Interim report – first nine months 2022

Danske Bank Group

Danske Bank

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Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Net interest income	17,746	16,498	108	6,307	5,810	109	5,533	114	22,049
Net fee income	9,536	9,700	98	2,999	3,157	95	3,106	97	13,525
Net trading income	679	3,111	22	503	-390	-	820	61	4,126
Net income from insurance business	-323	1,576	-	-286	-122		594	-	2,088
Other income	1,203	623	193	244	291	84	166	147	797
Total income	28,840	31,509	92	9,767	8,746	112	10,218	96	42,584
Operating expenses	19,570	18,874	104	6,777	6,421	106	6,104	111	25,663
of which resolution fund, bank tax etc.	728	523	139	237	250	95	164	145	687
Provision for Estonia matter	14,000	-	-	14,000	-	-	-	-	-
Impairment charge on goodwill	1,627	-	-	1,627	-	-	-	-	-
Profit before loan impairment charges	-6,357	12,635	-	-12,637	2,325	-	4,114	-	16,921
Loan impairment charges	794	587	135	368	192	192	-151	-	348
Profit before tax, core	-7,151	12,048	-	-13,005	2,133	-	4,265	-	16,573
Profit before tax, Non-core	-10	23	-	-28	31	-	6	-	-2
Profit before tax	-7,161	12,071	-	-13,033	2,164	-	4,270	-	16,571
Tax	2,080	2,805	74	760	458	166	936	81	3,651
Net profit	**-9,241**	**9,266**	**-**	**-13,792**	**1,705**	**-**	**3,334**	**-**	**12,920**
Attributable to additional tier 1 etc.	86	349	25	-	5	-	117	-	451
Balance sheet (end of period)									
Due from credit institutions and central banks	256,327	296,950	86	256,327	245,632	104	296,950	86	320,042
Repo loans	283,801	220,822	129	283,801	280,561	101	220,822	129	253,954
Loans	1,824,278	1,801,353	101	1,824,278	1,819,297	100	1,801,353	101	1,834,372
Trading portfolio assets	784,553	608,253	129	784,553	661,318	119	608,253	129	509,589
Investment securities	301,993	304,698	99	301,993	307,005	98	304,698	99	303,425
Assets under insurance contracts	745,736	542,718	137	745,736	637,475	117	542,718	137	547,806
Other assets	115,490	150,137	77	115,490	122,705	94	150,137	77	166,647
Total assets	**4,312,177**	**3,924,931**	**110**	**4,312,177**	**4,073,992**	**106**	**3,924,931**	**110**	**3,935,834**
Due to credit institutions and central banks	104,668	101,714	103	104,668	102,772	102	101,714	103	101,786
Repo deposits	204,229	242,940	84	204,229	217,035	94	242,940	84	193,391
Deposits	1,187,316	1,154,717	103	1,187,316	1,155,841	103	1,154,717	103	1,167,638
Bonds issued by Realkredit Danmark	667,033	761,742	88	667,033	697,698	96	761,742	88	770,661
Other issued bonds	317,045	346,020	92	317,045	307,773	103	346,020	92	355,757
Trading portfolio liabilities	716,470	368,269	195	716,470	590,249	121	368,269	195	374,958
Liabilities under insurance contracts	767,786	581,618	132	767,786	659,747	116	581,618	132	588,736
Other liabilities	151,233	152,357	99	151,233	131,980	115	152,357	99	166,882
Subordinated debt	40,008	39,306	102	40,008	39,503	101	39,306	102	39,321
Additional tier 1	-	8,606	-	-	-	-	8,606	-	5,497
Shareholders' equity	156,389	167,642	93	156,389	171,394	91	167,642	93	171,207
Total liabilities and equity	**4,312,177**	**3,924,931**	**110**	**4,312,177**	**4,073,992**	**106**	**3,924,931**	**110**	**3,935,834**
Ratios and key figures									
Dividend per share (DKK)	-	-		-	-		-		2.0
Earnings per share (DKK)	-11.0	10.4		-16.2	2.0		3.8		14.6
Return on avg. shareholders' equity (% p.a.)	-7.4	7.3		-33.7	4.0		7.7		7.6
Adj. return on avg. shareholders' equity (% p.a.)*	5.0	7.3		4.5	4.0		7.7		7.6
Net interest income as % p.a. of loans and deposits	0.79	0.73		0.83	0.77		0.74		0.73
Cost/income ratio (C/I), (%)	122.0	59.9		229.4	73.4		59.7		60.3
Adj. cost/income ratio (C/I), (%)*	67.9	59.9		69.4	73.4		59.7		60.3
Total capital ratio (%)	21.3	23.4		21.3	21.3		23.4		22.4
Common equity tier 1 capital ratio (%)	16.9	18.1		16.9	17.1		18.1		17.7
Share price (end of period) (DKK)	94.8	108.5		94.8	100.3		108.5		113.0
Book value per share (DKK)	183.8	196.5		183.8	201.3		196.5		200.6
Full-time-equivalent staff (end of period)	21,528	22,027	98	21,528	21,663	99	22,027	98	21,754

**Excluding goodwill impairment charge and the provision for the Estonia matter.*

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 31.

Executive summary

Danske Bank has made an additional provision of DKK 14.0 billion related to the Estonia matter, which significantly impacted the financial result for the first nine months of 2022. The Estonia matter section provides more information.

The uncertainty in the operating environment we saw in the first half of 2022 continued into the third quarter and even increased as geopolitical tension intensified, conditions in the financial markets tightened and the macroeconomic outlook became weaker. Furthermore, throughout the third quarter, we saw living costs increase for households due to a significant surge in primarily energy prices but also the prices of household goods, and we see signs of a weaker housing market as mortgage rates have increased.

Hence, central banks face the challenge of lowering inflation and secondarily avoiding over-tightening that could potentially lead to a recession. As inflation has continued to increase, so has central banks' willingness to hike interest rates in order to curb it. In early September, the Danish central bank thus hiked rates by 75 bps following the ECB's rate move. In Finland, Norway and Sweden, the central banks also raised rates, with the Swedish central bank lifting rates a historic 100 bps – with further rate hikes possible later in 2022.

The weaker consumer purchasing power and higher interest rates point to an increasing likelihood of a recession, with the global economy also showing signs of weakening. Nonetheless, the Nordic economies are weakening from a strong starting point. For instance, labour markets in the Nordic countries are still strong, providing a cushion against the impact of weaker demand.

Despite the gloomier outlook and uncertain operating environment, Danske Bank is progressing well, as core banking activities continue to improve, credit quality remains strong with a low level of actual impairments, and we continue to execute on our Better Bank plan to become a simpler and better bank for all our stakeholders.

This means that Danske Bank continues to be a strong Nordic bank in a good position to help customers and societies, despite the macroeconomic challenges that lie ahead.

In these challenging times, customers' need for expert advisory services from us as their financial partner increases. As the uncertainty in the financial markets, the housing markets and the export markets increases, we therefore have a close dialogue with our customers across all segments. For instance, for personal customers, the changes in interest rates mean that advisory services relating to mortgage finance are in high demand. Many business and corporate customers require advice in relation to the rising energy prices, inflation and currency risk, and we have seen increased demand for our leading risk management solutions.

Our core banking activities continue to deliver, driven by improved net interest income following our repricing initiatives that now have full effect, the positive trends in volumes and the return to positive interest rates. In addition, fee income held up well despite subdued capital markets, as our risk advisory solutions saw good customer activity. As we saw in the second quarter, income lines related to financial markets are affected by market turmoil but with a stabilisation of net trading income on the back of calibrated risk appetite at Large Corporates & Institutions.

The execution of our Better Bank plan continues, and we see solid progress with improving the bank for all our stakeholders. The underlying cost base continued to improve on the basis of efficiency gains achieved through the agile transformation of our development organisation and other simplification initiatives. We continue to launch new solutions to make Danske Bank more digital and convenient for personal customers. For instance, we implemented digital signing of mortgages in Sweden, and in Denmark, we saw good interest in loan products targeted at home energy efficiency improvements. We continue to build even more features into the 'bank in your pocket', and 9 of 10 customers now use our mobile banking apps.

Our efforts to remain a leader within sustainability continue. In September, Position Green, an independent consulting firm, studied how well businesses in the Nordic countries report on their sustainability efforts, and among the 100 largest listed businesses in Denmark, Danske Bank and just seven others received a mark of "outstanding" for their sustainability reporting. We also launched the "Danske Invest Global Responsible Portfolio" balanced funds that provide investors with good diversification across equities and bonds while also offering a strong sustainability profile.

We continued our efforts to remediate the legacy issues, which also means that we continue to close issues. In the third quarter, we announced an accelerated solution for our debt collection customers that entails setting the debt of approximately 90,000 customers at zero and compensating customers for any potential overcollection as a result of the issues with our historical debt collection systems. The solution we have chosen means that we will inform the customers whose debt is written off, and from next year, we will start to pay out compensation. This will have a total effect on profit before tax of DKK 1,250 million, consisting of a negative effect on operating expenses of DKK 600 million and an increase in loan impairment charges of DKK 650 million. However, it will also ensure that we can reduce the elevated remediation costs in coming years. Excluding the effect of elevated remediation costs, underlying costs continued to the downward trend, as our efforts to make the bank more efficient continued to result in a decrease in the number of FTEs.

We continued to see strong credit quality and low loan impairment charges in the first nine months of 2022 and also in the third quarter. As mentioned, the solution to the debt collection case led to an increase in loan impairment charges of DKK 650 million in the third quarter.

Estonia matter
On 28 April 2022, Danske Bank announced that it had started initial discussion with U.S. and Danish authorities on resolution of the Estonia matter.

On the basis of the current stage of these discussions with the US Department of Justice, the US Securities and Exchange Commission and the Danish Special Crime Unit, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution with these authorities, at a total of DKK 15.5 billion. This includes the provision of DKK 1.5 billion recognised in the third quarter of 2018 as it is Danske Bank's best assessment that the resolution will include confiscation of no less than DKK 1.5 billion. Therefore, Danske Bank now books an additional provision of DKK 14 billion in the third quarter. Discussions with authorities are ongoing and there is still uncertainty that a resolution will be reached, but Danske Bank is working towards a coordinated resolution before year end, however, the final timing is not within Danske Bank's control. Danske Bank will not comment further on the discussions with authorities.

Merger of MobilePay
As announced on 21 October 2022, the agreement between Danske Bank and the consortium of banks behind Vipps to merge MobilePay and Vipps has been approved by all relevant authorities, including the EU Commission. The parties expect to complete the transaction during the fourth quarter of 2022.

The transaction will result in a one-off gain of around DKK 400 million for Danske Bank.

Capital
For the first nine months of 2022, our total capital ratio was 21.3% and our CET1 capital ratio was 16.9%, against 22.4% and 17.7%, respectively, at the end of 2021.

At the end of September 2022, the Group's solvency need ratio was 10.6%, a decrease of 0.8 percentage points from the level at the end of 2021. The decrease was primarily due to removal of DKK 7.5 billion of the DKK 10 billion Pillar II add-on as required under the orders issued by the Danish FSA in 2018. The reduction in the Pillar II add-on was driven by the provision related to the Estonia matter.

Dividend
To ensure prudent capital management with a high degree of flexibility in light of the Estonia matter, the general meeting on 17 March 2022 adopted the proposal for an initial dividend payment of DKK 2 per share that was paid out in March. The remaining DKK 5.5 per share was intended to be paid out in three tranches following the publication of the interim reports in 2022, subject to a decision by the Board of Directors.

In light of the provision made today, the Board of Directors has decided to cancel the remaining dividend for 2021, and the Board of Directors will propose to the annual general meeting in 2023 not to pay out dividend for 2022.

Financials
Danske Bank posted a net loss of DKK 9,241 million for the first nine months of 2022, against a net profit of DKK 9,266 million for the same period in 2021. The return on shareholders' equity was a negative 7.4%. Excluding the additional provision for the Estonia matter and the goodwill impairment charge, net profit was DKK 6,386 million and the return on shareholders' equity was 5.0%.

Our core banking activities continued to deliver good progress, with solid business lending growth and deposit repricing leading to higher net interest income. Net fee income from everyday banking products maintained the positive trend throughout the first nine months. Investment fees decreased as a consequence of the challenged financial markets. Assets under management declined from the end-of-year level, as asset prices continued to fall.

Net trading income recovered in the third quarter, despite a reduction in risk utilisation, as market conditions became more supportive, but was negatively impacted by extraordinarily high volatility in core Nordic fixed income markets, which created a challenging operating environment for providing market-making services that led to negative trading income in our fixed income business at Large Corporates & Institutions in the second quarter.

Income from insurance business was also negatively affected by the financial market turmoil in the first nine months of 2022, however, some of the effect was offset by the gain of DKK 415 million on the sale of Danica Norway. The underlying business is healthy, and we still see improvement in the risk result in the health and accident business.

Two years into the Better Bank transformation, we have laid the tracks for a profitable growth journey in the years ahead, becoming even more efficient and focused in our activities. Our underlying expenses continued to progress according to plan, but total expenses are higher, driven by elevated remediation costs and costs related to the Estonia matter. In addition, costs were affected by the DKK 600 million one-off item related to the accelerated solution for our debt collection customers. The number of FTEs continued to fall and stood at 21,528 at the end of September 2022, against 22,582 at its peak in the third quarter of 2020.

