DKK 68.7 billion) at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of net credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The numerator is the allowance account of DKK 22.5 billion (2020: DKK 22.6 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 1,025.5 billion, Loans at fair value of DKK 804.7 billion, and guarantees of DKK 77.4 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.

Market shares of lending and deposits

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 2020 included November 2020 data for Finland and Norway as December 2020 data was not available at the time of publication of Annual Report 2020. Subsequently, in Interim report – first quarter 2021, the comparative data for market shares in Finland and Norway was updated with December 2020 data.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	Q1 2021	Q1 2020	Full year 2020
G4	Interest income calculated using the effective interest method	5,414	6,258	23,219
G4	Other interest income	9,483	12,079	41,133
G4	Interest expense	8,340	12,070	36,234
	Net interest income	6,557	6,267	28,118
G4	Fee income*	4,660	4,457	17,025
	Fee expenses	1,494	1,460	5,760
	Net trading income or loss*	7,712	-23,088	21,962
G4	Other income**	1,505	1,396	4,360
	Net premiums	8,485	7,998	28,795
	Net insurance benefits	15,473	-14,906	48,284
	Operating expenses	7,456	7,795	32,822
	Profit before loan impairment charges	4,496	2,681	13,393
G5	Loan impairment charges	443	4,344	7,089
	Profit before tax	4,054	-1,663	6,304
	Tax	914	-374	1,715
	Net profit	**3,139**	**-1,289**	**4,589**
	Portion attributable to			
	Shareholders of Danske Bank A/S (the Parent Company)	3,025	-1,484	4,038
	Additional Tier 1 capital holders	115	195	551
	Net profit	**3,139**	**-1,289**	**4,589**
	Earnings per share (DKK)	3.5	-1.7	4.7
	Diluted earnings per share (DKK)	3.5	-1.7	4.7
	Proposed dividend per share (DKK)	-	-	2.0

* Comparative information has been restated as described in note G2(a).

**The income statement is condensed compared to the Annual Report 2020. Note G4(c) includes further information.

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1 2021	Q1 2020	Full year 2020
Net profit	3,139	-1,289	4,589
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit pension plans	286	184	304
Tax	-33	-90	-38
Items that will not be reclassified to profit or loss	**253**	**94**	**266**
Items that are or may be reclassified subsequently to profit or loss			
Translation of units outside Denmark	1,319	-5,699	-1,902
Hedging of units outside Denmark	-912	3,313	1,224
Unrealised value adjustments of bonds at fair value (OCI)	-182	-400	264
Realised value adjustments of bonds at fair value (OCI)	4	-11	-12
Tax	54	403	-70
Items that are or may be reclassified subsequently to profit or loss	**283**	**-2,395**	**-496**
Total other comprehensive income	**537**	**-2,300**	**-230**
Total comprehensive income	**3,676**	**-3,590**	**4,359**
Portion attributable to			
Shareholders of Danske Bank A/S (the Parent Company)	3,561	-3,784	3,808
Additional Tier 1 capital holders	115	195	551
Total comprehensive income	**3,676**	**-3,590**	**4,359**

Balance sheet – Danske Bank Group

Note	(DKK millions)	31 March 2021	31 December 2020	31 March 2020
	Assets			
	Cash in hand and demand deposits with central banks	312,347	320,702	127,708
	Due from credit institutions and central banks	92,428	81,428	140,530
	Trading portfolio assets	652,544	682,948	706,546
	Investment securities	302,638	296,769	292,797
	Loans at amortised cost	1,027,304	1,024,607	997,490
	Loans at fair value	1,017,053	1,023,323	1,084,623
	Assets under pooled schemes and unit-linked investment contracts*	84,891	82,795	68,731
	Assets under insurance contracts*	532,470	545,708	527,969
	Intangible assets	8,800	8,785	9,097
	Tax assets	3,908	5,202	5,111
G7	Other assets	38,519	36,964	47,089
	Total assets	**4,072,903**	**4,109,231**	**4,007,691**
	Liabilities			
	Due to credit institutions and central banks	214,945	211,182	274,462
	Trading portfolio liabilities	419,884	499,334	603,017
	Deposits	1,383,053	1,333,781	1,127,523
G6	Issued bonds at fair value	784,834	784,027	767,172
G6	Issued bonds at amortised cost	235,858	245,573	247,757
	Deposits under pooled schemes and unit-linked investment contracts*	86,263	82,905	69,201
	Liabilities under insurance contracts*	574,696	591,930	565,202
	Tax liabilities	1,874	1,821	2,179
G7	Other liabilities	54,096	51,291	53,485
G6	Non-preferred senior bonds	108,641	106,371	98,709
G6	Subordinated debt	38,253	32,337	31,968
	Total liabilities	**3,902,397**	**3,940,552**	**3,840,676**
	Equity			
	Share capital	8,622	8,622	8,622
G8	Foreign currency translation reserve	-643	-1,050	-2,758
	Reserve for bonds at fair value (OCI)	177	354	-309
	Retained earnings	153,735	150,521	147,032
	Proposed dividends*	-	1,724	-
	Shareholders of Danske Bank A/S (the Parent Company)	161,890	160,171	152,587
G6	Additional tier 1 capital holders	8,615	8,508	14,428
	Total equity	**170,505**	**168,679**	**167,015**
	Total liabilities and equity	**4,072,903**	**4,109,231**	**4,007,691**

* A portfolio of unit-linked contracts of DKK 31 billion was reclassified from investment contracts to insurance contracts in Annual Report 2020. The comparative information at 31 March 2020 has been restated above.

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)								
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2021	8,622	-1,050	354	150,521	1,724	160,171	8,508	168,679
Net profit	-	-	-	3,025	-	3,025	115	3,139
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	286	-	286	-	286
Translation of units outside Denmark	-	1,319	-	-	-	1,319	-	1,319
Hedging of units outside Denmark	-	-912	-	-	-	-912	-	-912
Unrealised value adjustments	-	-	-182	-	-	-182	-	-182
Realised value adjustments	-	-	4	-	-	4	-	4
Tax	-	-	-	21	-	21	-	21
Total other comprehensive income	**-**	**407**	**-177**	**307**	**-**	**537**	**-**	**537**
Total comprehensive income	**-**	**407**	**-177**	**3,332**	**-**	**3,561**	**115**	**3,676**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-35	-35
Dividends paid	-	-	-	16	-1,724	-1,708	-	-1,708
Acquisition of own shares and additional tier 1 capital	-	-	-	-6,063	-	-6,063	-	-6,063
Sale of own shares and additional tier 1 capital	-	-	-	5,946	-	5,946	28	5,974
Tax	-	-	-	-18	-	-18	-	-18
Total equity as at 31 March 2021	**8,622**	**-643**	**177**	**153,735**	**-**	**161,890**	**8,615**	**170,505**
Total equity as at 1 January 2020	8,622	-372	102	140,590	7,329	156,271	14,237	170,508
Net profit	-	-	-	-1,484	-	-1,484	195	-1,289
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	184	-	184	-	184
Translation of units outside Denmark	-	-5,699	-	-	-	-5,699	-	-5,699
Hedging of units outside Denmark	-	3,313	-	-	-	3,313	-	3,313
Unrealised value adjustments	-	-	-400	-	-	-400	-	-400
Realised value adjustments	-	-	-11	-	-	-11	-	-11
Tax	-	-	-	313	-	313	-	313
Total other comprehensive income	**-**	**-2,386**	**-411**	**497**	**-**	**-2,300**	**-**	**-2,300**
Total comprehensive income	**-**	**-2,386**	**-411**	**-987**	**-**	**-3,784**	**195**	**-3,590**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-33	-33
Proposed dividends reversed*	-	-	-	7,329	-7,329	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-10,225	-	-10,225	29	-10,196
Sale of own shares and additional tier 1 capital	-	-	-	10,291	-	10,291	-	10,291
Tax	-	-	-	34	-	34	-	34
Total equity as at 31 March 2020	**8,622**	**-2,758**	**-309**	**147,032**	**-**	**152,587**	**14,428**	**167,015**

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

Statement of capital – Danske Bank Group

(DKK millions)	31 March 2021	31 December 2020
Share capital (DKK)	8,621,846,210	8,621,846,210
Number of shares	862,184,621	862,184,621
Number of shares outstanding	853,368,415	853,649,376
Average number of shares outstanding for the period	853,841,408	853,138,154
Average number of shares outstanding, including dilutive shares, for the period	853,993,941	853,470,424

Total capital and total capital ratio

(DKK millions)	31 March 2021	31 December 2020
Total equity	170,505	168,679
Revaluation of domicile property at fair value	175	176
Tax effect of revaluation of domicile property at fair value	-17	-17
Total equity calculated in accordance with the rules of the Danish FSA	170,663	168,836
Additional tier 1 capital instruments included in total equity	-8,442	-8,415
Accrued interest on additional tier 1 capital instruments	-173	-93
Common equity tier 1 capital instruments	162,048	160,329
Adjustment to eligible capital instruments	-85	-75
IFRS 9 reversal due to transitional rules	1,925	2,551
Prudent valuation	-1,032	-690
Prudential filters	-162	-147
Expected/proposed dividends*	-1,884	-1,724
Intangible assets of banking operations	-5,400	-5,354
Deferred tax on intangible assets	214	204
Deferred tax assets that rely on future profitability, excluding temporary differences	-326	-168
Defined benefit pension plan assets	-2,448	-2,206
Statutory deduction for insurance subsidiaries	-8,307	-8,992
Common equity tier 1 capital	**144,542**	**143,727**
Additional tier 1 capital instruments	17,730	17,282
Tier 1 capital	162,271	**161,009**
Tier 2 capital instruments	24,608	19,108
Total capital	**186,879**	**180,117**
Total risk exposure amount	**797,739**	**784,184**
Common equity tier 1 capital ratio (%)	18.1%	18.3%
Tier 1 capital ratio (%)	20.3%	20.5%
Total capital ratio (%)	23.4%	23.0%

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 the Group's solvency need. The report is available at danskebank.com/investorrelations/reports and is not covered by the independent auditor's review.

Cash flow statement – Danske Bank Group

(DKK millions)	Q1 2021	Q1 2020	Full Year 2020
Cash flow from operations			
Profit before tax	4,054	-1,663	6,304
Tax paid	-438	-1,795	-4,315
Adjustment for non-cash operating items	-3	5,601	12,993
Total	3,613	2,143	14,982
Changes in operating capital			
Amounts due to/from credit institutions and central banks	529	121,923	59,794
Trading portfolio	-49,046	-60,410	-140,495
Acquisition/sale of own shares and additional tier 1 capital	-89	95	-83
Investment securities	-5,869	-7,924	-11,896
Loans at amortised cost and fair value	3,131	63,602	95,039
Deposits	49,272	-13,202	193,055
Issued bonds at amortised cost and fair value	-6,638	-42,309	-33,550
Assets/liabilities under insurance contracts	-3,996	-3,666	5,323
Other assets/liabilities	3,223	-819	4,337
Cash flow from operations	**-5,870**	**59,433**	**186,506**
Cash flow from investing activities			
Acquisition/sale of businesses	-	-	5
Acquisition of intangible assets	-191	-188	-872
Acquisition of tangible assets	-76	-105	-408
Sale of tangible assets	4	5	12
Cash flow from investing activities	**-263**	**-288**	**-1,263**
Cash flow from financing activities			
Issue of subordinated debt	5,577	-	3,721
Redemption of subordinated debt	-	-	-2,180
Issue of non-preferred senior bonds	-	10,037	23,610
Dividends paid	-1,708	-	-
Redemption of equity accounted additional tier 1 capital	-	-	-5,600
Paid interest on equity accounted additional tier 1 capital	-35	-33	-625
Principal portion of lessee lease payments	-165	-181	-653
Cash flow from financing activities	**3,669**	**9,823**	**18,273**
Cash and cash equivalents as at 1 January	400,889	199,608	199,608
Foreign currency translation	1,874	-2,730	-2,235
Change in cash and cash equivalents	-2,464	68,968	203,516
Cash and cash equivalents, end of period	**400,299**	**265,847**	**400,889**
Cash and cash equivalents, end of period			
Cash in hand	5,928	5,128	6,131
Demand deposits with central banks	306,419	122,580	314,572
Amounts due from credit institutions and central banks within three months	87,952	138,139	80,186
Total	**400,299**	**265,847**	**400,889**

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 2020.

On 1 January 2021, the Group implemented the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions). The Group has changed the presentation in the income statement of indirect fees earned when customers are granted, refinance or prepay Danish mortgage loans. Further information on the changes to accounting policies and presentation in 2021 can be found in note G2(a). Except for these changes, the Group has not changed its significant accounting policies from those applied in Annual Report 2020. Annual Report 2020 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 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 2020) 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 2020). An overview of the classification and measurement basis for financial instruments can be found in in note G1(c) of the Annual Report 2020.

The determination of the carrying amounts of some assets and liabilities requires the estimation of the 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 financial year could differ from those on which management's estimates are based.

Measurement of expected credit losses on loans, financial guarantees and loan commitments, and bonds measured at amortised cost or fair value through other comprehensive income

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 (stages 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 losses are calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and incorporate 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.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 March 2021, the base case scenario reflects a recovery later in 2021. To fully capture the downside risk, the downside scenario used at 31 March 2021 is the severe recession scenario applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The severe recession scenario reflects negative growth and falling property prices for a longer period. At 31 December 2020, the down-side scenario reflected a W-shaped trend in the light of the corona crisis with the economies being back on track in the second or third quarter of 2021. The change of the downside scenario has been made in order to capture the risk of prolonged lockdowns due to new coronavirus variants and in order for the ECL calculation to include potential downside risks due to the elevated asset prices across the Nordics. Information on the macroeconomic parameters in the base case and downside scenarios can be found in the risk management notes.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

With the new suite of scenarios, the base case scenario enters with a probability of 75% (31 December 2020: 60%), the upside scenario with a probability of 10% (31 December 2020: 15%) and the downside scenario with a probability of 15% (31 December 2020: 25%). On the basis of these assessments, the allowance account as at 31 March 2021 amounted to DKK 23.3 billion (31 December 2020: DKK 23.3 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.1 billion (31 December 2020: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 7.3 billion (31 December 2020: DKK 1.7 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 0.4 billion (31 December 2020: DKK 0.4 billion) compared to the base case scenario. However, note that the applied scenarios differ from the scenarios used at 31 December 2020, and the changes in weighting and sensitivities from end of 2020 to end of the first quarter 2021 are therefore not directly comparable, especially due to the downside scenario being a severe downside scenario at 31 March 2021 to fully capture the downside risks. Further, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit loss (ECL) forecasts.

Management applies judgement when determining the need for post-model adjustments. As at 31 March 2021, the post-model adjustments amounted to DKK 6.5 billion (31 December 2020: DKK 6.4 billion) and continue to include the immediate risks arising from the corona crisis due to the continued significant uncertainty related to the magnitude of the pandemic, the effectiveness of the roll-out of the vaccine programmes and to the extent to which governments will continue to support the economies. On the types of risks covered by post-model adjustments, more information can be found in the risk management notes.

Further information on the Group's accounting treatment of the impacts on expected credit losses from the corona crisis can be found on pages 82-83 of Annual Report 2020.

Note G15 of the Annual Report 2020 and the section on credit risk in the risk management notes provide more details on expected credit losses. As at 31 March 2021, financial assets covered by the expected credit loss model accounted for about 52% of total assets (31 December 2020: 52%).

Fair value measurement of financial instruments

At the end of March 2021, no unusual challenges in obtaining reliable pricing apart from insignificant parts of the portfolio remained. The majority of valuation techniques continues to employ only observable market data, and there has 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. 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 and ColVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. As at 31 March 2021, the adjustments totalled DKK 1.1 billion (31 December 2020: DKK 1.6 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note G11 of this report and note G33(a) of the Annual Report 2020 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. EUR and USD denominated swaps cleared on a CCP have been converted to ESTR and SOFR discounting respectively, and the conversion had no significant impact on the Group's hedge accounting values. Following IASB's project 'Interest Rate Benchmark Reform, phase I' 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 2020.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

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. At 31 March 2021, goodwill amounted to DKK 6.1 billion (31 December 2020: DKK 6.1 billion).

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, decline in the market value of assets under management, major restructurings, macroeconomic developments etc. Since the outbreak of the coronavirus pandemic, the assessment of whether indications of impairment exists has been considered at a more detailed level than usual. This assessment has been performed as a high level update of the 2020 test. Despite taking into account the expected economic impacts from the second wave of lockdowns to contain the coronavirus pandemic, which were initiated late 2020 and continued in the first quarter of 2021, it was concluded that no indications of impairment at the end of March 2021 were noted.

The goodwill in Danica Pension of DKK 1.6 billion (31 December 2020: DKK 1.6 billion) is highly sensitive to changes in solvency capital requirements, growth in the terminal period and the discount rate.

The remaining goodwill mainly consists of DKK 2.1 billion (31 December 2020: DKK 2.1 billion) in Markets, DKK 1.8 billion (31 December 2020: DKK 1.8 billion) in Asset Management and DKK 0.5 billion (31 December 2020: DKK 0.5 billion) in General Banking (all part of the business segment Large Corporates & Institutions) showed significant amounts of excess value in the impairment tests in 2020.

Note G19 of the Annual Report 2020 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. Note G18 and the risk management notes of the Annual Report 2020 provide more information on the measurement of 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 2021, the Group implemented the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions). The implementation of the amendments to IFRSs had no impact on the financial statements. The Group has changed the presentation in the income statement of indirect fees earned when customers are granted, refinance or prepay Danish mortgage loans. Comparative information in the income statement has been restated to reflect the change in presentation. The sections below explain in further details the changes to accounting policies and presentation implemented.

Interest Rate Benchmark Reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments cover the effects on the financial statements when old interest rate benchmarks are altered or replaced by alternative benchmark rates as a result of the benchmark reform.

The amendments introduce a practical expedient to account for a change to the basis for determination of the contractual cash flows at the date on which interest rate benchmarks are altered or replaced. Under the practical expedient, a change to the determination of the contractual cash flows is applied prospectively by altering the effective interest rate, i.e. not leading to a modification gain or loss recognised in the income statement. To be applicable for the practical expedient, a change must meet two conditions: (a) the change is a direct consequence of the reform and (b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The amendments further introduce reliefs from existing hedge accounting requirements. The reliefs include that hedge accounting would not discontinue solely due to the benchmark reform and that, for the retrospective effectiveness test for fair value hedges under IAS 39, the cumulative fair value changes of the hedged item and the hedging instrument may be reset to zero to minimise the risk that a hedge will fail the retrospective effectiveness test when the benchmark transitions to an alternative benchmark. The amendments further require that the hedging relationships and documentations are amended to reflect changes in the hedged item, the hedging instrument and the hedged risk (which do not represent a discontinuation of the exiting hedge).

IFRS 7 introduces further disclosure requirements. The disclosures relate to how the transition to alternative rates is managed, the progress on the transition and the risks arising from financial assets and financial liabilities due to the reform.

The implementation is applied retrospectively without restatement of prior periods. As the transition to alternative benchmark rates for financial assets and financial liabilities measured at amortised cost has not yet taken place, the implementation of the amendments had no impact on shareholders' equity at 1 January 2021. Following the reliefs from the existing hedge accounting requirements, the Group expects that existing hedging relationships will continue to qualify for hedge accounting. The added disclosures on the transition to alternative rates will be included in Annual Report 2021.

Covid-19 Related Rent Concessions (amendments to IFRS 16)

The amendment introduces a practical expedient under which a lessee may elect not to assess whether a COVID-19-related rent concession meets the definition of a modification. Danske Bank Group has not been granted any concessions, and the amendment has no impact on the financial statements.

Change in the presentation of indirect fees earned on Danish mortgage loans

The Group's Danish mortgage loans are granted through Realkredit Danmark and funded by issued listed mortgage bonds with matching terms, both measured at fair value through profit or loss. When customers are granted, refinance or prepay such loans, the Group earns direct fees as well as indirect fees with the latter being charged as a discount or premium to the quoted price on the bonds funding the specific loan. In the income statement, the indirect fees are now included within Fee income to align with the presentation of the direct fees. Previously, the indirect fees were included within Net trading income or loss. The change in presentation has increased Fee income and decreased Net trading income or loss by DKK 214 million in the first quarter of 2021. Comparative information has been restated, leading to a reclassification to Fee income from Net trading income or loss of DKK 228 million in the first quarter of 2020 and DKK 590 million for full year 2020.

Notes – Danske Bank Group

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

(b) Changes in financial highlights and segment reporting

From 1 January 2021, the presentation in the financial highlights and segment reporting has been changed to reflect the new organisation that was announced on 25 August 2020, see note G3 for further information on the new organisation.

In the financial highlights, earnings in the business unit Danica Pension is from 1 January 2021 presented as Net income from insurance business due to Danica Pension being a separate business unit. This increases transparency and simplicity in the income statement part of the financial highlights, as Danica Pension's business model is very different from the business model of the other commercial activities within the Group. A description of the previous presentation of Danica Pension in the financial highlights can be found on page 89 in Annual Report 2020. The financial highlights 2020 are further restated to reflect the change in the presentation of indirect fees earned on Danish mortgage loans, see section (a) of this note.

The table below shows the impact on the financial highlights for the first quarter of 2021. The change in the presentation of Danica Pension does not affect the presentation in the IFRS income statement. Note G3 shows the segment reporting for the new business segments.