In Danica Pension, goodwill amounting to DKK 1,627 million related to the acquisition of SEB Pension Danmark was assessed to be impaired due to increasing discount rates and the current turbulence in the financial markets.

Although the macroeconomic landscape remains uncertain and develops at a fast pace, the credit quality of individual customers was strong across the core loan portfolios as a result of the post-pandemic financial recovery. Loan impairment charges in core activities continued to be low, underpinning the strong credit quality. The accelerated solution to the debt collection case led to higher loan impairment charges because of the one-off charge of DKK 650 million to cover part of the costs for compensation for potential overcollection.

Outlook
We expect a net loss better than DKK 5.5 billion.

We continue to expect income from core banking activities to be higher in 2022, as higher net interest income driven by good economic activity and higher interest rates will more than offset lower capital market and investment-related fee income. Net income from insurance business and trading activities are expected below normalised levels based on significantly lower income in the first nine months of the year and a stabilisation in income in the fourth quarter subject to market conditions. The degree of uncertainty is higher than usual.

Including the additional provision for the Estonia matter, the impact from the solution to the debt collection case and the goodwill impairment charge, total expenses are expected to be around DKK 41.7 billion. Excluding the additional provision for the Estonia matter, the impact from the solution to the debt collection case and the goodwill impairment charge, we expect costs in 2022 to reflect our continued focus on cost management and to be around DKK 25.5 billion, including sustained elevated remediation costs.

Given our overall strong credit quality, loan impairments are expected to be below normalised level, including the solution to the debt collection case.

We have revised the outlook for net profit of DKK 10-12 billion to a net loss better than DKK 5.5 billion due to the additional provision for the Estonia matter and the goodwill impairment charge. The outlook includes the gains from MobilePay, Danske Bank International and Danica Norway.

As regards our 2023 financial ambitions, we maintain our ambition of a return on shareholders' equity of 8.5-9% in 2023.

The outlook is subject to uncertainty and depends on economic conditions.

Financial review

First nine months 2022 vs first nine months 2021
The result for the first nine months of 2022 was affected by the additional provision for the Estonia matter of DKK 14,000 million and the goodwill impairment charge of DKK 1,627 million. Excluding the additional provision for the Estonia matter and the goodwill impairment charge, net profit amounted to DKK 6,386 million (Q1-Q3 2021: a profit of DKK 9,266 million). Including the additional provision and the goodwill impairment charge, the net loss amounted to DKK 9,241 million. Further, higher net interest income and other income could not fully compensate for the effect that the market turmoil had on net trading income and on valuation adjustments of net income from insurance business.

Income
Net interest income increased to DKK 17,746 million (Q1-Q3 2021: DKK 16,498 million). Net interest income saw a positive impact from higher lending volumes and repricing initiatives in the Nordic countries combined with higher UK interest rates and related pricing action in Northern Ireland.

Net fee income decreased slightly to DKK 9,536 million (Q1-Q3 2021: DKK 9,700 million). We saw good remortgaging activity as a result of the rise in interest rate levels as well as increasing service fees as a result of the reopening of societies. Net fee income from everyday banking products maintained a positive trend throughout the first nine months of 2022. Investment fees decreased as a consequence of the challenged financial markets. Assets under management declined from the end-of-year level, as asset prices continued to fall.

Net trading income decreased to DKK 679 million (Q1-Q3 2021: DKK 3,111 million). Net trading income recovered in the third quarter, despite a reduction in risk utilisation, as market conditions became more supportive, but was impacted by historically high volatility in core Nordic fixed income markets, which translated into negative net trading income in the second quarter because of losses in Rates & Credit at Large Corporates & Institutions.

Net income from insurance business amounted to a negative DKK 323 million (Q1-Q3 2021: DKK 1,576 million). The underlying business is healthy, and we still see improvement in the risk result in the health and accident business. Following the negative market developments in the first nine months of 2022, the result of the life insurance business decreased. The decrease was driven mainly by negative valuation adjustments of life insurance products where Danica Pension has the investment risk and a provision of DKK 150 million to cover compensation to customers. Both effects were partly offset by changes in life insurance provisions. The result of the health and accident business also decreased, owing to a lower investment result caused by negative valuation adjustments. However, some of the negative effect was offset by the gain of DKK 415 million on the sale of Danica Norway.

Other income amounted to DKK 1,203 million (Q1-Q3 2021: DKK 623 million). The increase was due partly to the sale of our activities in Luxembourg, which generated a one-off gain of DKK 421 million, but also to increased sales prices of assets in our leasing company.

Operating expenses
Operating expenses amounted to DKK 19,570 million (Q1-Q3 2021: DKK 18,874 million). Underlying expenses continued to progress according to plan, which helped mitigate elevated remediation costs and costs related to the Estonia matter. As announced on 31 August 2022, we have now chosen an accelerated solution for the vast majority of our debt collection customers. A provision of DKK 600 million for compensation to customers was therefore recognised in the third quarter.

Furthermore, the Resolution fund, bank tax etc. item increased to DKK 728 million (Q1-Q3 2021: DKK 523 million) as a result of the Swedish bank tax that came into force on 1 January 2022.

Provision for Estonia matter
An additional provision of DKK 14,000 million has been made in the third quarter of 2022. On the basis of the current stage of the discussions with US and Danish authorities, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution with these authorities, at a total of DKK 15,500 million. In addition to the provision booked in the third quarter of 2022 of DKK 14,000 million, a provision of DKK 1,500 million was booked in 2018.

Impairment charge on goodwill
In the third quarter of 2022, goodwill in Danica Pension amounting to DKK 1,627 million was assessed to be impaired and written off due to increasing discount rates and the current turbulence in the financial markets.

Loan impairment charges
Due to strong credit quality, loan impairment charges in core activities were low in the first nine months of 2022, amounting to DKK 794 million (Q1-Q3 2021: DKK 587 million).

The accelerated solution to the debt collection case led to a one-off increase in loan impairment charges of DKK 650 million, which covers part of the remediation costs related to compensating customers for potential overcollection. In addition, debt of approximately DKK 1.0 billion has been written off. However, the write-offs were covered by matching impairment charges and have no impact on loan impairment charges for the first nine months of 2022 at Group level.

Impairments reflected macroeconomic uncertainty and slowing economic growth because of increased inflationary pressure as well as interest rate hikes, while COVID-19-related uncertainty decreased. Although the macroeconomic landscape remains uncertain and develops at a fast pace, the credit quality of individual customers was strong across the core loan portfolios as a result of the post-pandemic financial recovery.

A continued review of post-model adjustments throughout the period resulted in a post-model adjustment of DKK 1.5 billion for 'global tension' to address idiosyncratic risks in the portfolios stemming from the surge in inflation and energy costs and the worsening macroeconomic outlook. The changes in the first nine months of 2022 also led to an increase in post-model adjustments related to the property segment and process-related risks spread across industry portfolios and personal customers due to increasing inflation and interest rates and the risk of a decline in property prices and disposable incomes. On the other hand, COVID-19-related uncertainties have been reduced since the end of 2021, and the related post-model adjustments were fully released by September 2022, as the new virus variants have not resulted in prolonged lockdowns. The total allowance account amounted to DKK 18.8 billion, including post-model adjustments of DKK 6.0 billion.

Group Functions accounted for the main part of the loan impairment charges in the first nine months of 2022, which were driven by remediation costs related to the debt collection case. The impairment charges for Personal Customers continued the trend from 2021 and returned to more normal levels. The charges were driven by changes in the macroeconomic scenarios to account for expectations of higher inflation and interest rate hikes as well as increased post-model adjustments.

In contrast to impairment charges in the first nine months of 2021, Business Customers and Large Corporates & Institutions saw net loan impairment reversals in the first nine months of 2022 owing to improved credit quality driven by the post-pandemic financial recovery and the resulting decline in charges made against facilities to individual customers. The effect of this was partly offset by increasing post-model adjustments.

The effects of the new macroeconomic scenarios were driven primarily by a lower GDP, rising interest rates and reinforced inflationary pressure as a result of rapid price increases on commodities such as energy, metals and agricultural produce. The scenario weights from the fourth quarter of 2021 were maintained in the first nine months of 2022 and were as follows: The base-case scenario has a probability of 70% (2021: 70%), the upside scenario has a probability of 10% (2021: 10%) and the downside scenario has a probability of 20% (2021: 20%). Base-case and upside scenarios were updated following the macroeconomic uncertainty. A severe recession scenario remains the Group's downside scenario.

Loan impairment charges

	Q1-Q3 2022		Q1-Q3 2021	
(DKK millions)	Charges	% of net credit exposure[1]	Charges	% of net credit exposure[1]
Personal Customers	334	0.05	-120	-0.02
Business Customers	-90	-0.02	574	0.12
Large Corporates & Institutions	-155	-0.07	230	0.10
Northern Ireland	36	0.09	-96	-0.25
Group Functions	669	23.16	-2	-0.05
Total core	**794**	**0.06**	**587**	**0.04**

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

Tax

The tax expense of DKK 2,080 million (Q1-Q3 2021: DKK 2,805 million) was mainly affected by non-deductible items, including the additional provision for the Estonia matter and the goodwill impairment charge. The effective tax rate excluding the additional provision for the Estonia matter and the goodwill impairment charge was 24.6% (Q1-Q3 2021 2021: 23.2%).

Q3 2022 vs Q2 2022

Net profit excluding the additional provision for the Estonia matter of DKK 14,000 million and the goodwill impairment charge of DKK 1,627 million amounted to DKK 1,835 million (Q2 2022: DKK 1,705 million). Including the additional provision and the goodwill impairment charge, the net loss amounted to DKK 13,792 million.

- **Net interest income** increased to DKK 6,307 million (Q2 2022: DKK 5,810 million) due to higher lending volumes and repricing of deposits as a consequence of the rise in interest rates. An increase in the number of interest days also had a positive impact on net interest income.
- **Net fee income** amounted to DKK 2,999 million (Q2 2022: DKK 3,157 million), driven by lower investment activity due to the uncertainty on the financial markets.
- **Net trading income** increased to DKK 503 million (Q2 2022: a negative DKK 390 million), following a recovery in income in Rates & Credit.
- **Net income from insurance business** amounted to a negative DKK 286 million (Q2 2022: a negative DKK 122 million). The negative result was due to a lower result in the life insurance business caused primarily by a provision of DKK 150 million. The result in the life insurance business benefited from a better investment result on life insurance products where Danica Pension has the investment risk. The result of the health and accident business in Danica Pension declined in the third quarter of 2022 due to negative valuation adjustments. Furthermore, the second quarter benefited from the sale of Danica Norway.
- **Operating expenses** amounted to DKK 6,777 million (Q2 2022: DKK 6,421 million). The increase was due primarily to the provision of DKK 600 million for remediation costs in connection with the debt collection case.
- **Provision for Estonia matter** amounted to DKK 14,000 million in the third quarter of 2022. On the basis of the current stage of the discussions with US and Danish authorities, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution.
- **Impairment charge on goodwill** amounted to DKK 1,627 million. The impairment charge related to Danica Pension's acquisition of SEB Pension Danmark.
- **Loan impairment** charges for core units amounted to DKK 368 million in the third quarter (Q2 2022: DKK 192 million). This was due mainly to the impact of the debt collection case but also reflected macroeconomic uncertainty related to increasing inflationary pressure and interest rate hikes across the markets. On the other hand, credit quality continued to improve throughout the third quarter, resulting in impairment reversals relating to individual customer exposures.
- **Tax** amounted to DKK 760 million (Q2 2022: DKK 458 million) and was affected by non-deductible items, including the additional provision for the Estonia matter and the goodwill impairment charge.

Lending and deposits

Lending stood at DKK 1,824 billion (end-2021: DKK 1,834 billion). Excluding the changes in the fair value of mortgage loans in Denmark following the increases in interest rate levels, lending increased 5% from the level at the end of 2021 to DKK 1,921 billion. Mortgage lending at nominal value at Realkredit Danmark amounted to DKK 803 billion (end-2021: DKK 808 billion).

The increase in lending at Large Corporates & Institutions was driven partly by higher volumes in Sweden, reflecting our strategic ambition to grow the number of core customer relationships in Sweden. At Business Customers, we saw an increase in bank lending due to the reopening of societies, despite the depreciation of currencies. Mortgage lending at nominal value increased 2%. Green loan volumes have increased in 2022 to date. At Personal Customers, bank lending increased, driven primarily by activities in Denmark and the Danske Bolig Fri product – an alternative to a mortgage loan. Total lending at Personal Customers decreased 8% due to negative market value adjustments of mortgage loans caused by the higher interest rate level, the discontinuation of the customer portfolio in Luxembourg and the depreciation of currencies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 98.6 billion. Lending to personal customers accounted for DKK 23.2 billion of this amount.

In Denmark, our market shares of bank lending, excluding repo loans, to both personal and business customers, increased to 19.5% (end-2021: 18.6%) and to 23.0% (end-2021: 22.0%), respectively. The market share in Denmark, including mortgage lending, decreased, however, to 24.5% at the end of August 2022 (end-2021: 24.8%). In Sweden, our market share of lending (at end-August 2022) increased from 5.1% to 5.5%, and in Finland, our market share of lending increased from 9.5% to 10.0%. In Norway, we maintained our market share of lending at the end-2021 level.