Financial highlights - first quarter 2020

		Changed presentation		
(DKK millions)	Financial Highlights Q1 2020	Danica Pension	Indirect fees, Danish mortgage loans	Adjusted Financial Highlights
Net interest income	5,479	80		5,560
Net fee income	3,673	-661	228	3,240
Net trading income or loss	291	79	-228	141
Net income from insurance business	-	99		99
Other income	163	23		186
Total income	9,606	-379		9,227
Operating expenses	6,764	-379		6,385
Goodwill impairment charges	-			-
Impairment charges other intangible assets	-			-
Profit before loan impairment charges	2,842	-		2,842
Loan impairment charges	4,251			4,251
Profit before tax, core	-1,409	-		-1,409
Profit before tax, non-core	-254			-254
Profit before tax	**-1,663**	**-**		**-1,663**

Further, a portfolio of unit-linked contracts of DKK 31 billion was reclassified from investment contracts to insurance contracts in Annual Report 2020. The comparative information in the balance sheet at 31 March 2020 has been restated.

Notes – Danske Bank Group

G3. Business segments

(a) Business model and business segmentation

From 1 January 2021, the presentation in the financial highlights and segment reporting has been changed to reflect the new organisation that was announced on 25 August 2020. The aim of the redesigned organisation is to reduce complexity, increase efficiency and become even more competitive for our customers. The Group's commercial activities is organised in four reporting business units:

- Personal & Business Customers, which serves personal customers and small and medium-sized business customers across all Nordic markets
- Large Corporates & Institutions, which serves large corporates and institutional customers across all Nordic markets
- Danica Pension
- Northern Ireland

Besides the four commercial business units, the Group's reportable segments under IFRS 8 continue to include Non-core and Group functions (previously called 'Other activities'). The comparative information has been restated to reflect the new organisation.

Business segments Q1 2021

(DKK millions)	Personal & Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	3,879	1,216	-	331	-	24	-	5,450	1,107	6,557
Net fee income	1,750	1,599	-	60	-	-8	-	3,402	-236	3,166
Net trading income	150	1,102	-	-20	-	162	-128	1,266	6,446	7,712
Netincome from insurance business	-	-	491	-	-	-	-	491	-491	-
Other income	196	1	-	3	-	132	-136	195	1,310	1,505
Net premiums	-	-	-	-	-	-	-	-	8,485	8,485
Net insurance benefits	-	-	-	-	-	-	-	-	15,473	15,473
Total income	5,975	3,918	491	374	-	310	-264	10,805	1,148	11,952
Operating expenses	3,638	1,851	-	275	-	550	-41	6,273	1,183	7,456
Profit before loan impairment charges	2,337	2,067	491	99	-	-240	-223	4,531	-35	4,496
Loan impairment charges	435	69	-	-7	-	1	-	497	-55	443
Profit before tax, core	1,903	1,998	491	106	-	-241	-223	4,034	20	4,054
Profit before tax, Non-core	-	-	-	-	20	-	-	20	-20	-
Profit before tax	**1,903**	**1,998**	**491**	**106**	**20**	**-241**	**-223**	**4,054**	**-**	**4,054**
Loans, excluding reverse transactions	1,515,257	255,128	-	55,779	-	32,621	-30,912	1,827,873	1,810	1,829,683
Other assets	541,545	3,501,647	644,404	54,844	-	3,927,789	-6,427,114	2,243,116	103	2,243,220
Total assets in Non-core	-	-	-	-	1,913	-	-	1,913	-1,913	-
Total assets	**2,056,802**	**3,756,775**	**644,404**	**110,623**	**1,913**	**3,960,410**	**-6,458,026**	**4,072,903**	**-**	**4,072,903**
Deposits, excluding repo deposits	696,439	448,560	-	92,432	-	1,896	-9,673	1,229,654	2,197	1,231,851
Other liabilities	1,285,687	3,263,013	630,348	11,569	-	3,936,557	-6,448,353	2,678,821	341	2,679,162
Allocated capital	74,676	45,203	14,056	6,622	-	21,332	-	161,890	-	161,890
Total liabilities in Non-core	-	-	-	-	2,538	-	-	2,538	-2,538	-
Total liabilities and equity	**2,056,802**	**3,756,775**	**644,404**	**110,623**	**2,538**	**3,959,786**	**-6,458,026**	**4,072,903**	**-**	**4,072,903**
Profit before tax as % p.a. of allocated capital (avg.)	10.4	17.9	14.2	6.5	-	-4.4	-	10.1	-	10.1
Cost/income ratio (%)	60.9	47.2	-	73.5	-	177.4	-	58.1	-	62.4
Full-time-equivalent staff, end of period	6,853	2,506	821	1,345	29	10,423	-	21,978	-	21,978

Notes – Danske Bank Group

G3. Business segments continued

Business segments Q1 2020

(DKK millions)	Personal & Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights[1]	Reclassification[1]	IFRS financial statements[2]
Net interest income	3,951	1,143	-	375	-	91	-1	5,560	708	6,267
Net fee income	1,815	1,347	-	83	-	-5	-	3,240	-244	2,997
Net trading income	162	-154	-	52	-	-137	218	141	-23,229	-23,088
Net income from insurance business	-	-	99	-	-	-	-	99	-99	-
Other income	194	-	-	4	-	112	-124	186	1,210	1,396
Net premiums	-	-	-	-	-	-	-	-	7,998	7,998
Net insurance benefits	-	-	-	-	-	-	-	-	-14,906	-14,906
Total income	6,122	2,336	99	515	-	62	93	9,227	1,250	10,476
Operating expenses	3,528	1,812	-	300	-	784	-40	6,385	1,411	7,795
Profit before loan impairment charges	2,594	523	99	215	-	-722	134	2,842	-161	2,681
Loan impairment charges	1,751	2,328	-	165	-	7	-	4,251	93	4,344
Profit before tax, core	843	-1,804	99	49	-	-730	134	-1,409	-254	-1,663
Profit before tax, Non-core	-	-	-	-	-254	-	-	-254	254	-
Profit before tax	**843**	**-1,804**	**99**	**49**	**-254**	**-730**	**134**	**-1,663**	**-**	**-1,663**
Loans, excluding reverse transactions	1,456,843	273,011	-	50,399	-	34,495	-32,903	1,781,846	4,878	1,786,724
Other assets	453,973	3,658,962	633,921	36,312	-	3,493,295	-6,056,785	2,219,677	1,290	2,220,967
Total assets in Non-core	-	-	-	-	6,168	-	-	6,168	-6,168	-
Total assets	**1,910,816**	**3,931,973**	**633,921**	**86,711**	**6,168**	**3,527,790**	**-6,089,688**	**4,007,691**	**-**	**4,007,691**
Deposits, excluding repo deposits	602,048	332,673	-	70,075	-	3,208	-12,754	995,249	1,542	996,791
Other liabilities	1,238,260	3,554,919	620,616	10,094	-	3,510,406	-6,076,934	2,857,362	950	2,858,312
Allocated capital	70,508	44,381	13,305	6,542	-	17,851	-	152,587	-	152,587
Total liabilities in Non-core	-	-	-	-	2,492	-	-	2,492	-2,492	-
Total liabilities and equity	**1,910,816**	**3,931,973**	**633,921**	**86,711**	**2,492**	**3,531,466**	**-6,089,688**	**4,007,691**	**-**	**4,007,691**
Profit before tax as % p.a. of allocated capital (avg.)	4.8	-16.8	3.0	3.0	-	-14.7	-	-4.3	-	-4.3
Cost/income ratio (%)	57.6	77.6	-	58.3	-	-	-	69.2	-	74.4
Full-time-equivalent staff, end of period	6,824	2,505	795	1,334	83	10,492	-	22,032	-	22,032

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

[2] Comparative information has been restated, as described in the section 'Changes in accounting policies' of note G2(a).

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 disclosed on page 89 in Annual Report 2020, however, with the presentation of earnings from Danica Pension being changed from 1 January 2021, see note G2(b) of this report for an explanation. The decomposition of the reclassification between the IFRS income statement and Financial highlights is shown in the tables below.

Reclassification Q1 2021

(DKK millions)	IFRS financial statements	Operating leases and impairment charges	Markets, Investment Banking & Securities and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	6,557	-	-244	-856	-6	-1,107	5,450
Net fee income	3,166	-	3	234	-1	236	3,402
Net trading income	7,712	-	239	-6,685	-	-6,446	1,266
Net income from insurance business	-	-	-	491	-	491	491
Other income	1,505	-870	2	-452	11	-1,310	195
Net premiums	8,485	-	-	-8,485	-	-8,485	-
Net insurance benefits	15,473	-	-	-15,473	-	-15,473	-
Total income	11,952	-870	-	-282	5	-1,148	10,805
Operating expenses	7,456	-870	-	-282	-31	-1,183	6,273
Profit before loan impairment charges	4,496	-	-	-	35	35	4,531
Loan impairment charges	443	-	-	-	55	55	497
Profit before tax, core	4,054	-	-	-	-20	-20	4,034
Profit before tax, Non-core	-	-	-	-	20	20	20
Profit before tax	**4,054**	**-**	**-**	**-**	**-**	**-**	**4,054**

Reclassification Q1 2020

(DKK millions)	IFRS financial statements[1]	Operating leases and impairment charges	Markets, Investment Banking & Securities and Group Treasury	Danica Pension[2]	Non-core	Total reclassification[2]	Financial highlights[2]
Net interest income	6,267	-	44	-737	-15	-708	5,560
Net fee income	2,997	-	-23	268	-2	244	3,240
Net trading income	-23,088	-	-60	23,236	54	23,229	141
Net income from insurance business	-	-	-	99	-	99	99
Other income	1,396	-953	39	-295	-2	-1,210	186
Net premiums	7,998	-	-	-7,998	-	-7,998	-
Net insurance benefits	-14,906	-	-	14,906	-	14,906	-
Total income	10,476	-953	-	-332	35	-1,250	9,227
Operating expenses	7,795	-953	-	-332	-126	-1,411	6,385
Profit before loan impairment charges	2,681	-	-	-	161	161	2,842
Loan impairment charges	4,344	-	-	-	-93	-93	4,251
Profit before tax, core	-1,663	-	-	-	254	254	-1,409
Profit before tax, Non-core	-	-	-	-	-254	-254	-254
Profit before tax	**-1,663**	-	-	-	-	-	-1,663

[1] Comparative information has been restated, as described in the section 'Changes in accounting policies' of note G2(a).

[2] 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

(a) Interest income and interest expense

Negative interest income during the period ending March 2021 amounted to DKK 426 million (31 March 2020: DKK 612 million). Negative interest expenses amounted to DKK 854 million (31 March 2020: DKK 654 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

(b) Fee income

Note G6 of the Annual Report 2020 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Fee income Q1 2021

(DKK millions)	Financial highlights - net fee income	Reclassifica tions	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	1,333	39	1,373	1,084	2,457
Money transfers, account fee, cash management and other fees	764	-36	729	333	1,062
Lending and Guarantees	766	140	906	76	982
Capital markets	538	-379	158	-	158
Total	**3,402**	**-236**	**3,166**	**1,494**	**4,660**

Fee income Q1 2020

(DKK millions)	Financial highlights - net fee income	Reclassifica tions	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	1,293	-95	1,198	1,066	2,263
Money transfers, account fee, cash management and other fees	799	-8	790	328	1,118
Lending and Guarantees	808	143	950	66	1,017
Capital markets	341	-283	58	-	58
Total	**3,240**	**-244**	**2,997**	**1,460**	**4,457**

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

[2] Comparative information has been restated, as described in the section 'Changes in accounting policies' of note G2(a).