Deposits amounted to DKK 1,187 billion (end-2021: DKK 1,168 billion) and were up 2% from the level at the end of 2021. The increase in deposit volumes was due to cautious investment strategies among our customers and the outlook for positive deposit rates.

In Finland and Sweden, our market shares of deposits increased from the end-2021 level. In Denmark, our market share of deposits decreased to 28.2% at the end of August 2022 (end-2021: 29.1%). In Norway, our market share of deposits was also lower than at the end of 2021.

DKK -13,792 million

Net profit

for the third quarter of 2022

Credit exposure and credit quality

Credit exposure from lending activities in core segments decreased to DKK 2,587 billion (end-2021: DKK 2,716 billion). Higher activity among corporate and institutional customers was more than offset by lower exposure to personal and business customers in Denmark, primarily as a result of the net negative effect of fair value adjustments. In addition, the effect of the increase in activity was offset by lower deposits with central banks, and weaker exchange rates (SEK, NOK and GBP) also reduced credit exposure. However, in local currency, credit exposure increased among business customers in Sweden, Finland and Norway. Credit exposure directly related to customers in or from Russia, Ukraine and the Baltic countries is limited and amounted to less than DKK 0.1 billion at 30 September 2022.

Section 3 of Risk Management 2021, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remained strong in the first nine months of 2022. However, we remain vigilant for any possible deterioration related to the risks and uncertainties mentioned in the loan impairment charges section above.

Large Corporates & Institutions has actively reduced its net oil-related exposure (excluding diversified oil & gas companies) by 54% since the end of 2019.

Stage 3 loans in core segments (DKK millions)	30 Sept. 2022	31 Dec. 2021
Gross exposure	33,370	46,012
Allowance account	8,713	12,397
Net exposure	**24,657**	**33,615**
Collateral (after haircut)	**21,264**	**30,143**
Stage 3 coverage ratio (%)	72	78

The stage 3 coverage ratio is calculated as allowance account stage 3 exposures relative to gross stage 3 net of collateral (after haircuts).

Total gross credit exposure in stage 3 (non-performing loans) was DKK 33.4 billion, corresponding to 1.3% of total gross credit exposure. Stage 3 exposure was concentrated on personal customers, shipping, oil and gas, commercial property and agriculture, which combined accounted for 70% of total gross exposure in stage 3. The development in stage 3 exposure since the end of 2021 was impacted primarily by the technical implementation of the new definition of default that is now aligned with EBA requirements and write-offs.

The allowance account decreased to 1.0% (end-2021: 1.15%) of lending and guarantees due to write-offs relating to the debt collection case.

Allowance account by business units	30 Sept. 2022		31 Dec. 2021	
(DKK millions)	Accum. impairm. charges	% of credit exposure[1]	Accum. impairm. charges	% of credit exposure[1]
Personal Customers	4,827	0.57	5,654	0.64
Business Customers	9,582	1.47	10,186	1.54
Large Corporates & Institutions	3,595	0.99	5,227	1.84
Northern Ireland	738	1.25	850	1.44
Group Functions	32	1.26	17	0.36
Total	**18,774**	**0.98**	**21,935**	**1.15**

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

Capital ratios and requirements

At the end of September 2022, the Group's total capital ratio was 21.3%, and its CET1 capital ratio was 16.9%, against 22.4% and 17.7%, respectively, at the end of 2021. The movement in the capital ratios in the first nine months of 2022 was mainly driven by the provision for the Estonia matter and a decline in the IFRS 9 add back. These effects were partially offset by the cancellation of the remaining dividends for 2021, the realised net profit excluding the provision for the Estonia matter and a decrease in the total REA. The total capital ratio was furthermore affected by the redemption of additional tier 1 capital instruments of EUR 750 million in April 2022.

During the first nine months of 2022, the total REA decreased approximately DKK 15 billion due to a decline in the REA for credit risk, which was partially countered by an increased REA for market risk.

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 September 2022, the Group's solvency need ratio was 10.6%, a decrease of 0.8 percentage points from the level at the end of 2021. The decrease was primarily due to removal of DKK 7.5 billion of the DKK 10 billion Pillar II add-on as required under the orders issued by the Danish FSA in 2018. The reduction in the Pillar II add-on was driven by the additional provision related to the Estonia matter made in the third quarter of 2022. The amount was covered by common equity tier 1 (CET1) capital, as ordered by the Danish FSA.

A combined buffer requirement (CBR) applies to financial institutions in addition to the solvency need ratio. At the end of September 2022, the Group's CBR was 6.4%, an increase of 0.7 percentage points from the level at the end of 2021 due mainly to the reactivation of the national countercyclical buffer rates in Denmark and Sweden at 1.0%.

Announced increases of the national countercyclical buffer rates in Denmark, Norway and Sweden will increase the Group's CBR by 1.2 percentage points. Consequently, the fully phased-in countercyclical buffer requirement will be

2.0%, bringing the fully phased-in CET1 requirement to 13.6%. This is a 0.3 percentage points decrease from the level at the end of 2021, which is driven largely by the removal of DKK 7.5 billion of the Pillar II add-on as described above. The effect was to some extent countered by the announced increase of the Danish countercyclical buffer from 2.0% to 2.5%, effective from 31 March 2023, and the Swedish decision to raise the countercyclical buffer rate to 2.0%, entering into force on 22 June 2023.

Capital ratios and requirements

(% of the total REA)	30 Sep. 2022	Fully phased-in*
Capital ratios		
CET1 capital ratio	16.9	16.6
Total capital ratio	21.3	21.1
Capital requirements (incl. buffers)**		
CET1 requirement	12.4	13.6
- portion from countercyclical buffer	0.9	2.0
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer (O-SII)	3.0	3.0
Solvency need ratio	10.6	10.6
Total capital requirement	**17.0**	**18.1**
Buffer to requirement		
CET1 capital	4.4	3.1
Total capital	4.4	3.0

** 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 September 2022.*

The calculation of the solvency need ratio and the combined capital buffer requirement is described in more detail in section 6 of Risk Management 2021, which is available at danskebank.com/ir.

Minimum requirement for own funds and eligible liabilities (MREL)

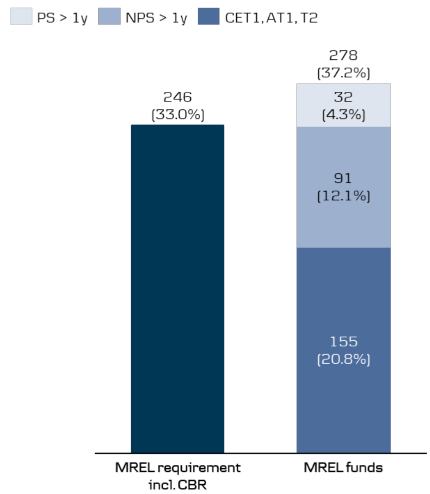
The MREL is set at two times the solvency need and one time the SIFI buffer and one time the capital conservation buffer. Furthermore, the CBR must be met in addition to the MREL. At the end of September 2022, the point-in-time requirement including the CBR, was equivalent to DKK 246 billion, or 33.0% of the REA adjusted for Realkredit Danmark. At the end of September 2022, the backward-looking MREL, as set by the Danish FSA, was 28.3% of REA adjusted for Realkredit Danmark. Taking the deduction of capital and debt buffer requirements for Realkredit Danmark into account, MREL-eligible liabilities amounted to DKK 278 billion. In addition, an MREL of 6% of the leverage ratio exposure (LRE) is in place. The LRE-based requirement equalled 22.3% of the REA (adjusted for RD), making the REA-based requirement the binding constraint.

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, this has meant that the Group has issued a significant amount of non-preferred senior debt over the past few years.

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

At the end of September 2022, the point-in-time subordination requirement was equivalent to DKK 205 billion. The backward-looking subordination requirement, as set by the Danish FSA, was 29.2% of the REA adjusted for Realkredit Danmark. MREL-eligible subordinated liabilities amounted to DKK 218 billion.

MREL requirement and eligible funds; Q3 2022; DKK billion (% of REA)



Note: The requirement and eligible funds are adjusted for Realkredit Danmark's capital and debt buffer requirements.

Danske Bank will initiate a dialogue with the Danish FSA to recalibrate the backward-looking MREL and subordination requirement to reflect the removal of the DKK 7.5 billion Pillar II add-on in order to decrease the difference between the point-in-time and backward-looking requirements.

Leverage ratio

At the end of September 2022, the Group's leverage ratio was 4.6% under both the transitional rules and the fully-phased in rules.

Capital targets

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 the capital targets to regulatory developments in order to ensure a strong capital position.

Capital distribution policy

To ensure prudent capital management with a high degree of flexibility in light of the Estonia matter, the general meeting on 17 March 2022 adopted the proposal for an initial dividend payment of DKK 2 per share that was paid out in March. The remaining DKK 5.5 per share was intended to be paid out in three tranches following the publication of the interim reports in 2022, subject to a decision by the Board of Directors.

In light of the provision made today, the Board of Directors has decided to cancel the remaining dividend for 2021, and the Board of Directors will propose to the annual general meeting in 2023 not to pay out dividend for 2022.

Danske Bank's general dividend policy remains unchanged, targeting a dividend of 40-60% of net profit.

Danske Bank has strong capital and liquidity positions, and the Board of Directors remains committed to returning excess capital to shareholders.

Funding and liquidity

During the third quarter of 2022, the credit markets remained active with decent supply despite equity and rates volatility following high inflation prints, numerous central bank rate hikes and a continually tense geopolitical situation.

At the end of September 2022, the Group had issued covered bonds of DKK 30.5 billion, senior debt of DKK 1.4 billion and non-preferred senior debt of DKK 20.1 billion, bringing total long-term wholesale funding to DKK 52.0 billion.

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. Our strategy of securing more funding directly in our main lending currencies, including the NOK and SEK, remains in place. The benchmark issues are expected to be supplemented by private placements of bonds.

From time to time, we will make issues 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 bond issues in 2022.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of September 2022, our liquidity coverage ratio stood at 159% (31 December 2021: 164%), with an LCR reserve of DKK 591 billion (31 December 2021: DKK 687 billion).

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

At 30 September 2022, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 387 billion (31 December 2021: DKK 381 billion).

The Supervisory Diamond

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

At the end of September 2022, 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

As part of the EU Banking Package 2021 and in order to implement Basel IV, the European Commission adopted proposals in October 2021 to amend, inter alia, Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU (CRD). The proposals include some adjustments to the Basel IV standard, and the output floor is subject to a transitional arrangement that means that the output floor must be fully implemented by 1 January 2030.

In order to estimate any effects that the finally adopted regulation and directive may have on the Group, the Group continuously monitors the legislative negotiations and conducts impact assessments. On the basis of the Group's current and updated analysis of the EU Banking Package 2021, the Group's current capital planning takes into account the expected REA impact of the initial implementation expected in 2025. The fully phased-in impact of the EU Banking Package 2021 on the Group depends on the final outcome of the EU legislative process, including the calibration of the output floor. Taking into account the proposed transitional arrangements with regard to the output floor, the Group currently expects the output floor to restrict the Group at the earliest in 2033, when the transitional arrangements are set to lapse.

The outcome of the EU legislative negotiations on the proposals is uncertain and may result in further adjustments as the EU negotiations progress towards the final rules.

Credit ratings

There were no credit rating changes in the third quarter of 2022.

Danske Bank's credit ratings

	Fitch	Moody's	S&P
Counterparty rating	A+	A1/P-1	AA-/A-1+
Deposits	A+/F1	A2/Stable/P-1	
Senior debt	A+/F1	A3/P-2	A+/A-1
Issuer rating	A/F1	A3/P-2	A+/A-1
Outlook	Stable	Stable	Negative
Non-preferred senior debt	A	Baa2	BBB+
Tier 2	BBB+	-	BBB
AT1	BBB-	-	BB+

Environmental, Social and Governance (ESG) ratings

There were no ESG rating changes in the third quarter of 2022.

ESG rating agency	Score at 30 Sept. 2022	Score at 30 June 2022
CDP Worldwide, UK	B	B
ISS ESG, USA	C+ Prime	C+ Prime
MSCI ESG Ratings, USA	BBB	BBB
Sustainalytics, USA	Medium Risk	Medium Risk
Moody's ESG Solutions, USA	61	61

Estonia matter

Investigation

Danske Bank continues to cooperate with various authorities regarding the terminated non-resident portfolio at Danske Bank's former branch in Estonia. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the US.

Danske Bank reports to, responds to and cooperates with various authorities, including the Danish Special Crime Unit (SCU) (formerly the Danish State Prosecutor for Serious Economic and International Crime), the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), in relation to the Estonia matter.

The internal investigation work that was planned for completion in 2020 has been finalised, and Danske Bank has reported the findings to the relevant authorities investigating Danske Bank. We continue to fully cooperate and will provide the authorities with further information if and when requested.

On 28 April 2022, Danske Bank announced that it had started initial discussion with U.S. and Danish authorities on resolution of the Estonia matter.

On the basis of the current stage of these discussions with the US Department of Justice, the US Securities and Exchange Commission and the Danish Special Crime Unit, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution with these authorities, at a total of DKK 15.5 billion. This includes the provision of DKK 1.5 billion recognised in the third quarter of 2018 as it is Danske Bank's best assessment that the resolution will include confiscation of no less than DKK 1.5 billion. Therefore, Danske Bank now books an additional provision of DKK 14 billion in the third quarter. Discussions with authorities are ongoing and there is still uncertainty that a resolution will be reached, but Danske Bank is working towards a coordinated resolution before year end, however, the final timing is not within Danske Bank's control. Danske Bank will not comment further on the discussions with authorities.

Civil claims

Danske Bank is also subject to ongoing litigation in relation to the Estonia matter. This includes, inter alia, an action against Danske Bank and Danske Markets, Inc. (and other defendants) in the United States District Court for the Eastern District of New York and a number of court cases initiated against Danske Bank in Denmark. Danske Bank intends to defend itself against the various claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain and could be material.

Update on the debt collection case

As announced on the 31 August 2022, Danske bank has chosen an accelerated solution for its debt collection customers, whereby approximately 90,000 debt collection customers in Denmark will have their debt to the bank set to zero, and Danske Bank will not collect this debt. Furthermore, Danske Bank has decided to compensate customers of any potential overcollection related to the issues in the historical debt collection systems on the basis of a statistical model.

In the coming period, we expect to begin communicating the effect of the solution to customers and expect the compensation pay-out to the vast majority of customers to be completed by the end of 2023.

The accelerated solution affects the financial result for the third quarter as it impacts our operating expenses by a one-off amount of DKK 600 million due to an increase in provisions for compensation to customers, whereas write-downs of debt will increase loan impairment charges by a one-off amount of DKK 650 million, which includes part of the compensation to customers.

Market monitoring

In June 2020, the Danish FSA filed a criminal complaint against Danske Bank A/S for violation of the Market Abuse Regulation on account of inadequate market monitoring and market manipulation in respect of self-matching trades, and on 25 June 2021, Danske Bank was preliminarily charged with this alleged violation. Danske Bank has a dialogue with and cooperates with the SCU, but cannot comment further as long as the SCU is investigating the case.

Investigation into Danske Bank's operations in Ireland
Danske Bank operates on a branch basis in Ireland and is regulated by the Central Bank of Ireland (CBI) for conduct of business. On 15 September 2022, the CBI announced the conclusion of its investigation into Danske Bank's operations in Ireland. Following a notification from Danske Bank's Irish Branch to the CBI in 2019 of the omission of certain customers from Danske Bank's automated transaction monitoring system for a period from 2010 to 2019, the CBI commenced an investigation into the matter. Danske Bank has agreed to pay a fine of €1,820,000 under the CBI's administrative sanctions procedure. The issue under investigation by CBI has been fully remediated since March 2019 and the agreed settlement brings an end to the investigation.

Danske Bank merges MobilePay with another mobile payment provider
At the end of June 2021, Danske Bank A/S announced that it had entered into an agreement with OP Financial Group in Finland and the consortium of banks behind Vipps in Norway to merge the three mobile payment providers MobilePay, Vipps and Pivo.

The European Commission has expressed concerns about both MobilePay and Pivo being part of the merger, since this would result in the merger of two sizeable players in Finland. Consequently, the owner banks behind the planned merger of the three mobile payment providers MobilePay, Vipps and Pivo have reached the decision that OP Financial Group in Finland will not be a co-owner and that Pivo will not be part of the merger.

The planned merger, as amended, was approved by all relevant authorities, including the EU Commission, on 21 October 2022. The parties expect to complete the transaction during the fourth quarter of 2022. The transaction will result in a one-off gain of around DKK 400 million for Danske Bank.

Business units

Our five commercial business units support our strategy for each customer segment.

Personal Customers

Our Personal Customers unit provides advisory services to personal customers and Private Banking customers in Denmark, Sweden, Norway and Finland. Our advisers and experts are there to help customers when and how it best suits the individual customer – at online meetings, via our websites or if so required over the phone or at a branch.

When our customers need to make important financial decisions about, for example, their home, investments or pension, we offer customised advice that is based on their current situation and needs. And with our intuitive digital solutions, we aim to make it as easy as possible for our customers to do most of their banking business whenever and wherever they want.

Business Customers

We offer our customers advice that adds value to their business, no matter whether the customer is a sole proprietor or an entity in a multinational group. Our strategic advisory services are always based on the needs of the business, for example in connection with growth, an acquisition, a change of ownership, strategic development or international expansion.

Our business customers have access to the market's most innovative digital solutions that make day-to-day banking easy and pave the way for new insights and opportunities.

Large Corporates & Institutions

Large Corporates & Institutions caters to the most complex financing and transaction needs of large corporate and institutional customers, and we help them to prosper and grow. We offer expertise in financing, risk management, investments and financial advisory services, and our customers have access to our award-winning transaction banking solutions.

Thanks to our extensive network and our many years of experience, we serve as intermediary between issuers and investors with a view to creating financing and investment opportunities. Our goal is to be an inspirational partner that understands the customers' strategic agendas and offers tailored solutions to meet their needs.

Danica Pension

Danica Pension's strategy is based on our ambition to be our customers' financial security provider and thereby enhance customer satisfaction. We focus on proactively helping our customers – both personal and business customers – to ensure that they have the right pension, insurance and healthcare solutions, while we also generate attractive returns after costs and contribute to creating a more sustainable society.

Northern Ireland

Danske Bank is the leading bank in Northern Ireland, serving personal, business and corporate customers. The business is also a growing bank in targeted sectors across the rest of the United Kingdom. We support our customers through face-to-face, online and mobile solutions. Danske Bank was delighted to win the 2021 Business in the Community "Environmental Leadership" award and is seen as one of the leading companies in the country when it comes to sustainability, diversity and being responsible.

Personal Customers

Personal Customers continued to see progress. Customer activity remained high, with rising interest rates driving high remortgaging activity in Denmark. Market rates in Denmark and Finland switched from negative to positive at the end of the third quarter, which had a positive effect on our income from deposits. The financial markets continued to be under pressure due to the uncertainty caused by inflation and higher energy prices as a consequence of the war in Ukraine. This adversely affected assets under management and investment income. The increasing cost of living also slowed down the housing market in all the countries in which we operate.

Net interest income increased 2% due to a rise in income from deposits driven by higher interest rates. The reopening of societies in 2022 has had a positive effect on trading income and service and trading fees, even though investment fees are under pressure due to the uncertainty on the financial markets. Other income increased due to a one-off gain on the sale of the customer portfolio in Luxembourg. Credit quality remained solid, but the changed macroeconomic outlook raised the level of loan impairment charges relative to the same period last year. As a result, profit before tax for the first nine months of 2022 decreased 4% to DKK 2,924 million.

Personal Customers (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Net interest income	6,039	5,936	102	2,168	1,935	112	2,034	107	7,876
Net fee income	3,662	3,621	101	1,108	1,219	91	1,177	94	4,903
Net trading income	343	227	151	123	116	106	91	135	322
Other income	547	171	-	39	45	87	57	68	211
Total income	10,592	9,954	106	3,438	3,315	104	3,358	102	13,311
Operating expenses	7,334	7,015	105	2,237	2,530	88	2,302	97	10,109
of which resolution fund, bank tax etc.	121	86	141	40	41	98	31	129	117
Profit before loan impairment charges	3,258	2,939	111	1,201	785	153	1,056	114	3,202
Loan impairment charges	334	-120	-	9	327	3	-136	-	60
Profit before tax	**2,924**	**3,058**	**96**	**1,191**	**458**	**260**	**1,192**	**100**	**3,142**
Loans, excluding reverse transactions before impairments	803,452	873,136	92	803,452	830,890	97	873,136	92	883,166
Allowance account, loans	4,140	5,019	82	4,140	5,233	79	5,019	82	5,087
Deposits, excluding repo deposits	415,364	407,296	102	415,364	420,252	99	407,296	102	407,904
Covered bonds issued	603,569	668,068	90	603,569	607,496	99	668,068	90	663,096
Allocated capital (average)	31,091	33,560	93	30,934	30,881	100	32,366	96	32,980
Net interest income as % p.a. of loans and deposits	0.65	0.62	-	0.70	0.62	-	0.64	-	0.62
Profit before loan impairment charges as % p.a. of allocated capital	14.0	11.7	-	15.5	10.2	-	13.1	-	9.7
Profit before tax as % p.a. of allocated capital (avg.)	12.5	12.1	-	15.4	5.9	-	14.7	-	9.5
Cost/income ratio (%)	69.2	70.5	-	65.1	76.3	-	68.6	-	75.9
Full-time-equivalent staff	4,749	4,977	95	4,749	4,874	97	4,977	95	4,866

Fact Book Q3 2022 provides financial highlights at customer type level for Personal Customers. Fact Book Q3 2022 is available at danskebank.com/ir.

Business initiatives

The cost of living has increased significantly in 2022 due to high inflation, rising interest rates and record-high energy prices. In these difficult times, we support our customers by providing expert advice on a daily basis, especially in relation to home finance, and our chief economist shares knowledge and insights on the economy, personal finances and the housing market via social media, customer webinars and our website. We are also removing barriers for energy renovation of private homes by offering advisory services on financially sustainable options in collaboration with our partners. In relation to this, we offer attractive loans for our customers in Denmark with the lowest interest rate on the market for both small and large energy-efficiency improvements.

Interest rates have increased in 2022, and in September, we announced that we would also be moving away from negative interest rates and offer positive interest rates on savings accounts for our customers in Denmark again with effect from 1 October.

The steeply increasing mortgage rates have fuelled remortgaging activity in 2022, with a positive effect on our fee income. The nominal value of our mortgage volumes increased 1% from the level in the same period last year, but measured at fair value, there was a decrease of 14% due to the rise in interest rates. In the third quarter, the market share of new lending increased from the level in the same period last year, but due to the slowdown on the housing market, new mortgage lending decreased from the level in the preceding quarters. Combined with the effect of the high activity in 2022 to date from customers remortgaging to a higher coupon in return for a reduction of their outstanding debt, we saw a decrease in the value of mortgage volumes in the third quarter.

The geopolitical uncertainty and high market volatility had a negative effect on our customers' investment appetite and assets under management. To support customers, we have introduced a new investment knowledge centre in our mobile banking app, giving customers easy access to general market news.

First nine months 2022 vs first nine months 2021
Profit before tax amounted to DKK 2,924 million (Q1-Q3 2021: DKK 3,058 million). Total income increased due to higher net interest income from deposits driven by the rise in interest rates, higher fees driven by high remortgaging activity and a one-off gain on the sale of the customer portfolio in Luxembourg. Loan impairment charges increased from a net reversal in same period last year and more than offset the increase in income.

Net interest income increased 2% due to higher net interest income from deposits driven by rising interest rates. In Finland and Denmark in particular, we see an increase in net interest income from deposits. Deposit volumes increased 2% due to cautious investment strategies among our customers and the outlook for positive deposit rates.

Our market share of bank lending improved due to an increase of 2% in bank lending volumes, driven primarily by activities in Denmark and the Danske Bolig Fri product – an alternative to a mortgage loan. Total lending, however, decreased 8% due to negative market value adjustments of mortgage loans caused by the higher interest rate level, the discontinuation of the customer portfolio in Luxembourg and the depreciation of currencies.

Net fee income increased to DKK 3,662 million, (Q1-Q3 2021: DKK 3,621 million). Service and trading fees increased on the back of the reopening of societies as well as high remortgaging activity. Investment fees decreased as a consequence of the challenging financial markets and the sale of our customer portfolio in Luxembourg.

Net trading income increased to DKK 343 million (Q1-Q3 2021: DKK 227 million) due to foreign exchange activity driven by the reopening of societies.

Other income amounted to DKK 547 million (Q1-Q3 2021: DKK 171 million). The increase was driven by a one-off gain on the sale of our customer portfolio in Luxembourg.

We continued to see a decrease in transformation costs related to the implementation of the Better Bank plan, however, the new bank tax in Sweden as well as increased compliance costs more than offset the decrease, and total operating expenses thus increased 5%. The increase was due mainly to the changes to the allocation of costs between the business units implemented in the fourth quarter of 2021.

In the first nine months of 2022, loan impairment charges amounted to DKK 334 million (Q1-Q3 2021: a net reversal of DKK 120 million). The increase in charges was driven by changes in the macroeconomic outlook with increasing interest rates and inflation, as well as changes in post-model adjustments, while credit quality remained solid.

The number of full-time-equivalent staff has decreased 5% since the end of the third quarter of 2021 due to continued efficiency efforts.

Q3 2022 vs Q2 2022

Profit before tax in the third quarter increased to DKK 1,191 million (Q2 2022: DKK 458 million), driven primarily by higher net interest income from deposits due to the rise in interest rates but also by clearly declining operating expenses and lower loan impairment charges.

- **Net interest income** increased 12% driven by deposit income as a consequence of the rise in interest rates.
- **Net fee income** decreased 9% due to lower investment fees driven by the uncertainty in the financial markets.
- **Operating expenses** decreased 12% and stood at DKK 2,237 million (Q2 2022: DKK 2,530 million). The decrease was due to a lower number of FTEs.
- The third quarter of 2022 saw **loan impairment charges** of DKK 9 million (Q2 2022: DKK 327 million). The decrease in loan impairment charges was attributable to strong credit quality. Credit exposure decreased in third quarter of 2022, due mainly to the negative effect of fair value adjustments in Denmark and decreasing exposure in Norway and Sweden due to weaker exchange rates.
- Bank lending volumes increased 4% in Denmark, but total **lending** decreased due to market value adjustments driven by increasing market rates as well as the depreciation of the Swedish krona and the Norwegian krone.
- **Deposit** volumes decreased 1% due to the depreciation of currencies as well as the higher cost of living.