(c) Other income

Other income amounted to DKK 1,505 million for the three months ending 31 March 2021 (31 March 2020: DKK 1,396 million). Other income includes primarily income from lease assets, investment property and real estate brokerage. Further, it includes the line items Gain and loss on sale of disposal groups and Income from holdings in associates that were presented separately on the face of the income statement in Annual Report 2020.

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)	31 March 2021	31 March 2020
ECL on new assets	1,311	1,401
ECL on assets derecognised	-3,300	-1,687
Impact of net remeasurement of ECL (incl. changes in models)	951	4,666
Write-offs charged directly to income statement	1,593	131
Received on claims previously written off	-54	-102
Interest income, effective interest method	-58	-65
Total	**443**	**4,344**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2020	1,316	5,963	14,033	21,313
Transferred to stage 1 during the period	1,065	-1,007	-57	-
Transferred to stage 2 during the period	-119	757	-639	-
Transferred to stage 3 during the period	-22	-1,002	1,024	-
ECL on new assets	543	1,862	2,246	4,651
ECL on assets derecognised	-292	-1,328	-3,641	-5,260
Impact of net remeasurement of ECL (incl. changes in models)	-194	2,282	2,277	4,366
Write-offs debited to the allowance account	-1	-6	-1,070	-1,077
Foreign exchange adjustments	-22	-7	-467	-496
Other changes	-8	-56	-90	-154
ECL allowance account as at 31 December 2020	**2,267**	**7,459**	**13,617**	**23,342**
Transferred to stage 1 during the period	785	-769	-15	-
Transferred to stage 2 during the period	-74	219	-145	-
Transferred to stage 3 during the period	-9	-410	419	-
ECL on new assets	196	403	712	1,311
ECL on assets derecognised	-188	-842	-2,270	-3,300
Impact of net remeasurement of ECL (incl. changes in models)	-798	751	998	951
Write-offs debited to the allowance account	-	4	587	591
Foreign exchange adjustments	15	39	220	273
Other changes	-22	10	148	136
ECL allowance account as at 31 March 2021	**2,171**	**6,864**	**14,269**	**23,304**

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. Issued bonds, subordinated debt and additional tier 1 capital

Issued bonds at fair value

(DKK millions)	31 March 2021	31 December 2020
Bonds issued by Realkredit Danmark (covered bonds)	771,138	775,844
Commercial papers and certificates of deposits	13,695	8,183
Issued bonds at fair value, total	**784,834**	**784,027**

Issued bonds at amortised cost

(DKK millions)	31 March 2021	31 December 2020
Commercial papers and certificates of deposits	10,587	14,184
Preferred senior bonds	56,819	61,344
Covered bonds	168,452	170,044
Issued bonds at amortised cost, total	**235,858**	**245,573**
Non-preferred senior bonds	**108,641**	**106,371**

Further information on issued bonds at fair value through profit or loss can be found in note G16 of the Annual Report 2020. The issuance and redemption of bonds (including commercial papers and certificates of deposits at fair value) during the year are presented in the tables below.

Nominal value (DKK millions)	1 January 2021	Issued	Redeemed	Foreign currency translation	31 March 2021
Commercial papers and certificate of deposits	22,515	13,398	12,120	697	24,490
Preferred senior bonds	63,352	992	7,794	1,174	57,724
Covered bonds	168,445	8,062	8,860	-40	167,608
Non-preferred senior bonds	105,028	-	-	3,221	108,249
Other issued bonds	**359,340**	**22,452**	**28,774**	**5,052**	**358,071**

Nominal value (DKK millions)	1 January 2020	Issued	Redeemed	Foreign currency translation	31 December 2020
Commercial papers and certificate of deposits	10,821	42,906	30,474	-738	22,515
Preferred senior bonds	75,280	19,920	28,411	-3,437	63,352
Covered bonds	176,489	31,420	38,780	-684	168,445
Non-preferred senior bonds	86,891	23,706	-	-5,569	105,028
Other issued bonds	**349,481**	**117,952**	**97,665**	**-10,428**	**359,340**

Subordinated debt and additional tier 1 capital

As at 31 March 2021, the nominal value of subordinated debt, including liability accounted additional tier 1 capital, amounted to DKK 38,127 million (31 December 2020: DKK 32,137 million) and the nominal value of equity accounted additional tier 1 capital to DKK 8,578 million (31 December 2020: DKK 8,579 million). During the three months ended 31 March 2021, the Group issued DKK 5,577 million of tier 2 capital. During 2020, the Group redeemed EUR 750 million (DKK 5,600 million) of additional tier 1 capital accounted for as equity and issued DKK 3,721 million and redeemed DKK 2,180 million of tier 2 capital.

For the additional tier 1 capital, 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 2020 for further information). As at 31 March 2021, distributable items for Danske Bank A/S amounted to DKK 128.0 billion (31 December 2020: DKK 123.9 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. As at 31 March 2021 the common equity tier 1 capital ratio was 20.8% (31 December 2020: 21.0%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

G7. Other assets and Other liabilities

Other assets amounted to DKK 38,519 million (31 December 2020: DKK 36,964 million), including accrued interest and commission due of DKK 4,157 million (31 December 2020: DKK 3,607 million), holdings in associates of DKK 204 million (31 December 2020: DKK 209 million), investment property of DKK 2,382 million (31 December 2020: DKK 2,256 million), tangible assets of DKK 8,615 million (31 December 2020: DKK 8,547 million) and right-of-use lease assets of DKK 4,443 million (31 December 2020: DKK 4,819 million), consisting of domicile property of DKK 3,588 million (31 December 2020: DKK 3,938 million) and other tangible assets of DKK 855 million (31 December 2020: DKK 881 million). Further, it includes assets held for sale as defined in IFRS 5 consisting of loans held for sale of DKK 9 million (31 December 2020: DKK 416 million) and other assets held for sale of DKK 302 million (31 December 2020: DKK 293 million).

Other liabilities amounted to DKK 54,096 million (31 December 2020: DKK 51,291 million), including accrued interest and commissions due of DKK 6,519 million (31 December 2020: DKK 6,676 million), lease liabilities of DKK 4,398 million (31 December 2020: 4,761 million), other staff commitments of DKK 2,010 million (31 December 2020: DKK 3,022 million). Further, other liabilities include provisions for customer remediations of DKK 773 million (31 December 2020: DKK 804 million), provisions for restructuring costs of DKK 686 million (31 December 2020: DKK 830 million) and the provision of DKK 1.5 billion (31 December 2020: DKK 1.5 billion) for 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.

G8. 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 35,681 million (31 December 2020: DKK 34,612 million). The loans are part of the net investment in those units and the foreign currency gains/losses on these loans are recognised in Other comprehensive income. The funding of the loans is partly done in DKK in order to create a so-called structural FX hedge positions in accordance with banking regulations, i.e. to reduce the impact on capital ratios resulting from changes in the risk exposure amount due to changes in currency rates. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decreases the hedge of the currency risk on the net investments in those units. As at 31 March 2021, the structural FX hedge position totalled DKK 33,618 million (31 December 2020: DKK 31,625 million) and a gain of DKK 432 million has been recognised in Other comprehensive income during the first quarter of 2021, primarily due to appreciation of NOK against DKK throughout the first quarter of 2021. During the first quarter of 2020, a loss of DKK 2,271 million related to the structural FX hedge position was recognised in Other comprehensive income due to a significant weakening of NOK and to a lesser degree a weakening of SEK against DKK throughout the first quarter of 2020.

Notes – Danske Bank Group

G9. Guarantees, commitments and contingent liabilities

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

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

(a) Guarantees (DKK millions)	31 March 2021	31 December 2020
Financial guarantees	6,533	6,708
Other guarantees	71,044	65,108
Total	**77,577**	**71,816**

(b) Commitments (DKK millions)	31 March 2021	31 December 2020
Loan commitments shorter than 1 year	268,655	276,413
Loan commitments longer than 1 year	196,876	198,830
Other unutilised commitments	167	18,995
Total	**465,698**	**494,239**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 255 billion (31 December 2020: DKK 242 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. 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 October 2020, SØIK added violation of the Danish Financial Business Act for governance and control failures in the period from 1 February 2007 to the end of 2017 to the preliminary charges.

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.

In December 2020, Danske Bank was informed by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") that it had decided to close its investigation of Danske Bank in relation to the Estonia case with no action. OFAC is the U.S. authority responsible for civil enforcement of U.S. sanctions. The decision does not preclude OFAC from taking future enforcement action should new or additional information warrant renewed attention.

The Bank is reporting to, responding to and cooperating with various authorities, including SØIK, the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), relating to the Bank's Estonian branch. The internal investigation work planned by the Bank was completed and the findings were reported to relevant authorities in 2020. The Bank continues to fully cooperate and will provide the authorities with further information if and when requested. The overall timing of the authorities' investigations remains unknown and is not within the Bank's control. It is not yet possible to reliably estimate the timing, form of resolution, or amount of potential settlement or fines, 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.

Notes – Danske Bank Group

G9. Guarantees, commitments and contingent liabilities continued

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. On 24 August 2020, the Court granted the motion and dismissed all claims against the Bank on three independent grounds. On 23 September 2020, the plaintiffs filed an appeal of this ruling to the Second Circuit. The Bank has opposed that appeal, and a decision is expected in the second half of 2021.The Bank intends to defend itself against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

On 3 March 2019, a court case was initiated against Danske Bank and Thomas F. Borgen for approval of a class action led by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 21 January 2021, the court dismissed the case because it did not fulfil the criteria for being approved as a class action. The association has appealed this decision. The appeal will not be decided until late 2021 at the earliest. In March 2019 (152), October 2019 (60), January 2020 (9), March 2020 (38), September 2020 (55), and February 2021 (15) in total 329 separate cases were initiated against the Bank with a total claim amount of approximately DKK 8.2 billion. On 27 December 2019 (63) and 4 September 2020 (30), two separate claims were filed by 93 investors against the Bank with a total claim amount of approximately DKK 1.7 billion. On 2 September 2020, 20 separate claims were filed by 20 investors against the Bank with a total claim amount of approximately DKK 1.1 billion. On 18 September 2020, a separate claim was filed by 201 investors against the Bank with a total claim amount of approximately DKK 2.1 billion. On 18 September 2020, one case was filed against the Bank and Thomas F. Borgen by two investors with a total claim amount of DKK 10 million. These court actions relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and/or alleged failure to timely inform the market of such violations (and in one claim, also market manipulation). Of the 329 cases filed in the period from March 2019 to February 2021, 208 have been referred to the Eastern High Court. The remaining cases are currently pending or stayed before the Copenhagen City 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 and 12 March 2021, two cases were initiated against Thomas F. Borgen by 76 institutional investors, and funded by the litigation funder Deminor Recovery Services. The total claim amount is approximately DKK 3.2 billion. Danske Bank has received procedural notifications in respect of both cases. 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. 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 G7.