DKK 1,191 million

Profit before tax
for the third quarter of 2022

Business Customers

The increase in inflation, combined with the rise in interest rates and higher energy prices, increasingly poses a challenge for many of our customers. We are doing our outmost to help and guide our customers in these difficult times, not least supported by our new service model. We have seen several interest rate hikes in all of the markets in which we operate, and this has called for very active deposit repricing in order to continue to have an attractive value proposition for our customers. The global supply of new assets is still under pressure due to the war in Ukraine, which continues to fuel income from the sale of existing assets in our leasing company.

Profit before tax for the first three quarters of 2022 amounted to DKK 5,004 million, an improvement of 50% from the same period last year. This was driven primarily by repricing initiatives for deposits, as well as an increase in customer activity resulting from the reopening of societies following the COVID-19 pandemic, combined with lower loan impairment charges.

Business Customers (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Net interest income	6,476	5,819	111	2,392	2,110	113	1,954	122	7,788
Net fee income	1,353	1,185	114	448	426	105	362	124	1,613
Net trading income	372	270	138	129	134	96	93	139	351
Other income	632	443	143	201	231	87	145	139	580
Total income	8,833	7,716	114	3,170	2,902	109	2,554	124	10,333
Operating expenses	3,919	3,817	103	1,254	1,352	93	1,242	101	5,144
of which resolution fund, bank tax etc.	168	131	128	56	54	104	42	133	173
Profit before loan impairment charges	4,914	3,899	126	1,917	1,550	124	1,312	146	5,189
Loan impairment charges	-90	574	-	-289	86	-	40	-	426
Profit before tax	**5,004**	**3,325**	**150**	**2,205**	**1,464**	**151**	**1,272**	**173**	**4,763**
Loans, excluding reverse transactions before impairments	625,945	648,863	96	625,945	634,239	99	648,863	96	652,955
Allowance account, loans	8,274	9,187	90	8,274	8,474	98	9,187	90	9,059
Deposits, excluding repo deposits	287,523	286,252	100	287,523	290,934	99	286,252	100	292,530
Covered bonds issued	336,593	374,438	90	336,593	348,195	97	374,438	90	377,388
Allocated capital (average)	39,723	40,590	98	39,439	39,417	100	41,770	94	40,881
Net interest income as % p.a. of loans and deposits	0.93	0.83	-	1.03	0.91	-	0.84	-	0.83
Profit before loan impairment charges as % p.a. of allocated capital	16.5	12.8	-	19.4	15.7	-	12.6	-	12.7
Profit before tax as % p.a. of allocated capital (avg.)	16.8	10.9	-	22.4	14.9	-	12.2	-	11.7
Cost/income ratio (%)	44.4	49.5	-	39.6	46.6	-	48.6	-	49.8
Full-time-equivalent staff	1,689	1,693	100	1,689	1,696	100	1,693	100	1,699

Fact Book Q3 2022 provides financial highlights at customer type level for Business Customers. Fact Book Q3 2022 is available at danskebank.com/ir.

Business initiatives

The changes in the macroeconomic outlook put significant pressure on our business customers. Record-high energy prices and the outlook for a possible recession create a challenging operating environment for most of our customers. With our new customer service model, we customise our help and advice to better match the needs of our customers in order to support them in the best possible way during these difficult times.

Despite the increased pressure on our customers, we see good customer activity relative to the same period last year due to the reopening of societies. Ancillary income increased, driven by cash management and foreign exchange activities. Income from the sale of existing assets in our leasing company continued to be high due to the decrease in the global supply of new assets as a result of the war in Ukraine.

The repricing of deposits, increased fees and higher trading income were the primary factors behind the positive income development in the first nine months. The increase in interest rates sharpened the focus on offering attractive prices for our customers and potential new customers. We saw a good inflow of deposit volumes in Denmark due to our customers' having excess liquidity. Bank lending volumes increased 4% due to the reopening of societies, despite the depreciation of currencies. Mortgage lending at nominal value increased 2%, but measured at fair value, there was a decrease of 10% due to the higher market rates, resulting in a decrease in total lending of 4%. Green loan volumes have increased in 2022 to date, and we held events across the Nordic countries to increase the focus on and knowledge about green loans. Sustainability remains a high priority, accelerated by the European energy crisis, and through our advisers' strategic financial sparring, we continue to guide our customers in a more sustainable direction.

In the beginning of 2022, we launched the Marketplace module for our online platform District in Sweden, enabling customers to purchase new products themselves via the platform. We continue to see an increasing use of Marketplace, with 15% of all District users in Sweden having visited Marketplace.

First nine months 2022 vs first nine months 2021

Profit before tax amounted to DKK 5,004 million (Q1-Q3 2021: DKK 3,325 million). The increase was driven primarily by repricing initiatives for deposits, as well as higher income from the reopening of societies following the COVID-19 pandemic, combined with lower loan impairment charges.

Net interest income increased 11%, driven by income from deposits following market developments in pricing and rates. In Denmark, deposit volumes increased to the highest level in years, which further fuelled income from deposits. Furthermore, we saw increased activity among our customers, leading to an increase in bank lending volumes of 4%.

Net fee income stood at DKK 1,353 million, an increase of 14% (Q1-Q3 2021: DKK 1,185 million). This increase was driven by higher service fees due to repricing as well as high refinancing and remortgaging activity, the latter as a result of the higher interest rate levels.

Net trading income increased to DKK 372 million (Q1-Q3 2021: DKK 270 million), driven by increased foreign exchange activity as a result of the reopening of societies.

Other income amounted to DKK 632 million (Q1-Q3 2021: DKK 443 million). The increase was the result of higher sales prices for assets in our leasing company.

Operating expenses increased 3% in the first nine months. We continue to see a decrease in transformation costs related to the implementation of the Better Bank plan, however, the new bank tax in Sweden as well as increased compliance costs more than offset the decrease. Furthermore, the changes to the allocation of costs between the business units implemented in the fourth quarter of 2021 also affected operating expenses.

In the first nine months of 2022, we saw loan impairment reversals of DKK 90 million (Q1-Q3 2021: charges of DKK 574 million). Reversals for the first nine months of 2022 were due mainly to strong credit quality driven by the post-pandemic economic recovery and changes in our post-model adjustments.

Q3 2022 vs Q2 2022

Profit before tax in the third quarter increased to DKK 2,205 million (Q2 2022: DKK 1,464 million), driven by higher net interest income from deposits and lower loan impairment charges.

- **Net interest income** increased 13% and stood at DKK 2,392 million (Q2 2022: DKK 2,110 million), driven by deposit income.
- **Net fee income** increased 5%, driven by increased service fees due to repricing.
- **Operating expenses** decreased 7%. We continue to see a decrease in costs related to the Better Bank plan implementation.
- The third quarter of 2022 saw **loan impairment reversals** of DKK 289 million (Q2 2022: a charge of DKK 86 million). The reversals were driven by changes in post-model adjustments and strong credit quality.

DKK 2,205 million

Profit before tax

for the third quarter of 2022

Large Corporates & Institutions

In the first nine months of 2022, the operating environment became increasingly challenging as the highest inflation rate in decades caused central banks to tighten monetary policy more and sooner than expected. Combined with an uncertain economic outlook, demand for credit, advisory services and risk hedging increased, and we supported our customers with more than DKK 60 billion in additional lending. This demonstrates the value of our diversified business model, as higher net interest income helped mitigate the effect of lower net fee income from capital markets activities. Net trading income recovered in the third quarter despite a reduction in risk utilisation in the markets area amid continually volatile markets. Notwithstanding the negative macroeconomic impact, we continue to see positive underlying momentum, as illustrated by high growth in everyday banking fees and our leading position in sustainable finance.

Profit before tax in the first nine months of 2022 was DKK 4,001 million, a decline from the same period last year as a result of significantly lower net trading income following losses in Rates & Credit in the second quarter.

Large Corporates & Institutions (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Net interest income	4,015	3,553	113	1,404	1,328	106	1,161	121	4,732
Net fee income	4,296	4,720	91	1,364	1,419	96	1,499	91	6,777
Net trading income	622	2,417	26	596	-710	-	565	105	3,137
Other income	2	2	100	-	1	-	-	-	5
Total income	8,936	10,692	84	3,364	2,037	165	3,225	104	14,650
Operating expenses	5,090	5,562	92	1,599	1,747	92	1,811	88	7,025
of which resolution fund, bank tax etc.	379	276	137	125	138	91	84	149	360
Profit before loan impairment charges	3,846	5,129	75	1,765	290	-	1,414	125	7,625
Loan impairment charges	-155	230	-	-11	-233	5	-22	50	-13
Profit before tax	**4,001**	**4,900**	**82**	**1,775**	**523**	**-**	**1,436**	**124**	**7,638**
Loans, excluding reverse trans. before impairments	354,247	244,046	145	354,247	311,269	114	244,046	145	264,824
of which loans in General Banking	293,947	220,608	133	293,947	270,910	109	220,608	133	232,890
Allowance account, loans (incl. credit institutions)	2,134	3,974	54	2,134	1,231	173	3,974	54	4,363
Deposits, excluding repo deposits	399,252	376,909	106	399,252	352,697	113	376,909	106	383,547
of which deposits in General Banking	333,514	330,126	101	333,514	302,542	110	330,126	101	340,477
Covered bonds issued	24,035	26,862	89	24,035	24,217	99	26,862	89	26,055
Allocated capital (average)	42,246	44,156	96	41,958	43,864	96	42,916	98	43,591
Net interest income as % p.a. of loans and deposits	0.79	0.72	-	0.79	0.80	-	0.76	-	0.73
Profit before loan impairment charges as % p.a. of allocated capital	12.1	15.5	-	16.8	2.6	-	13.2	-	17.5
Profit before tax as % p.a. of allocated capital (avg.)	12.6	14.8	-	16.9	4.8	-	13.4	-	17.5
Cost/income ratio (%)	57.0	52.0	-	47.5	85.8	-	56.2	-	48.0
Full-time-equivalent staff	2,109	2,716	78	2,109	2,097	101	2,716	78	2,684

Total income (DKK millions)									
General Banking	4,989	4,647	107	1,719	1,645	104	1,535	112	6,203
Markets	1,305	2,904	45	728	-313	-	685	106	3,909
of which xVA*	-172	54	-	-73	30	-	-40	183	104
Asset Management	1,762	1,741	101	611	573	107	637	96	2,653
of which performance fees	143	80	179	57	66	86	25	228	385
Investment Banking & Securities (IBS)	879	1,399	63	306	132	232	368	83	1,886
Total income	**8,936**	**10,692**	**84**	**3,364**	**2,037**	**165**	**3,225**	**104**	**14,650**

**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	399,196	478,051	84	399,196	432,201	92	478,051	84	487,560
Retail clients	261,181	313,311	83	261,181	272,053	96	313,311	83	325,025
Total assets under management[1]	**660,378**	**791,362**	**83**	**660,378**	**704,254**	**94**	**791,362**	**83**	**812,585**

[1] Includes assets under management from Group entities.

Business initiatives
In the current environment of global macroeconomic and geopolitical turmoil, our ambition to be our customers' preferred strategic financial partner has become more relevant than ever. The operating environment has turned more challenging for Nordic corporates and institutions, which are facing not only higher input prices and funding costs but also continued uncertainty about whether the economic slowdown will turn into a recession – and if so, how deep it will be.

We maintain a close dialogue with our customers and support them with advisory services as well as credit and risk management solutions. Danske Bank's strong liquidity and capital position enable us to support customers across our home markets amid continually high credit demand, driven by factors such as the rapid increase in energy prices, challenging capital markets and an increased need for working capital. In 2022 to date, we have worked closely with local governments and regulators to set up government-backed schemes to support energy companies.

Notwithstanding the lower customer activity in the capital markets, we maintained a strong Nordic market position, as illustrated by our leading position among Nordic banks in terms of supported volumes in the European debt capital markets issuance league table. This should position us well to support customers when conditions in the primary markets improve.

The slowdown in activity was less pronounced within Nordic sustainable bonds issuance, in which area we maintained a leading position, as illustrated by the Bloomberg League tables for arrangers of both sustainable bonds and sustainability-linked loans in terms of volumes supported in 2022 to date. Within responsible investments, we continue to expand and strengthen our offering. We are proud to have launched a range of multi-asset funds called *Global Ansvarlig Portefølje* (Global Responsible Portfolio) that have a high allocation to sustainable investments. The funds are available to customers in all the Nordic countries.

First nine months 2022 vs first nine months 2021
Profit before tax declined to DKK 4,001 million (Q1-Q3 2021: DKK 4,900 million) as a result of significantly lower net trading income.

Net interest income increased to DKK 4,015 million (Q1-Q3 2021: DKK 3,553 million) as a result of higher lending volumes and deposit margins. Lending margins declined, partly reflecting market interest rates having turned positive for loans with embedded interest rate floors.