(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

G10. Assets provided or received as collateral

As at 31 March 2021, the Group had deposited securities (including bonds issued by the Group) worth DKK 33.5 billion as collateral with Danish and international clearing centres and other institutions (31 December 2020: DKK 36.7 billion).

As at 31 March 2021, the Group had provided cash and securities (including bonds issued by the Group) worth DKK 78.8 billion as collateral for derivatives transactions (31 December 2020: DKK 104.0 billion).

As at 31 March 2021, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts and unit-linked investment contracts worth DKK 472.8 billion (31 December 2020: DKK 473.5 billion) as collateral for policyholders' savings of DKK 460.0 billion (31 December 2020: DKK 458.1 billion).

As at 31 March 2021, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 815.3 billion (31 December 2020: DKK 827.1 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 324.2 billion (31 December 2020: DKK 326.5 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

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

	31 March 2021			31 December 2020		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	29,526	29,526	-	28,886	28,886
Trading and investment securities	257,466	74,254	331,720	237,453	80,062	317,515
Loans at fair value	-	804,706	804,706	-	816,284	816,284
Loans at amortised cost	-	336,256	336,256	-	360,511	360,511
Assets under insurance and unit-linked investment contracts	-	391,104	391,104	-	370,176	370,176
Other assets	-	66	66	-	52	52
Total	257,466	1,635,912	1,893,379	237,453	1,655,971	1,893,424
Own issued bonds	25,197	87,967	113,163	19,556	93,992	113,548
Total, including own issued bonds	**282,663**	**1,723,879**	**2,006,542**	**257,009**	**1,749,963**	**2,006,972**

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 257.5 billion as at 31 March 2021 (31 December 2020: DKK 237.5 billion).

As at 31 March 2021, the Group had received securities worth DKK 319.4 billion (31 December 2020: DKK 309.8 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. As at 31 March 2021, the Group had sold securities or provided securities as collateral worth DKK 133.9 billion (31 December 2020: DKK 132.3 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 2020 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

G11. Fair value information for financial instruments

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

	31 March 2021		31 December 2020	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	312,347	-	320,702
Due from credit institutions and central banks	60,869	31,559	52,402	29,026
Trading portfolio assets	652,544	-	682,948	-
Investment securities	169,160	133,478	165,141	131,628
Loans at amortised cost	-	1,027,304	-	1,024,607
Loans at fair value	1,017,053	-	1,023,323	-
Assets under pooled schemes and unit-linked investment contracts	84,891	-	82,795	-
Assets under insurance contracts	502,946	-	521,245	-
Loans held for sale	-	9	-	416
Total	**2,487,463**	**1,504,696**	**2,527,854**	**1,506,379**
Financial liabilities				
Due to credit institutions and central banks	114,263	100,682	92,873	118,309
Trading portfolio liabilities	419,884	-	499,334	-
Deposits	158,225	1,224,828	150,844	1,182,937
Issued bonds at fair value	784,834	-	784,027	-
Issued bonds at amortised cost	-	235,858	-	245,573
Deposits under pooled schemes and unit-linked investment contracts	86,263	-	82,905	-
Liabilities in disposal groups held for sale	-	7	-	47
Non-preferred senior bonds	-	108,641	-	106,371
Subordinated debt	-	38,253	-	32,337
Loan commitments and guarantees	-	3,173	-	2,724
Total	**1,563,468**	**1,711,443**	**1,609,983**	**1,688,298**

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 trading portfolio liabilities, 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(a) of the Annual Report 2020 provides more information about fair value calculation methods for financial instruments.

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

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

Financial instruments at amortised cost

Note G33(b) in Annual Report 2020 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. No significant change to this difference has occurred during the first three months of 2021.

Notes – Danske Bank Group

G11. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 March 2021				
Financial assets				
Due from credit institutions and central banks	-	60,869	-	60,869
Derivatives	4,444	307,940	2,402	314,786
Trading portfolio bonds	308,297	14,868	-	323,165
Trading portfolio shares	14,515	-	78	14,593
Investment securities, bonds	150,398	17,788	-	168,186
Investment securities, shares	31	-	943	974
Loans at fair value	-	1,017,053	-	1,017,053
Assets under pooled schemes and unit-linked investment contracts	84,891	-	-	84,891
Assets under insurance contracts, bonds	182,473	24,018	6,839	213,330
Assets under insurance contracts, shares	129,492	2,227	36,601	168,320
Assets under insurance contracts, derivatives	145	118,717	2,434	121,296
Total	**874,686**	**1,563,480**	**49,297**	**2,487,463**
Financial liabilities				
Due to credit institutions and central banks	-	114,263	-	114,263
Derivatives	4,374	278,662	2,960	285,996
Obligations to repurchase securities	131,593	2,267	28	133,888
Deposits	-	158,225	-	158,225
Issued bonds at fair value	784,834	-	-	784,834
Deposits under pooled schemes and unit-linked investment contracts	-	86,263	-	86,263
Total	**920,801**	**639,680**	**2,988**	**1,563,468**

Notes – Danske Bank Group

G11. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2020				
Financial assets				
Due from credit institutions and central banks	-	52,402	-	52,402
Derivatives	2,021	373,998	3,547	379,566
Trading portfolio bonds	275,717	11,296	-	287,013
Trading portfolio shares	15,595	-	775	16,370
Investment securities, bonds	144,208	20,598	-	164,806
Investment securities, shares	-	-	335	335
Loans at fair value	-	1,023,323	-	1,023,323
Assets under pooled schemes and unit-linked investment contracts	82,795	-	-	82,795
Assets under insurance contracts, bonds	189,486	25,198	7,438	222,122
Assets under insurance contracts, shares	120,021	2,122	35,026	157,169
Assets under insurance contracts, derivatives	-	138,734	3,220	141,954
Total	**829,843**	**1,647,670**	**50,341**	**2,527,854**
Financial liabilities				
Due to credit institutions and central banks	-	92,873	-	92,873
Derivatives	1,620	361,681	3,684	366,985
Obligations to repurchase securities	131,193	1,048	108	132,349
Deposits	-	150,844	-	150,844
Issued bonds at fair value	784,027	-	-	784,027
Deposits under pooled schemes and unit-linked investment contracts	-	82,905	-	82,905
Total	**916,840**	**689,351**	**3,792**	**1,609,983**

Notes – Danske Bank Group

G11. 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) Increase	Decrease	Gains/losses for the period Realised	Unrealised
31 March 2021					
Unlisted shares					
allocated to insurance contract policyholders	36,601	-	-	281	2,023
other	993	99	99	-96	-4
Illiquid bonds	6,839	99	99	8	45
Derivatives, net fair value	1,876	-	-	-	-1,250
31 December 2020					
Unlisted shares					
allocated to insurance contract policyholders	35,026	-	-	411	-1,276
other	1,002	100	100	200	-39
Illiquid bonds	7,438	106	106	235	-236
Derivatives, net fair value	3,083	-	-	-	489

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 three month period ended 31 March 2021 were attributable to various unlisted shares.

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

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

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

Reconciliation from beginning to end of period	31 March 2021			31 December 2020		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	36,028	7,438	3,083	41,223	4,099	2,480
Value adjustment through profit or loss	2,204	53	-1,250	-704	-1	489
Acquisitions	2,326	53	-121	7,198	4,076	-274
Sale and redemption	-2,964	-705	211	-9,620	-1,572	-522
Transferred from quoted prices and observable input	-	-	-	-511	836	1,618
Transferred to quoted prices and observable input	-	-	-47	-1,558	-	-708
Fair value end of period	**37,594**	**6,839**	**1,876**	**36,028**	**7,438**	**3,083**

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

Risk Management

The consolidated financial statements for 2020 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions)		Lending activities				
31 March 2021	Total	Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	306.4	306.4	-	-	-	-
Due from credit institutions and central banks	92.4	31.6	-	60.9	-	-
Trading portfolio assets	652.5	-	-	314.8	337.8	-
Investment securities	302.6	-	-	-	302.6	-
Loans at amortised cost	1,027.3	1,025.5	1.8	-	-	-
Loans at fair value	1,017.1	804.7	-	212.3	-	-
Assets under pooled schemes and unit-linked investment contracts	84.9	-	-	-	-	84.9
Assets under insurance contracts	532.5	-	-	-	-	532.5
Loans held for sale	-	-	-	-	-	-
Off-balance-sheet items						
Guarantees	77.6	77.4	0.1	-	-	-
Loan commitments shorter than 1 year	268.7	267.1	1.6	-	-	-
Loan commitments longer than 1 year	196.9	196.9	-	-	-	-
Other unutilised commitments	0.2	-	-	-	0.2	-
Total	**4,559.0**	**2,709.5**	**3.6**	**588.0**	**640.6**	**617.4**
31 December 2020						
Balance sheet items						
Demand deposits with central banks	314.6	314.6	-	-	-	-
Due from credit institutions and central banks	81.4	28.9	0.1	52.4	-	-
Trading portfolio assets	682.9	-	-	379.6	303.4	-
Investment securities	296.8	-	-	-	296.8	-
Loans at amortised cost	1,024.6	1,022.7	1.9	-	-	-
Loans at fair value	1,023.3	816.3	-	207.0	-	-
Assets under pooled schemes and unit-linked investment contracts	82.8	-	-	-	-	82.8
Assets under insurance contracts	545.7	-	-	-	-	545.7
Loans held for sale	0.4	-	0.4	-	-	-
Off-balance-sheet items						
Guarantees	71.8	71.7	0.2	-	-	-
Loan commitments shorter than 1 year	276.4	274.9	1.5	-	-	-
Loan commitments longer than 1 year	198.8	198.8	-	-	-	-
Other unutilised commitments	19.0	-	-	-	0.2	18.8
Total	**4,618.6**	**2,727.9**	**4.1**	**639.0**	**600.3**	**647.3**

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 255 billion at 31 March 2021 (31 December 2020: DKK 242 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 2020.

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

The table below breaks down the credit exposure by rating categories and stages. Further information on classification of customers can be found on page 181 in Annual report 2020.