Lending volumes in General Banking increased 33% from the level at the end of the third quarter of 2021, driven both by new credit facilities and customers drawing more on existing facilities. The high growth in lending volumes reflects the challenging operating environment for our customers, but also our strategic ambition to grow in especially Sweden. Lending volumes are expected to normalise when market conditions improve.

Net fee income declined to DKK 4,296 million (Q1-Q3 2021: DKK 4,720 million), reflecting extraordinarily high ECM income last year and generally lower capital markets activity. Higher net fee income from M&A advisory and everyday banking services, such as cash management, partly mitigated the decline. Income in Asset Management was on par with the level in the first nine months of 2021, as higher performance fees compensated for the decline in assets under management. Assets under management fell 17% from the level in the third quarter of 2021 as a result of declining asset prices and negative net sales, especially within the institutional segment.

Net trading income fell to DKK 622 million (Q1-Q3 2021: DKK 2,417 million) as a result of losses in Rates & Credit in the second quarter. We continued to support our customers through the volatile repricing of the financial markets, however, the extraordinarily high volatility and lower liquidity in the Nordic fixed income markets made it challenging to provide market-making services and manage the risk held to support our fixed income franchise. Net trading income recovered in the third quarter, despite a reduction in risk utilisation, as market conditions became more supportive.

Operating expenses decreased to DKK 5,090 million (Q1-Q3 2021: DKK 5,562 million), mainly as a result of the changes to the allocation of costs between the business units implemented in the fourth quarter of 2021 and lower provisions for performance-based compensation. The Resolution Fund, bank tax etc. item increased to DKK 379 million (Q1-Q3 2021: DKK 276 million) as a result of the Swedish bank tax that came into force on 1 January 2022 and higher resolution fund costs.

The number of full-time equivalent staff fell to 2,109 (Q1-Q3 2021: 2,716) as the 1st line Financial Crime Risk and Business Controls functions were moved to Group Functions and Personal Customers, respectively.

The overall credit quality of our portfolio remained strong in the third quarter of 2022, with the general rating trend being stable. Loan impairments in the first nine months of 2022 amounted to a net reversal of DKK 155 million (Q1-Q3 2021: a charge of DKK 230 million). The reversals reflect strong credit quality and were driven by single-name workouts and the post-pandemic economic recovery, with the effect being partly offset by an increase in our post-model adjustments. Since the fourth quarter of 2019, we have actively reduced net oil-related exposure (excluding diversified oil & gas companies) by 54%.

Q3 2022 vs Q2 2022

Profit before tax increased to DKK 1,775 million (Q2 2022: DKK 523 million), as net trading income recovered in the third quarter of 2022.

- **Net interest income** increased to DKK 1,404 million (Q2 2022: DKK 1,328 million), driven by higher lending volumes and deposit margins.
- **Net fee income** declined to DKK 1,364 million (Q2 2022: DKK 1,419 million) as a result of continually low customer activity in the capital markets.
- **Net trading income** increased to DKK 596 million (Q2 2022: a negative DKK 710 million) following a recovery in income in Rates & Credit.
- **Operating expenses** decreased to DKK 1,599 million (Q2 2022: DKK 1,747 million) due to lower underlying expenses and a one-off provision in the second quarter.
- **Loan impairment charges** amounted to a net reversal of DKK 11 million (Q2 2022: net reversal of DKK 233 million). The lower reversals in the third quarter of 2022 were due to post-model adjustments.

DKK 1,775 million

Profit before tax

for the third quarter of 2022

Danica Pension

The continued uncertainty in the financial markets during the first nine months of 2022 caused by the rise in inflation and associated interest rate hikes affected the financial performance of Danica Pension and thereby our customers' pension savings.

Net income from insurance business before goodwill impairment amounted to DKK -323 million in the first nine months of 2022, a decline from the level in the same period last year.

Danica Pension (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Result, life insurance	207	1,998	10	-150	-101	-	713	-	2,724
Result, health and accident insurance	-882	-338	261	-118	-417	-	-3	-	-520
Return on investments, shareholders' equity etc.	99	-26	-	-108	318	-	-94	115	-20
Discontinued operations	-	-	-	-	-	-	-	-	-
Net income before tax in Danica Pension[1]	**-576**	**1,635**	**-**	**-375**	**-200**	**188**	**616**	**-**	**2,184**
Included within Group Treasury[2]	252	-59	-	90	79	114	-22	-	-96
Net income from insurance business	**-323**	**1,576**	**-**	**-286**	**-122**	**234**	**594**	**-**	**2,088**
Goodwill impairment	1,627	-	-	1,627	-	-	-	-	-
Net income from insurance business incl. goodwill	**-1,951**	**1,576**	**-**	**-1,913**	**-122**	**-**	**594**	**-**	**2,088**
Premiums, insurance contracts	26,565	27,201	98	7,766	8,697	89	9,369	83	37,617
Premiums, investment contracts	1,897	3,627	52	185	765	24	1,582	12	5,563
Provisions, insurance contracts	385,782	441,804	87	385,782	396,379	97	441,804	87	449,344
Provisions, investment contracts	18,362	35,775	51	18,362	18,566	99	35,775	51	20,847
Allocated capital (average)	20,477	13,121	156	20,805	20,915	99	12,411	168	12,918
Net income as % p.a. of allocated capital	-2.1	16.0	-	-5.5	-2.3	-	19.1	-	16.2
Solvency coverage ratio	196	222	-	196	184	-	222	-	210
Full-time-equivalent staff	872	963	-	872	957	-	963	-	960

Asset under management									
Life insurance	377,883	465,430	81	377,883	399,328	95	465,430	81	462,930
Health and accident insurance	14,749	17,362	85	14,749	15,690	94	17,362	85	17,449
Total[1]	**392,631**	**482,792**	**81**	**392,631**	**415,018**	**95**	**482,792**	**81**	**480,379**

[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 155 of Annual Report 2021 provides further information).

The rise in interest rates and inflation, which has led to global market turbulence, had a negative impact on the returns of many of our customers' pension savings in the first nine months of 2022, and assets under management decreased 19% as a result of the financial headwinds.

After a period of high growth, Danica Pension saw a decrease in premiums in the third quarter of 2022 of 16% from the level in the second quarter of 2022. This development reflects a deliberate focus on maintaining a profitable business model, which has affected the number of new customers and thereby the single premiums.

It continues to be Danica Pension's ambition to reduce long-term illness through the early involvement of health personnel, which will ultimately have a positive effect on our health and accident results, and the health package launched in 2021 continued to receive a very high satisfaction score of 95% year-to-date from customers. We also see a sustained increase in the use of the solution, surpassing 18,000 consultations year to date, and many of the customers would not have received help if not for the new solution.

The number of individual Danica Pension customers who have taken a Pension Check has surpassed 250,000, which is a major milestone as the Pension Check provides customers with an overview of their pension and insurance solutions and thus creates security immediately as well as in the longer term.

First nine months 2022 vs first nine months 2021
Danica Pension was affected by the negative developments in the financial markets in the first nine months of 2022 and the impairment of goodwill of DKK 1,627 million from the purchase of SEB Pension in 2018. The impairment charge is due to increasing discount rates and the current turbulence in the financial markets. The underlying business is still healthy. We continue to see a more positive development in the health & accident business than expected - with fewer claims and people returning faster to work. In 2022, claims continue to be at a stable and lower level compared to previous years.

Net income from insurance business (before goodwill impairment) decreased to a loss of DKK 323 million (Q1-Q3 2021: DKK 1,576 million), due primarily to the negative developments in the financial markets. The profit of DKK 415 million from the sale of Danica Norway is included in the result for the first nine months of 2022.

The result of the life insurance business decreased to DKK 207 million (Q1-Q3 2021: DKK 1,998 million). The decrease was driven mainly by negative valuation adjustments of life insurance products where Danica Pension has the investment risk, with the effect being partly offset by changes in life insurance provisions and a provision of DKK 150 million to cover compensation to customers, as announced on 9 September 2022. Due to the negative developments in the financial markets in the third quarter of 2022, Danica Pension was not able to recognise the full risk allowance amount from all interest groups, and a reversal of a risk allowance amount of DKK 136 million recognised in the first half of 2022 affected the result negatively in the third quarter of 2022. The result was also affected by a change in the presentation, which had a negative effect on the result of the life insurance business of DKK 626 million and a positive effect on the health and accident business of the same amount.

The result of the health and accident business declined to a loss of DKK 882 million (Q1-Q3 2021: a loss of DKK 338 million). The result benefited from the above-mentioned change in presentation. The risk result improved due to a reduction of technical provisions, and claims continue to be at a stable level in 2022. However, negative valuation adjustments caused a decrease in the investment result of DKK 702 million to a loss of DKK 791 million in the first nine months of 2022 (Q1-Q3 2021: a loss of DKK 89 million). The first nine months of 2021 included a provision for pension yield tax of DKK 267 million.

The return on investments allocated to shareholders' equity etc. increased DKK 125 million from the level in the first nine months of 2021. The return was affected by the profit of DKK 415 million on the sale of Danica Norway but also by negative valuation adjustments, leading to lower investment results on investment assets and liabilities allocated to shareholders' equity.

Total premiums decreased 8%, mainly because of fewer single premiums, as regular premiums increased due to an inflow of new business customers in earlier periods.

Assets under management decreased DKK 90 billion, driven by the development in the financial markets and the sale of Danica Norway.

Q3 2022 vs Q2 2022

Net income from insurance business (before goodwill impairments) decreased to a loss of DKK 286 million (Q2 2022: a loss of DKK 122 million) due to lower results of the life insurance business, partly offset by an improved result of the health and accident business. The result in the second quarter of 2022 benefited from the profit from the sale of Danica Norway.

- **The result of the life insurance business** decreased 49%, due mainly to a provision of DKK 150 million to cover compensation to customers, as announced on 9 September 2022, and a reversal of a risk allowance amount of DKK 136 million recognised in the first half of 2022. Danica Pension was not able to recognise the full risk allowance amount in the third quarter of 2022. The result was, however, positively affected by a better investment result on life insurance products where Danica Pension has the investment risk.

- **The result of the health and accident business** increased in the third quarter of 2022 due to a better investment and risk result.

- **The return on investments allocated to shareholders' equity etc**. decreased to a loss of DKK 108 million, due mainly to the profit of DKK 415 million on the sale of Danica Norway being included in the second quarter of 2022.

- **Total premiums** decreased 16%, mainly because of a decrease in single premiums, as regular premiums increased due to an inflow of new business customers in earlier periods.

- **Assets under management** decreased DKK 22 billion, due mainly to the negative developments in the financial markets.

DKK -286 million

Net income from insurance business
for the third quarter of 2022

Northern Ireland

The underlying income performance was strong. UK central bank interest rates rose in the first nine months of 2022 in response to inflationary pressure, supporting an increase in net interest income, and activity levels and related fee income also increased. However, the improvement of the underlying performance was almost wholly offset by negative trading income given the impact of significantly increased expectations of rising interest rates on the bank's hedging portfolio. This negative impact will reverse over the life of the portfolio.

Profit before tax in the first nine months of 2022 was DKK 7 million, a decline from the same period last year driven by the negative trading income.

Northern Ireland (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Net interest income	1,332	996	134	508	444	114	334	152	1,341
Net fee income	248	201	123	84	88	95	72	117	288
Net trading income	-611	-13	-	-402	-66	-	-13	-	-66
Other income	18	9	200	3	12	25	3	100	12
Total income	986	1,193	83	194	477	41	395	49	1,576
Operating expenses	943	937	101	320	315	102	367	87	1,317
Profit before loan impairment charges	43	257	17	-126	162	-	29	-	259
Loan impairment charges	36	-96	-	-2	19	-	-31	6	-127
Profit before tax	**7**	**353**	**2**	**-124**	**143**	**-**	**60**	**-**	**386**
Loans, excluding reverse transactions before impairments	54,478	57,365	95	54,478	58,313	93	57,365	95	55,848
Allowance account, loans	694	857	81	694	711	98	857	81	802
Deposits, excluding repo deposits	96,232	99,665	97	96,232	99,977	96	99,665	97	98,980
Allocated capital (average)*	6,069	6,724	90	6,081	6,020	101	6,936	88	6,713
Net interest income as % p.a. of loans and deposits	1.11	0.87		1.28	1.09		0.85		0.87
Profit before tax as % p.a. of allocated capital (avg.)	0.2	7.0		-8.2	9.5		3.5		5.8
Cost/income ratio (%)	95.6	78.5		164.9	66.0		92.9		83.6
Full-time-equivalent staff	1,271	1,289	99	1,271	1,256	101	1,289	99	1,268

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

Business initiatives

Our focus in Northern Ireland is to remain a stable, strong and risk-astute bank, consolidating our market-leading position alongside pursuing prudent low-cost growth opportunities in the rest of the UK. Our ambition is to deliver a strong future for the bank as a more efficient, geographically diverse and digitally-orientated business, achieving sustainable and responsible growth.

We continued to enhance our digital value proposition for both personal and business customers. In the third quarter, we added new functionality to our app, allowing personal customers to set up standing orders and make international transfers. We have also introduced a digital self-service application for business customers, giving them the ability to apply online for an overdraft or an overdraft increase.