31 March 2021	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collatera		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	280.2	0.1	-	-	-	-	280.2	0.1	-	260.0	-	-
2	0.01	0.03	207.1	0.4	-	-	-	-	207.1	0.4	-	83.4	0.1	-
3	0.03	0.06	550.7	1.1	0.1	0.1	-	0.1	550.6	1.1	-	248.3	0.3	-
4	0.06	0.14	582.1	2.6	0.4	0.2	-	-	582.0	2.6	0.4	245.7	0.8	0.1
5	0.14	0.31	482.7	6.2	0.3	0.3	0.1	-	482.4	6.1	0.3	157.7	2.1	-
6	0.31	0.63	293.5	16.1	0.3	0.4	0.3	-	293.1	15.8	0.3	103.7	4.2	-
7	0.63	1.90	135.4	35.1	1.1	0.6	1.0	-	134.8	34.1	1.1	43.1	9.1	0.3
8	1.90	7.98	20.6	34.4	1.0	0.5	2.5	-	20.1	31.9	1.0	5.8	10.5	0.3
9	7.98	25.70	1.5	10.0	1.0	-	1.4	-	1.6	8.7	1.0	0.3	0.3	0.1
10	25.70	99.99	0.5	24.0	25.3	-	1.6	5.3	0.5	22.4	19.9	0.2	11.0	2.7
11 (default)	100.00	100.00	0.1	0.2	17.8	-	-	8.0	0.1	0.2	9.8	-	0.1	1.9
Total			**2,554.5**	**130.1**	**47.4**	**2.2**	**6.9**	**13.4**	**2,552.3**	**123.3**	**33.9**	**1,148.1**	**38.4**	**5.2**

31 December 2020	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	270.7	0.1	-	-	-	-	270.7	0.1	-	252.4	-	-
2	0.01	0.03	239.9	0.4	-	-	-	-	239.8	0.4	-	119.2	0.1	-
3	0.03	0.06	536.8	0.8	-	0.1	-	-	536.7	0.8	-	234.9	0.2	-
4	0.06	0.14	574.9	2.0	0.4	0.2	-	-	574.7	2.0	0.4	241.9	0.6	0.1
5	0.14	0.31	501.2	7.4	0.3	0.4	0.1	-	500.8	7.3	0.3	166.9	2.8	-
6	0.31	0.63	282.4	19.1	1.6	0.4	0.3	-	281.9	18.8	1.6	96.8	5.9	0.5
7	0.63	1.90	131.8	40.9	1.0	0.7	1.0	-	131.1	40.0	1.0	38.5	13.0	0.2
8	1.90	7.98	20.2	35.3	0.7	0.4	2.6	-	19.7	32.7	0.7	5.2	10.1	0.1
9	7.98	25.70	1.3	10.2	1.0	-	1.1	-	1.3	9.0	1.0	0.3	0.6	0.1
10	25.70	99.99	1.0	25.1	25.8	-	2.4	5.1	1.0	22.7	20.7	0.5	10.9	3.8
11 (default)	100.00	100.00	0.1	0.2	18.0	-	-	7.9	0.1	0.2	10.1	-	0.1	2.2
Total			**2,560.2**	**141.4**	**48.9**	**2.3**	**7.4**	**12.9**	**2,558.0**	**134.0**	**35.9**	**1,156.6**	**44.3**	**7.0**

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.

31 March 2021	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	352.0	0.3	-	-	-	-	352.0	0.3	-	348.0	-	-
Financials	118.0	1.9	0.3	-	0.1	0.2	118.0	1.8	0.1	103.3	1.1	-
Agriculture	56.2	8.0	6.5	0.1	0.9	1.5	56.1	7.1	5.0	13.5	1.1	0.5
Automotive	28.8	1.9	0.9	-	0.2	0.2	28.8	1.7	0.7	21.4	1.0	0.3
Capital goods	69.2	6.4	1.9	0.1	0.5	0.7	69.2	6.0	1.3	60.5	5.2	0.7
Commercial property	302.2	10.1	6.3	0.6	1.1	1.2	301.7	9.0	5.1	59.0	0.9	0.4
Construction and building materials	45.5	4.0	1.9	-	0.3	0.6	45.4	3.7	1.4	32.6	1.7	0.6
Consumer goods	63.4	4.7	1.6	-	0.2	0.5	63.4	4.5	1.1	44.3	2.7	0.1
Hotels, restaurants and leisure	9.4	4.4	2.1	-	0.2	0.5	9.4	4.2	1.7	2.8	1.4	0.4
Metals and mining	11.5	0.5	0.1	-	-	-	11.5	0.5	0.1	9.1	0.2	-
Other commercials	14.0	1.3	0.1	-	-	-	14.0	1.3	0.1	9.7	0.3	-
Pharma and medical devices	51.3	0.2	0.1	-	-	-	51.2	0.2	0.1	48.1	0.1	-
Private housing co-ops and non-profit associations	201.9	4.2	2.0	0.1	0.1	0.3	201.9	4.0	1.8	33.0	1.0	0.2
Pulp, paper and chemicals	36.5	1.1	0.6	-	-	0.2	36.5	1.1	0.4	24.9	0.3	0.1
Retailing	21.2	3.6	2.4	-	0.2	0.9	21.1	3.4	1.5	11.6	2.4	0.7
Services	62.5	3.6	1.2	0.1	0.2	0.6	62.4	3.5	0.6	51.1	2.3	0.2
Shipping, oil and gas	35.1	5.4	6.7	0.1	0.4	2.4	35.0	5.0	4.3	19.0	2.4	-
Social services	26.4	0.8	1.3	-	0.1	0.3	26.4	0.7	1.0	10.3	0.4	0.5
Telecom and media	21.1	0.5	0.2	-	-	0.1	21.1	0.5	0.1	19.1	0.3	-
Transportation	12.1	3.5	1.0	-	0.2	0.1	12.1	3.4	0.8	5.7	1.8	0.2
Utilities and infrastructure	56.4	4.1	0.1	-	0.1	-	56.4	4.0	-	41.5	3.5	-
Personal customers	959.6	59.6	9.9	0.9	2.2	3.2	958.7	57.4	6.7	179.7	8.5	0.4
Total	**2,554.5**	**130.1**	**47.4**	**2.2**	**6.9**	**13.4**	**2,552.3**	**123.3**	**33.9**	**1,148.1**	**38.4**	**5.3**

As at 31 March 2021, oil and gas exposures (within the Shipping, oil and gas industry) represent a gross exposure of DKK 23.8 billion (31 December 2020: DKK 23.3 billion) and expected credit losses of DKK 2.2 billion (31 December 2020: DKK 2.4 billion). Those exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of March 2021.

For the Hotels, restaurants and leisure industry, the gross exposure within stage 2 increased by DKK 1.3 billion from the end of 2020 to 31 March 2021 while the expected credit losses remained unchanged. This is primarily due to an increase in collateral of DKK 0.8 billion but also due to the transfer of exposures from stage 1 to stage 2 improving the overall average credit quality within stage 2.

Notes – Danske Bank Group

Credit exposure continued

31 December 2020	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	363.8	-	-	-	-	-	363.8	-	-	359.5	-	-
Financials	126.1	1.8	0.3	0.1	0.1	0.2	126.1	1.7	0.1	111.8	1.0	0.1
Agriculture	58.7	7.7	6.7	0.1	0.9	1.4	58.6	6.8	5.3	12.9	0.8	0.6
Automotive	27.5	3.2	0.5	-	0.2	0.1	27.5	2.9	0.5	20.2	1.6	0.2
Capital goods	68.6	7.0	2.1	-	0.5	0.7	68.5	6.5	1.4	59.9	5.6	0.7
Commercial property	312.8	11.5	7.1	0.6	0.9	1.1	312.1	10.6	5.9	68.2	1.0	0.7
Construction and building materials	43.6	5.1	2.0	-	0.3	0.6	43.6	4.8	1.4	31.2	2.0	0.6
Consumer goods	62.2	4.3	2.0	-	0.3	0.5	62.2	4.0	1.5	42.5	2.7	0.4
Hotels, restaurants and leisure	11.4	3.1	1.7	-	0.2	0.4	11.4	2.9	1.3	2.9	0.9	0.5
Metals and mining	12.7	0.6	0.1	-	-	-	12.7	0.6	0.1	10.3	0.3	-
Other commercials	22.1	1.1	0.1	0.1	-	-	22.0	1.1	-	20.4	0.3	-
Pharma and medical devices	47.2	2.6	0.2	-	-	-	47.2	2.5	0.2	43.7	1.8	-
Private housing co-ops. and non-profit associations	203.2	3.6	2.0	0.1	0.3	0.2	203.1	3.4	1.7	33.2	0.8	0.2
Pulp, paper and chemicals	38.1	1.6	0.6	-	-	0.2	38.1	1.5	0.4	27.3	0.4	0.1
Retailing	20.5	4.1	2.5	-	0.2	1.0	20.5	3.8	1.5	10.8	2.8	0.7
Services	57.4	3.8	1.6	0.1	0.2	0.6	57.3	3.6	1.0	46.5	2.0	0.5
Shipping, oil and gas	33.5	6.0	6.6	0.1	0.7	2.1	33.4	5.2	4.5	17.6	1.8	0.2
Social services	26.0	0.9	1.2	-	0.1	0.3	26.0	0.8	0.9	9.6	0.4	0.5
Telecom and media	20.3	0.6	0.2	-	-	0.1	20.3	0.6	0.1	18.3	0.3	-
Transportation	11.4	3.3	1.0	-	0.2	0.1	11.4	3.0	0.9	5.1	1.8	0.1
Utilities and infrastructure	64.2	4.2	0.1	-	-	-	64.2	4.2	-	45.5	3.6	-
Personal customers	928.9	65.6	10.2	0.9	2.2	3.1	928.0	63.4	7.2	159.1	12.3	0.7
Total	**2,560.2**	**141.4**	**48.8**	**2.3**	**7.4**	**12.9**	**2,558.0**	**134.0**	**35.9**	**1,156.6**	**44.3**	**7.0**

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral. In Annual Report 2020, a table showing collateral by type (after haircut) is included. The mitigating effect from collateral at the end of March 2021 can be found as the difference between the columns 'Net exposure' and 'Net exposure, ex collateral' and amounted to DKK 1,517.8 billion at 31 March 2021 (31 December 2020: DKK 1,520.0 billion).

The Group uses guarantee schemes offered by the governments in our markets to mitigate the economic consequences of the corona crisis. The outstanding amount of loans originated under such guarantee schemes was DKK 6.1 billion (31 December 2020: DKK 5.0 billion) with the guarantees covering DKK 5.0 billion of the loans (31 December 2020: DKK 4.2 billion). 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.