To reflect accelerating digital adoption by our customers, with more than 6.5 million monthly logons, we reduced our branch network in the third quarter through the closure of four branches and also announced the sale of our offsite ATM network to an established local provider – actions that also reflect our continuing management of costs against a backdrop of inflationary pressure.

While loan impairments remain low, supported by low levels of unemployment, we have responded to the current inflationary pressure and economic uncertainty in the UK by revising our affordability assessments for new mortgages and unsecured loans. As part of our commitment to continue to support our customers, we have also launched a Money Worries online hub that offers advice and assistance to customers who are worried about the financial impacts of the increased cost of living.

First nine months 2022 vs first nine months 2021

Profit before tax decreased to DKK 7 million (Q1-Q3 2021: DKK 353 million), with growth in underlying income being more than offset by negative trading income as well as the same period in 2021 benefiting from net impairment reversals. Net interest income and net fee income increased, reflecting higher interest rates and improved post-pandemic activity levels. Higher UK interest rates will continue to support a strong net interest income performance, and the negative trading income will start to reverse over the remaining life of the hedging portfolio once market expectations stabilise.

Balance sheet growth remained subdued, with low demand for lending from large business customers partially offset by increasing momentum in mortgage lending. Many business customers have delayed investment decisions and continue to hold additional liquidity. Deposits were reduced marginally year-on-year. Net interest income increased 34% to DKK 1,332 million (Q1-Q3 2021: DKK 996 million), driven by higher UK interest rates and related pricing actions.

Net fee income grew 23% to DKK 248 million (Q1-Q3 2021: DKK 201 million) as a result of improved post-pandemic activity levels and pricing actions.

Net trading income was negative due to adverse mark-to-market movements on the hedging portfolio given increased market expectations of rising UK interest rates. This will reverse over the remaining life of the hedging portfolio, starting when market expectations stabilise.

Operating expenses were marginally higher and stood at DKK 943 million (Q1-Q3 2021: DKK 937 million), reflecting a continually strong cost focus.

Loan impairment charges remained low, against a net reversal in the same period in 2021. The loan portfolio remains strong, and impairment levels continue to be low, driven by a conservative risk appetite and astute handling of existing and new lending opportunities.

Q3 2022 vs Q2 2022

In the third quarter, significant, negative mark-to-market movements in the hedging portfolio resulted in a pre-tax loss of DKK 124 million (Q2 2022: pre-tax gain of DKK 143 million).

- **Net interest income** increased to DKK 508 million (Q2 2022: DKK 444 million), reflecting higher UK interest rates and related pricing actions.
- **Net fee income** decreased marginally to DKK 84 million (Q2 2022: DKK 88 million).
- **Net trading income** was negative in both quarters due to adverse mark-to-market movements on the hedging portfolio given increased expectations of rising UK interest rates. The negative trading income will reverse over the remaining life of the hedging portfolio once market conditions stabilise.
- **Operating expenses** increased marginally to DKK 320 million (Q2 2022: DKK 315 million).
- **Loan impairment charges** remained low in the third quarter.

DKK -124 million

Profit before tax

for the third quarter of 2022

Non-core

Non-core mainly comprises legacy credit exposures as well as non-strategic private equity investments. The winding up of the Non-core activities is proceeding according to plan. Profit before tax in the first nine months of 2022 decreased from the level in the first nine months of 2021 to a loss of DKK 10 million. Lending decreased DKK 1.2 billion from the level at the end of September 2021, driven by the divestment of a legacy exposure at Non-core.

Non-Core (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Total income	21	22	95	1	7	14	22	5	25
Operating expenses	95	82	116	30	39	77	28	107	234
Profit before loan impairment charges	-74	-60	123	-29	-32	91	-6	-	-210
Loan impairment charges	-63	-83	76	-2	-63	3	-11	18	-207
Profit before tax	**-10**	**23**	**-**	**-28**	**31**	**-**	**6**	**-**	**-2**
Loans, excluding reverse transactions before impairments*	1,235	2,429	51	1,235	1,364	91	2,429	51	2,123
Allowance account, loans	40	814	5	40	47	85	814	5	811
Deposits, excluding repo deposits	2,105	2,128	99	2,105	2,174	97	2,128	99	2,191
Allocated capital (average)	693	918	75	662	683	97	809	82	872
Net interest income as % p.a. of loans and deposits	-0.18	0.56		-	-0.43		0.10		0.38
Profit before tax as % p.a. of allocated capital (avg.)	-1.9	3.3		-16.9	18.2		3.0		-0.2
Cost/income ratio (%)	-	-		-	-		-		-
Full-time-equivalent staff	36	25	144	36	37	97	25	144	25

Loan impairment charges (DKK millions)									
Non-core banking*	-1	-130	1	-	-	-	-11	-	-254
Non-core conduits etc.	-63	47	-	-2	-63	3	-	-	47
Total	**-63**	**-83**	**-**	**-2**	**-63**	**3**	**-11**	**-**	**-207**

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

Initiatives

The Non-core unit focuses on actively managing down legacy assets and portfolios by way of divestment, refinancing with other credit institutions or amortisation. The winding-up activities in Germany are now completed. The winding up of the remaining Non-core activities is proceeding according to plan, including the activities in Luxembourg.

The only portfolio remaining at the Lithuanian branch is a small portfolio of mainly leasing contracts with local customers. This portfolio will be fully amortised by the end of 2022.

First nine months 2022 vs first nine months 2021

Profit before tax decreased to a loss of DKK 10 million (Q1-Q3 2021: DKK 23 million) due to an increase in operating expenses related to the Group's remaining activities in Germany and Luxembourg being transferred to Non-core and a decrease in loan impairment reversals driven by settlement of part of the exposure. The loan impairment reversals in the first nine months of 2021 related to the sale of a Latvian portfolio of commercial loans held by the Lithuanian branch.

At the end of September 2022, total lending was down to DKK 1.2 billion. The decrease from the level at the end of September 2021 related to the sale of a legacy exposure at Non-core as well as divestment of portfolios in Lithuania and Ireland.

Q3 2022 vs Q2 2022

The Non-core unit posted a loss before tax of DKK 28 million in the third quarter of 2022 (Q2 2022: a profit of DKK 31 million) due to a decrease in loan impairment reversals. This was partly offset by a decrease in operating expenses.

- **Total income** amounted to DKK 1 million (Q2 2022: DKK 7 million). This was primarily the result of a decrease in total income from the Non-core part of the Group's private equity investments.
- **Operating expenses** decreased to DKK 30 million (Q2 2022: DKK 39 million). The decrease mainly reflects the progress made within the winding-up activities in Germany and Luxembourg.
- **Loan impairment charges** amounted to a net reversal of DKK 2 million (Q2 2022: DKK 63 million). The decrease reflects the second quarter benefitting from the closing of the sale of a legacy exposure at Non-core.
- Total lending was down to DKK 1.2 billion (Q2 2022: DKK 1.4 billion) due to winding-up activities for Luxembourg.

DKK -28 million

Profit before tax

for the third quarter of 2022

Group Functions

Group Functions includes Group Treasury, Technology & Services and other Group functions. In addition, Group Functions includes eliminations.

In the first nine months of 2022, loss before tax decreased to DKK 17,136 million compared to the first nine months of 2021. The decrease was driven by the additional provision of DKK 14,000 million for the Estonia matter and the provision of DKK 1,250 million related to the compensation of debt collection customers for potential overcollection of debt. In addition, net interest income and net trading income were down, due, among other things, to market developments.

Group Functions (DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Index 22/21	Q3 2022	Q2 2022	Index Q3/Q2	Q3 2021	Index 22/21	Full year 2021
Net interest income	-115	195	-	-166	-7	-	50	-	312
Net fee income	-24	-26	92	-4	6	-	-4	100	-56
Net trading income	-48	211	-	57	137	42	84	68	381
Other income	4	-2	-	-	2	-	-39	-	-10
Total income	-183	378	-	-113	137	-	91	-	627
Operating expenses	2,284	1,543	148	1,368	478	286	382	-	2,068
of which resolution fund, bank tax etc.	59	30	197	15	17	88	7	214	37
of which impairment charges, other intangible assets	24	-	-	-	24	-	-	-	36
Provision for Estonia matter	14,000	-	-	14,000	-	-	-	-	-
Profit before loan impairment charges	-16,467	-1,165	-	-15,481	-341	-	-291	-	-1,442
Loan impairment charges	669	-2	-	659	-7	-	-2	-	2
Profit before tax	**-17,136**	**-1,163**	**-**	**-16,140**	**-333**	**-**	**-290**	**-**	**-1,444**
Full-time-equivalent staff	10,802	10,364	104	10,802	10,746	101	10,364	104	10,252

Profit before tax (DKK millions)									
Group Treasury	-592	280	-	-304	-103	295	-2	-	599
Own shares and issues	438	-68	-	252	220	115	27	-	-67
Additional tier 1 capital	88	350	25	2	5	40	118	2	451
Group support functions	-17,069	-1,725	-	-16,089	-455	-	-432	-	-2,427
Total Group Functions	**-17,136**	**-1,163**	**-**	**-16,140**	**-333**	**-**	**-290**	**-**	**-1,444**

Initiatives

Group Functions supports the business units by allocating capital, interest-bearing capital and long-term funding costs through the Group Treasury setup that is established to handle, for example, the pricing of funding. Group Treasury also manages the Group's liquidity bond portfolio and the investment of shareholders' equity for Danica Pension and Realkredit Danmark. Operating expenses related to the sub-units within Group Functions are allocated to the business units. This is done to ensure cost efficiency throughout the Group.

First nine months 2022 vs first nine months 2021

Excluding the additional provision of DKK 14,000 million for the Estonia matter, Group Functions posted a loss before tax of DKK 3,136 million (Q1-Q3 2021: a loss of DKK 1,163 million). Including the additional provision, loss before tax was DKK 17,136 million. The loss was due to the additional provision of DKK 14,000 million for the Estonia matter and an increase in operating expenses of DKK 600 million and in loan impairment charges of DKK 650 million resulting from the decision to compensate debt collection customers for potential overcollection of debt. In addition, net interest income and net trading income were down, due, among other things, to market developments.

Net interest income decreased to a loss of DKK 115 million (Q1-Q3 2021: a gain of DKK 195 million), due primarily to the redemption of the Group's final equity-accounted additional tier 1 capital instrument, which reduced the income of Group Functions from the allocation of costs to the business units.

Net trading income decreased to a loss of DKK 48 million (Q1-Q3 2021: DKK 211 million), as Group Treasury's fair value bond portfolios were negatively affected by market value adjustments of Danish mortgage bond investments in the first nine months of 2022. Furthermore, the first nine months of 2021 benefited from a gain of DKK 227 million on the sale of VISA shares in the Group's private equity portfolio.

Operating expenses, after allocation to the business units, increased from the level in the first nine months of 2021 and amounted to DKK 2,284 million (Q1-Q3 2021: DKK 1,543 million). This was due primarily to the decision to compensate debt collection customers for potential overcollection of debt, which led to a provision of DKK 600 million.

An additional provision of DKK 14,000 million has been made in the third quarter of 2022. On the basis of the current stage of the discussions with US and Danish authorities, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution.

Loan impairment charges increased to DKK 669 million (Q1-Q3 2021: a net reversal of DKK 2 million) due to the compensation to debt collection customers for potential overcollection of debt, which led to a charge of DKK 650 million.

The number of full-time equivalent staff increased to 10,802, as the 1st line Financial Crime Risk and Business Controls functions were moved from Large Corporates & Institutions to Group Functions.

Q3 2022 vs Q2 2022

Excluding the additional provision for the Estonia matter, Group Functions posted a loss before tax of DKK 2,140 million (Q2 2022: loss before tax of DKK 333 million). Including the additional provision of DKK 14,000 million for the Estonia matter, Group Functions posted a loss before tax of DKK 16,140 million. The higher loss was also due to the decision to compensate debt collection customers for potential overcollection of debt.

- **Net interest income** amounted to a loss of DKK 166 million (Q2 2022: a loss of DKK 7 million) due to lower bond portfolio income as a result of the increasing interest rates and to the maturing of the Group's final equity-accounted additional tier 1 capital instrument, which reduced the income of Group Functions from the allocation of costs to the business units.

- **Net trading income** decreased to DKK 57 million (Q2 2022: DKK 137 million), as Group Treasury's fair value bond portfolios were negatively affected by market value adjustments of Danish mortgage bond investments. Reduced interest rate hedging income also contributed to the decrease.

- **Operating expenses** increased to DKK 1,368 million (Q2 2022: DKK 478 million), due mainly to the decision to compensate debt collection customers for potential overcollection of debt.

- **Provision for Estonia matter** amounted to DKK 14,000 million in the third quarter of 2022. On the basis of the current stage of the discussions with US and Danish authorities, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution.