31 March 2021	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Personal & Business Customers												
Personal Customers Denmark	544.9	29.2	4.9	0.8	1.5	2.4	544.1	27.7	2.4	76.7	4.0	0.1
Personal Customers Nordic	393.1	22.7	4.2	0.1	0.5	0.5	393.0	22.2	3.8	98.3	3.5	0.3
Business Customers	656.1	35.2	22.3	0.9	2.9	5.6	655.3	32.3	16.8	168.0	10.1	2.7
Asset Finance	47.1	13.6	1.5	0.1	0.4	0.3	47.1	13.3	1.2	16.1	3.0	0.2
Other	5.1	0.3	0.1	-	-	-	5.1	0.3	0.1	0.9	0.2	-
Total	**1,646.4**	**101.1**	**33.0**	**1.8**	**5.3**	**8.8**	**1,644.6**	**95.8**	**24.2**	**360.0**	**20.7**	**3.3**
Large Corporates & Institutions	**590.1**	**23.0**	**11.1**	**0.2**	**1.4**	**3.9**	**589.8**	**21.6**	**7.2**	**506.9**	**16.6**	**1.5**
Northern Ireland	**90.8**	**5.9**	**3.3**	**0.1**	**0.2**	**0.8**	**90.7**	**5.7**	**2.5**	**54.8**	**1.0**	**0.4**
Group Functions	**227.2**	**0.2**	**-**	**-**	**-**	**-**	**227.1**	**0.2**	**-**	**226.4**	**0.1**	**-**
Total	**2,554.5**	**130.1**	**47.4**	**2.2**	**6.9**	**13.4**	**2,552.3**	**123.3**	**33.9**	**1,148.1**	**38.4**	**5.2**

31 December 2020	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Personal & Business Customers												
Personal Customers Denmark	545.5	34.0	5.3	0.8	1.6	2.3	544.6	32.4	3.1	69.6	6.6	0.4
Personal Customers Nordic	375.3	24.9	4.4	0.1	0.6	0.5	375.2	24.3	3.9	90.6	4.7	0.3
Business Customers	664.6	35.8	22.6	1.0	2.8	5.4	663.6	33.0	17.3	180.3	10.0	3.5
Asset Finance	45.8	13.8	1.5	0.1	0.4	0.3	45.7	13.4	1.2	15.6	2.8	0.2
Group Functions	4.8	0.3	0.1	-	-	-	4.8	0.3	0.1	0.9	0.2	-
Total	**1,635.9**	**108.9**	**34.0**	**1.9**	**5.4**	**8.5**	**1,633.9**	**103.5**	**25.5**	**357.0**	**24.3**	**4.4**
Large Corporates & Institutions	**588.3**	**25.6**	**11.6**	**0.2**	**1.8**	**3.7**	**588.1**	**23.7**	**7.9**	**497.7**	**18.4**	**2.2**
Northern Ireland	**83.1**	**6.9**	**3.1**	**0.1**	**0.2**	**0.6**	**83.0**	**6.7**	**2.4**	**49.6**	**1.5**	**0.4**
Group Functions	**253.0**	**0.1**	**-**	**-**	**-**	**-**	**253.0**	**0.1**	**-**	**252.3**	**-**	**-**
Total	**2,560.3**	**141.5**	**48.8**	**2.3**	**7.4**	**12.9**	**2,558.0**	**134.0**	**35.9**	**1,156.6**	**44.3**	**7.0**

From 1 January 2021, the business segmentation was changed. Further information can be found in note G3(a).

Notes – Danske Bank Group

Credit exposure continued

Exposures subject to forbearance measures

The Group's forbearance practices is described on page 188 in Annual Report 2020.

During the corona crisis, the Group has granted concessions to assist customers affected by the crisis. Such concessions represent an increase in gross exposure of around DKK 36 billion, of which around DKK 12 billion (net of expected credit losses) is considered forbearance measures, see note G1(b) section 'Accounting treatment of the impacts on expected credit losses from the corona crisis' in Annual report 2020 for the definition of when such concessions are considered to be a forbearance measure. At the end of 2020, such concessions represented an increase in gross exposure of DKK 44 billion, of which around DKK 6 billion (net of expected credit losses) was considered forbearance measures. The concessions considered forbearance measures relate primarily to Personal customers and the industries Shipping, oil and gas, Hotels, restaurants and leisure, Consumer goods and Retailing. 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.

Exposures subject to forbearance measures

	31 March 2021		31 December 2020	
(DKK millions)	Performing	Non-performing[1]	Performing	Non-performing[1]
Active forbearance	9,542	10,293	11,973	10,481
Under probation	16,048	-	14,962	-
Total	25,590	10,293	**26,934**	**10,481**

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

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

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

The impact of corona crisis on total gross NPL exposures was limited in the first quarter of 2021.

The table below shows the reconciliation as at 31 March 2021 between the gross exposure in stage 3 and gross non-performing loans.

Non-performing loan bridge	31 March 2021			31 December 2020		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	29.6	17.8	47.4	30.8	18.0	48.8
None or an immaterial allowance account	12.7	3.7	16.5	13.6	3.4	17.0
Gross non-performing loans	16.9	14.0	30.9	17.2	14.6	31.8
Expected credit loss	5.2	8.0	13.2	5.1	7.9	12.9
Net non-performing loans	**11.7**	**6.0**	**17.7**	**12.1**	**6.7**	**18.8**

Non-performing loans in core activities

(DKK millions)	31 March 2021	31 December 2020
Total non-performing loans	17,712	18,842
- portion from customers in default*	6,047	6,698
Coverage ratio (default) (%)	99	100
Coverage ratio (non-default) (%)	67	54
Coverage ratio (total non-performing loans) (%)	84	75
Non-performing loans as a percentage of total gross exposure (%)	1.1	1.2

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

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2020	1,306	5,908	13,237	20,451
Transferred to stage 1 during the period	1,063	-1,006	-57	-
Transferred to stage 2 during the period	-117	754	-636	-
Transferred to stage 3 during the period	-22	-984	1,006	-
ECL on new assets	542	1,860	2,105	4,507
ECL on assets derecognised	-289	-1,307	-3,584	-5,180
Impact of net remeasurement of ECL (incl. changes in models)	-193	2,268	2,209	4,283
Write-offs debited to the allowance account	-1	-6	-1,069	-1,076
Foreign exchange adjustments	-22	-7	-396	-425
Other changes	-4	-42	40	-6
ECL allowance account as at 31 December 2020	**2,263**	**7,438**	**12,853**	**22,554**
Transferred to stage 1 during the period	784	-768	-15	-
Transferred to stage 2 during the period	-74	219	-145	-
Transferred to stage 3 during the period	-9	-401	410	-
ECL on new assets	196	403	712	1,311
ECL on assets derecognised	-188	-840	-2,106	-3,135
Impact of net remeasurement of ECL (incl. changes in models)	-794	757	961	924
Write-offs debited to the allowance account	-	-4	587	583
Foreign exchange adjustments	15	39	187	241
Other changes	-22	18	3	-1
ECL allowance account as at 31 March 2021	**2,170**	**6,860**	**13,447**	**22,477**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Personal & Business Customers	Large Corporates & Institutions	Northern Ireland	Group Functions	Allowance account Total
ECL allowance account as at 1 January 2020	14,771	4,942	730	8	20,451
ECL on new assets	2,399	1,990	108	10	4,507
ECL on assets derecognised	-3,043	-2,031	-103	-3	-5,180
Impact on remeasurement of ECL (incl. change in models)	1,807	2,122	354	1	4,283
Write-offs debited to allowance account	-160	-865	-51	-	-1,076
Foreign currency translation	14	-388	-48	-2	-425
Other changes	-14	8	-1	1	-6
ECL allowance account as at 31 December 2020	**15,773**	**5,777**	**990**	**15**	**22,554**
ECL on new assets	658	491	160	2	1,311
ECL on assets derecognised	-991	-2,019	-122	-2	-3,135
Impact on remeasurement of ECL (incl. change in models)	768	192	-39	2	924
Write-offs debited to allowance account	-251	843	-9	-	583
Foreign currency translation	17	165	58	-	241
Other changes	-44	44	-1	-	-1
ECL allowance account as at 31 March 2021	**15,930**	**5,493**	**1,036**	**17**	**22,477**

The method used for calculating expected credit losses is described in detail in note G15 of the Annual Report 2020.

Macroeconomic scenarios

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 an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 March 2021, the base case scenario reflects a recovery later in 2021. To fully capture the downside risk, the downside scenario is the severe recession scenario applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The severe recession scenario reflects negative growth and falling property prices for a longer period. At 31 December 2020, the downside scenario reflected a W-shaped trend in the light of the corona crisis with the economies being back on track in the second or third quarter of 2021. The change of the downside scenario has been made in order to capture the risk of prolonged lockdowns due to new coronavirus variants and in order for the ECL calculation to include potential downside risks due to the elevated asset prices across the Nordics.

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 forecast horizon as an average across the Group's core markets are included below.

31 March 2021	Base case			Downside		
	2021	2022	2023	2021	2022	2023
GDP	3.0	3.0	1.9	-4.2	-1.5	0.3
Industrial Production	4.5	4.2	2.6	-6.3	-2.3	0.5
Unemployment	6.1	5.2	5.0	8.9	9.9	10.4
Inflation	1.4	1.4	1.5	-0.2	-0.7	-0.1
Consumption Expenditure	4.6	3.7	2.3	-2.7	-0.7	-0.6
Property prices - Residential	3.9	2.3	2.2	-13.1	-8.3	-1.5
Interest rate - 3 month	-0.1	0.0	0.1	-0.6	-0.6	-0.6
Interest rate - 10 year	0.2	0.4	0.5	-1.1	-0.5	-0.7

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 2020, the following base case and downside scenarios were used:

31 December 2020	Base case			Downside		
	2021	2022	2023	2021	2022	2023
GDP	3.3	2.1	1.8	-1.2	2.7	2.3
Industrial Production	4.1	3.1	2.5	-1.7	4.8	3.6
Unemployment	6.1	5.5	5.1	7.4	6.6	5.9
Inflation	1.5	1.6	1.6	0.7	1.4	1.4
Consumption Expenditure	4.7	1.8	1.7	0.6	1.9	1.8
Property prices - Residential	2.7	2.6	2.9	-4.1	2.6	2.9
Interest rate - 3 month	0.0	0.1	-0.2	-0.1	0.0	0.2
Interest rate - 10 year	0.3	0.6	0.7	0.1	0.4	0.7

The base case scenario enters with a probability of 75% (31 December 2020: 60%), the upside scenario with a probability of 10% (31 December 2020: 15%) and the downside scenario with a probability of 15% (31 December 2020: 25%). On the basis of these assessments, the allowance account as at 31 March 2021 amounted to DKK 22.5 billion (31 December 2020: 22.6 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.1 billion (31 December 2020: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 7.3 billion (31 December 2020: 1.7 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 0.4 billion (31 December 2020: 0.4 billion) compared to the base case scenario. However, note that the applied scenarios differ from the scenarios used at 31 December 2020, and the changes in weighting and sensitivities from end of 2020 to end of the first quarter 2021 are therefore not directly comparable, especially due to the downside scenario being a severe downside scenario at 31 March 2021 to fully capture the downside risks. 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).

Post-model adjustments

Management applies judgement when determining the need for post-model adjustments. At 31 March 2021, the post-model adjustments amounted to DKK 6.5 billion (31 December 2020: 6.4 billion). The post-model adjustments primarily relate to the following types of risks:

- specific macroeconomic risks on certain industries not fully captured by the expected credit loss model, for instance the Agriculture industry for such industries, supplementary calculations are made in order to ensure sufficient impairment coverage). This also includes post-model adjustments to capture the immediate risks arising from the corona crisis
- non-linear downside risk, 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)
- portfolios where the credit risk assessment process has identified an underestimation of the expected credit losses
- upcoming model changes that will impact the expected credit loss model

Following the significant impact on the expected credit losses from post-model adjustments, the table below provides more information about the adjustments.

Post-model adjustments by type and mostly impacted industries

(DKK billion)	31 March 2021	31-December 2020
Specific macroeconomic risks		
Agriculture	0.8	0.8
Commercial Property	1.5	1.6
Personal customers	1.1	1.1
Others	0.3	0.4
Specific macroeconomic risks, total	3.7	3.9
of which corona crisis related	1.9	2.0
Process related	1.9	1.8
Upcoming model changes	0.9	0.6
Total	**6.5**	**6.4**

Further information on the post-model adjustments relating to the corona crisis can be found on page 196 in Annual Report 2020.

Notes – Danske Bank Group

Credit exposure from Non-core lending activities

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

31 March 2021	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	743	35	59	1	4	41	742	31	17	344	10	3
Personal customers	19	2	-	-	-	-	19	2	-	17	-	-
Commercial customers	549	31	58	1	4	41	549	27	17	174	8	3
Public Institutions	175	3	-	-	-	-	175	3	-	152	2	-
Non-core conduits etc.	2,742	-	815	-	-	784	2,742	-	31	263	-	31
Total	**3,485**	**35**	**873**	**1**	**4**	**825**	**3,485**	**31**	**48**	**607**	**10**	**34**

31 December 2020	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	1,285	74	259	4	21	226	1,281	53	33	588	18	-
Personal customers	24	2	-	-	-	-	24	2	-	23	-	-
Commercial customers	1,033	69	259	4	21	226	1,029	48	33	403	16	-
Public Institutions	227	4	-	-	-	-	227	4	-	162	3	-
Non-core conduits etc.	2,603	-	778	-	-	686	2,603	-	92	256	-	-
Total	**3,887**	**74**	**1,037**	**4**	**21**	**912**	**3,884**	**53**	**125**	**844**	**18**	**-**

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

31 March 2021	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	464	-	-	-	-	-	464	-	-	6	-	-
2	0.01	0.03	1,088	5	3	-	-	-	1,088	5	3	262	5	3
3	0.03	0.06	1,251	7	5	-	-	-	1,251	7	5	117	2	-
4	0.06	0.14	381	6	4	-	-	-	381	6	4	208	3	-
5	0.14	0.31	123	5	4	-	-	-	123	5	4	20	-	-
6	0.31	0.63	65	3	2	-	-	-	65	3	2	1	-	-
7	0.63	1.90	33	2	1	-	-	-	32	2	1	2	-	-
8	1.90	7.98	32	5	1	-	4	3	32	1	-2	-5	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	40	2	31	-	-	30	40	2	1	-2	-	-
11 (default)	100.00	100.00	8	-	823	-	-	792	8	-	31	-1	-	31
Total			**3,485**	**35**	**873**	**1**	**4**	**825**	**3,485**	**31**	**48**	**607**	**10**	**34**

31 December 2020	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	432	-	-	-	-	-	432	-	-	-	-	-
2	0.01	0.03	1,189	12	8	-	-	-	1,189	12	8	403	12	-
3	0.03	0.06	1,205	7	5	-	-	-	1,205	7	5	125	2	-
4	0.06	0.14	322	3	2	-	-	-	322	3	2	168	1	-
5	0.14	0.31	210	8	6	-	-	-	210	8	6	11	-1	-
6	0.31	0.63	107	4	3	1	-	-	106	4	3	16	-	-
7	0.63	1.90	160	8	5	2	1	-	158	7	5	21	-	-
8	1.90	7.98	32	18	28	-	18	30	32	1	-2	-7	-1	-
9	7.98	25.70	2	2	-	-	2	-	2	-	-	-	-	-
10	25.70	99.99	38	2	28	-	-	27	38	2	1	-7	-	-
11 (default)	100.00	100.00	190	9	952	-	-	854	190	9	98	114	6	-
Total			**3,887**	**74**	**1,037**	**4**	**21**	**912**	**3,884**	**53**	**125**	**844**	**18**	**-**

Notes – Danske Bank Group

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	31 March 2021	31 December 2020
Counterparty credit risk		
Derivatives with positive fair value	314.8	379.6
Reverse transactions and other loans at fair value1	273.2	259.4
Credit exposure from other trading and investment securities		
Bonds	624.8	583.4
Shares	15.6	16.7
Other unutilised commitments2	0.2	0.2
Total	**1,228.6**	**1,239.3**

[1] Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of Large Corporates & Institutions. These loans consist of reverse transactions of DKK 272.0 billion (31 December 2020: DKK 256.7 billion), of which DKK 60.0 billion relates to credit institutions and central banks (31 December 2020: DKK 50.0 billion), and other primarily short-term loans of DKK 1.2 billion ((31 December 2020: DKK 2.8 billion), of which DKK 0.8 billion (31 December 2020: DKK 2.4 billion) relates to credit institutions and central banks.

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

Derivatives with positive fair value

(DKK millions)	31 March 2021	31 December 2020
Derivatives with positive fair value before netting	715,807	880,479
Netting (under accounting rules)	401,021	500,913
Carrying amount	314,786	379,566
Netting (under capital adequacy rules)	223,910	269,964
Net current exposure	90,876	109,601
Collateral	65,745	78,835
Net amount	**25,131**	**30,767**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	214,618	258,318
Currency contracts	99,293	119,925
Other contracts	875	1,323
Total	**314,786**	**379,566**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2021							
Held for trading (FVPL)	220,288	2,475	28,871	56,181	5,082	10,267	323,165
Managed at fair value	15,462	925	24,710	1,560	605	1,599	44,860
Held to collect and sell	18,864	4,523	79,870	10,258	9,565	245	123,325
Held to collect	33,747	3,706	86,603	7,526	1,765	131	133,478
Total	**288,361**	**11,629**	**220,054**	**75,525**	**17,017**	**12,242**	**624,828**
31 December 2020							
Held for trading (FVPL)	197,777	1,920	19,285	53,729	5,712	8,591	287,014
Managed at fair value	19,084	929	22,851	1,964	630	2,576	48,034
Held to collect and sell	15,272	3,469	82,299	8,641	5,899	1,192	116,772
Held to collect	31,836	1,671	88,742	7,633	1,746	-	131,629
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,358**	**583,448**

At 31 March 2021, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 213,330 million (31 December 2020: DKK 222,122 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2020 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost as at 31 March 2021 and 31 December 2020, see note G11.

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
31 March 2021							
Denmark	106,749	-	219,869	-	-	2,330	328,948
Sweden	78,916	-	-	75,525	-	4,356	158,796
UK	4,182	-	-	-	2,226	340	6,748
Norway	6,046	-	-	-	12,798	2,326	21,170
USA	13,383	2,664	-	-	-	10	16,057
Spain	2,914	-	-	-	1	-	2,915
France	11,881	16	-	-	272	364	12,533
Luxembourg	-	5,272	-	-	-	237	5,508
Finland	12,348	2,577	-	-	762	1,530	17,216
Ireland	3,860	-	-	-	3	16	3,879
Italy	3,610	-	-	-	-	1	3,611
Portugal	54	-	-	-	-	-	54
Austria	5,542	-	-	-	-	7	5,549
Netherlands	8,096	4	-	-	16	226	8,342
Germany	29,354	-	-	-	718	177	30,249
Belgium	1,427	461	-	-	1	-	1,889
Other	-	637	185	-	221	322	1,364
Total	**288,361**	**11,629**	**220,054**	**75,525**	**17,017**	**12,242**	**624,828**
31 December 2020							
Denmark	80,654	-	213,177	-	-	2,968	296,800
Sweden	91,397	-	-	71,967	-	3,977	167,341
UK	2,955	-	-	-	1,096	1,489	5,540
Norway	3,681	-	-	-	10,693	1,657	16,031
USA	13,457	1,876	-	-	-	15	15,348
Spain	3,921	-	-	-	1	2	3,925
France	11,693	-	-	-	466	27	12,186
Luxembourg	-	4,404	-	-	-	75	4,479
Finland	7,964	999	-	-	751	1,432	11,147
Ireland	2,187	-	-	-	3	59	2,249
Italy	4,357	-	-	-	-	4	4,361
Portugal	249	-	-	-	-	-	249
Austria	5,347	-	-	-	-	56	5,402
Netherlands	4,987	4	-	-	15	176	5,182
Germany	30,316	-	-	-	711	181	31,208
Belgium	803	299	-	-	1	-	1,103
Other	-	409	-	-	249	239	897
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,358**	**583,448**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2021							
AAA	239,601	11,244	219,381	75,510	16,406	417	562,560
AA+	12,034	16	-	-	51	9	12,109
AA	21,750	369	-	15	167	2,664	24,966
AA-	3,840	-	-	-	-	166	4,006
A+	-	-	-	-	-	74	74
A	5,317	-	641	-	371	3,051	9,381
A-	-	-	-	-	-	467	467
BBB+	1,456	-	-	-	-	1,804	3,261
BBB	1,273	-	32	-	-	2,151	3,455
BBB-	3,089	-	-	-	-	492	3,581
BB+	-	-	-	-	-	292	292
BB	-	-	-	-	-	343	343
BB-	-	-	-	-	-	27	27
Sub-inv. grade or unrated	-	-	-	-	22	285	307
Total	**288,361**	**11,629**	**220,054**	**75,525**	**17,017**	**12,242**	**624,828**
31 December 2020							
AAA	221,354	7,522	212,971	71,928	13,344	1,387	528,506
AA+	11,293	-	-	-	66	157	11,516
AA	16,457	468	-	39	176	1,819	18,959
AA-	3,102	-	-	-	-	364	3,466
A+	-	-	-	-	-	110	110
A	3,700	-	174	-	378	3,142	7,394
A-	-	-	-	-	-	290	290
BBB+	2,408	-	-	-	-	940	3,348
BBB	1,628	-	32	-	-	1,953	3,613
BBB-	4,027	-	-	-	-	677	4,704
BB+	-	-	-	-	-	393	393
BB	-	-	-	-	-	927	927
BB-	-	-	-	-	-	31	31
Sub-inv. grade or unrated	-	-	-	-	24	168	192
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,359**	**583,448**

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first quarter 2021 of the Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 31 March 2021 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2021 and ending on 31 March 2021. 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, 28 April 2021

Executive Leadership Team

Carsten Rasch Egeriis
CEO

Berit Behring

Karsten Breum

Stephan Engels

Glenn Söderholm

Philippe Vollot

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

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Thorbjørn Lundholm Dahl
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Independent auditors' review report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the consolidated interim financial statements
We have reviewed the consolidated interim financial statements of Danske Bank A/S for the financial period 1 January to 31 March 2021, pp. 24-61 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes.

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements for the financial period 1 January to 31 March 2021 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 entities.

Emphasis of matter
We draw attention to note G9 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 this matter in the consolidated interim financial statements, and accordingly our conclusion is not modified.

Copenhagen, 28 April 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Kasper Bruhn Udam
State-Authorised
Public Accountant
Identification No
(MNE) mne29421

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

Supplementary information

Financial calendar

23 July 2021	Interim report – first half 2021
29 October 2021	Interim report – first nine months 2021

Contacts

Stephan Engels Chief Financial Officer	+45 45 14 60 02
Claus Ingar Jensen Head of Investor Relations	+45 45 12 84 83

Links

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

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