DKK -16,140 million

Profit before tax

for the third quarter of 2022

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, plus any additional dividend payments approved by the Board of Directors and paid to shareholders during the year.
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 86 million (full-year 2021: DKK 451 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 2,224 million (2021: DKK 7,733 million) compared to a simple average of total equity (beginning and the end of the period).
Adjusted return on average shareholders' equity (% p.a.)	Net profit, excluding provision for Estonia matter and impairment charge on goodwill, divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. The numerator and denominator are adjusted as per Return on average shareholders' equity above.
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 the first nine month of 2022 would be 0.79% (full-year 2021: 0.73%) due to the daily average of the sum of loans and deposits being DKK 2.6 billion lower (2021: DKK 5.4 billion higher) than calculating the ratio by applying the end of period sum of loans and deposits. The purpose of the ratio is to show if the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (C/I), (%)	Operating expenses and provision for Estonia matter and impairment charge on goodwill divided by total income. All amounts are from the financial highlights.
Adjusted cost/income ratio (C/I), (%)	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 794 million (full-year 2021: DKK 348 million) from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 1,026.1 billion (2021: DKK 1,022.7 billion), Loans at fair value of DKK 809.9 billion (2021: DKK 816.3 billion) and guarantees of DKK 81.0 billion (2021: DKK 71.7 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 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 18.8 billion (2021: DKK 21.9 billion) at the end of the period, as disclosed in the "Allowance account in core activities broken down by segment" table in the notes to the financial statements. The denominator is the sum of Loans at amortised cost of DKK 1,119.5 billion (2021: DKK 1,026.1 billion), Loans at fair value of DKK 706.3 billion (2021: DKK 809.9 billion), guarantees of DKK 79.5 billion (2021: DKK 81.0 billion) and the allowance account 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 2021 included November 2021 data for Finland and Norway as December 2021 data was not available at the time of publication of Annual Report 2021. This has been updated to December 2021 data in Interim report – first quarter 2022.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Q3 2022	Q3 2021	Full year 2021
G4	Interest income calculated using the effective interest method	20,376	16,336	7,865	5,482	22,077
G4	Other interest income	31,187	28,874	12,442	9,559	35,601
G4	Interest expense	31,106	24,868	13,436	8,316	30,904
	Net interest income	20,456	20,342	6,870	6,725	26,774
G4	Fee income	13,147	13,318	4,095	4,268	18,495
	Fee expenses	4,575	4,507	1,418	1,452	6,378
G4	Net trading income or loss	-40,567	23,185	-5,311	4,313	36,600
G4	Other income	5,316	4,087	1,839	1,214	5,733
	Net premiums	26,646	27,114	7,941	9,404	37,518
	Net insurance benefits	-12,039	48,221	3,088	12,930	71,208
	Operating expenses	23,266	22,743	7,968	7,433	30,822
G8, G10	Provision for Estonia matter	14,000	-	14,000	-	-
G1	Impairment charges on goodwill	1,627	-	1,627	-	-
	Profit before loan impairment charges	-6,431	12,575	-12,667	4,109	16,712
G5	Loan impairment charges	730	504	366	-161	141
	Profit before tax	-7,161	12,071	-13,033	4,270	16,571
	Tax	2,080	2,805	760	936	3,651
	Net profit	**-9,241**	**9,266**	**-13,792**	**3,334**	**12,920**
	Portion attributable to					
	Shareholders of Danske Bank A/S (the Parent Company)	-9,327	8,917	-13,792	3,217	12,469
	Additional Tier 1 capital holders	86	349	-	117	451
	Net profit	**-9,241**	**9,266**	**-13,792**	**3,334**	**12,920**
	Earnings per share (DKK)	-11.0	10.4	-16.2	3.8	14.6
	Diluted earnings per share (DKK)	-11.0	10.4	-16.2	3.8	14.6
	Proposed dividend per share (DKK)	-	-	-	-	2.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Q3 2022	Q3 2021	Full year 2021
Net profit	-9,241	9,266	-13,792	3,334	12,920
Other comprehensive income					
Remeasurement of defined benefit pension plans	-615	331	-189	-162	-90
Tax*	-104	-21	-28	-110	-146
Items that will not be reclassified to profit or loss	**-511**	**352**	**-162**	**-52**	**56**
Items that are or may be reclassified subsequently to profit or loss					
Translation of units outside Denmark	-3,820	959	-1,207	-202	1,708
Hedging of units outside Denmark	2,101	-674	677	126	-1,270
Unrealised value adjustments of bonds at fair value (OCI)	-2,028	-303	-705	-100	-326
Realised value adjustments of bonds at fair value (OCI)	-12	2	-32	-3	6
Tax*	-752	-72	-268	-39	-152
Items that are or may be reclassified subsequently to profit or loss	**-3,008**	**56**	**-999**	**-140**	**270**
Total other comprehensive income	**-3,519**	**408**	**-1,160**	**-192**	**326**
Total comprehensive income	**-12,760**	**9,674**	**-14,953**	**3,142**	**13,246**
Portion attributable to					
Shareholders of Danske Bank A/S (the Parent Company)	-12,846	9,325	-14,953	3,025	12,795
Additional Tier 1 capital holders	86	349	-	117	451
Total comprehensive income	**-12,760**	**9,674**	**-14,953**	**3,142**	**13,246**

* A positive amount is a tax expense, and a negative amount is a tax income

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 September 2022	31 December 2021	30 September 2021
	Assets			
	Cash in hand and demand deposits with central banks	200,515	293,386	274,689
	Due from credit institutions and central banks	133,762	71,156	52,192
	Trading portfolio assets	784,555	509,590	608,256
	Investment securities	302,334	303,777	305,039
	Loans at amortised cost	1,120,703	1,027,442	1,000,876
	Loans at fair value	916,854	1,024,461	999,831
	Assets under pooled schemes and unit-linked investment contracts	63,592	76,654	89,869
	Assets under insurance contracts	745,736	547,806	542,718
G7	Assets held for sale*	248	28,800	5,167
	Intangible assets	7,070	8,819	8,722
	Tax assets	5,531	4,510	2,966
G8	Other assets*	31,276	39,433	34,606
	Total assets	**4,312,177**	**3,935,834**	**3,924,931**
	Liabilities			
	Due to credit institutions and central banks	184,281	172,976	220,408
	Trading portfolio liabilities	716,472	374,959	368,271
	Deposits	1,314,036	1,292,030	1,281,091
G6	Issued bonds at fair value	669,904	794,909	779,016
G6	Issued bonds at amortised cost	206,469	223,854	222,098
	Deposits under pooled schemes and unit-linked investment contracts	64,521	76,982	90,361
	Liabilities under insurance contracts	767,786	588,736	581,618
G7	Liabilities in disposal groups held for sale*	-	29,577	6,212
	Tax liabilities	2,419	1,864	1,890
G8	Other liabilities*	82,186	56,268	51,764
G6	Non-preferred senior bonds	107,706	107,654	106,648
G6	Subordinated debt	40,008	39,321	39,306
	Total liabilities	**4,155,788**	**3,759,130**	**3,748,683**
	Equity			
	Share capital	8,622	8,622	8,622
G9	Foreign currency translation reserve	-2,331	-612	-765
	Reserve for bonds at fair value (OCI)	-2,006	34	62
	Retained earnings	152,104	161,439	159,723
	Proposed dividends	-	1,724	-
	Shareholders of Danske Bank A/S (the Parent Company)	156,389	171,207	167,642
G6	Additional tier 1 capital holders	-	5,497	8,606
	Total equity	**156,389**	**176,704**	**176,248**
	Total liabilities and equity	**4,312,177**	**3,935,834**	**3,924,931**

* Since 31 December 2021, Assets held for sale and Liabilities in disposal groups held for sale are presented separately from Other assets and Other liabilities respectively. The comparative information at 30 September 2021 has been restated.

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 2022	8,622	-612	34	161,439	1,724	171,207	5,497	176,704
Net profit	-	-	-	-9,327	-	-9,327	86	-9,241
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-615	-	-615	-	-615
Translation of units outside Denmark	-	-3,820	-	-	-	-3,820	-	-3,820
Hedging of units outside Denmark	-	2,101	-	-	-	2,101	-	2,101
Unrealised value adjustments	-	-	-2,028	-	-	-2,028	-	-2,028
Realised value adjustments	-	-	-12	-	-	-12	-	-12
Tax	-	-	-	856	-	856	-	856
Total other comprehensive income	**-**	**-1,719**	**-2,040**	**241**	**-**	**-3,519**	**-**	**-3,519**
Total comprehensive income	**-**	**-1,719**	**-2,040**	**-9,087**	**-**	**-12,846**	**86**	**-12,760**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-164	-164
Dividends paid	-	-	-	19	-1,724	-1,705	-	-1,705
Redemption of additional tier 1 capital	-	-	-	-	-	-	-5,419	-5,419
Acquisition of own shares and additional tier 1 capital	-	-	-	-13,481	-	-13,481	-	-13,481
Sale of own shares and additional tier 1 capital	-	-	-	13,237	-	13,237	-	13,237
Tax	-	-	-	-23	-	-23	-	-23
Total equity as at 30 September 2022	**8,622**	**-2,331**	**-2,006**	**152,104**	**-**	**156,389**	**-**	**156,389**
Total equity as at 1 January 2021	8,622	-1,050	354	150,521	1,724	160,171	8,508	168,679
Net profit	-	-	-	8,917	-	8,917	349	9,266
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	331	-	331	-	331
Translation of units outside Denmark	-	959	-	-	-	959	-	959
Hedging of units outside Denmark	-	-674	-	-	-	-674	-	-674
Unrealised value adjustments	-	-	-303	-	-	-303	-	-303
Realised value adjustments	-	-	2	-	-	2	-	2
Tax	-	-	9	84	-	93	-	93
Total other comprehensive income	**-**	**285**	**-292**	**415**	**-**	**408**	**-**	**408**
Total comprehensive income	**-**	**285**	**-292**	**9,332**	**-**	**9,325**	**349**	**9,674**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-268	-268
Dividends paid	-	-	-	16	-1,724	-1,708	-	-1,708
Acquisition of own shares and additional tier 1 capital	-	-	-	-15,514	-	-15,514	-	-15,514
Sale of own shares and additional tier 1 capital	-	-	-	15,376	-	15,376	17	15,393
Tax	-	-	-	-8	-	-8	-	-8
Total equity as at 30 September 2021	**8,622**	**-765**	**62**	**159,723**	**-**	**167,642**	**8,606**	**176,248**

Statement of capital – Danske Bank Group

Dividend

To ensure prudent capital management with a high degree of flexibility in light of the Estonia matter, the general meeting adopted the proposal for an initial dividend payment of DKK 2 per share that was paid out in March. The remaining DKK 5.5 per share was intended to be paid out in three tranches following the publication of the interim reports in 2022, subject to a decision by the Board of Directors.

On 28 April 2022, the Board of Directors decided that Danske Bank would not pay out dividends in connection with the interim report for the first quarter of 2022 as Danske Bank had entered into initial discussions with U.S. and Danish authorities on the resolution of the Estonia matter. No dividends were paid out in connection with the interim report for the second quarter of 2022 as the discussions with authorities were still ongoing. In light of the additional provision for the Estonia matter made today, the Board of Directors has decided to cancel the remaining dividend for 2021.

	30 September 2022	31 December 2021
Share capital (DKK)	8,621,846,210	8,621,846,210
Number of shares	862,184,621	862,184,621
Number of shares outstanding	850,680,609	853,352,443
Average number of shares outstanding for the period	851,761,974	853,352,805
Average number of shares outstanding, including dilutive shares, for the period	856,453,686	853,974,744

Total capital and total capital ratio

(DKK millions)	30 September 2022	31 December 2021
Total equity	156,389	176,704
Revaluation of domicile property at fair value	199	200
Tax effect of revaluation of domicile property at fair value	-23	-23
Total equity calculated in accordance with the rules of the Danish FSA	156,566	176,881
Additional tier 1 capital instruments included in total equity	-	-5,419
Accrued interest on additional tier 1 capital instruments	-	-78
Common equity tier 1 capital instruments	156,566	171,384
Adjustment to eligible capital instruments	-121	-104
IFRS 9 reversal due to transitional rules	1,890	2,593
Prudent valuation	-1,202	-983
Prudential filters	-818	-173
Expected/proposed dividends	-	-6,466
Intangible assets of banking operations	-5,483	-5,325
Minimum Loss Coverage for Non-Performing Exposures	-156	-51
Deferred tax on intangible assets	232	198
Deferred tax assets that rely on future profitability, excluding temporary differences	-239	-35
Defined benefit pension plan assets	-1,705	-2,220
Statutory deduction for insurance subsidiaries	-6,398	-6,882
Common equity tier 1 capital	**142,566**	**151,935**
Additional tier 1 capital instruments	16,846	19,933
Tier 1 capital	**159,412**	**171,868**
Tier 2 capital instruments	20,740	20,888
Total capital	**180,153**	**192,757**
Total risk exposure amount	**845,063**	**860,173**
Common equity tier 1 capital ratio (%)	16.9%	17.7%
Tier 1 capital ratio (%)	18.9%	20.0%
Total capital ratio (%)	21.3%	22.4%

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.

Cash flow statement – Danske Bank Group

(DKK millions)	Q1-Q3 2022	Q1-Q3 2021	Full Year 2021
Cash flow from operations			
Profit before tax	-7,161	12,071	16,571
Tax paid	-3,779	-469	-2,459
Adjustment for non-cash operating items	19,736	2,373	4,916
Cash flow from operations before changes in operating capital	**8,796**	**13,975**	**19,028**
Changes in operating capital			
Amounts due to/from credit institutions and central banks	8,902	9,062	-38,509
Trading portfolio	66,548	-56,370	48,984
Acquisition/sale of own shares and additional tier 1 capital	-244	-121	-82
Investment securities	1,442	-8,270	-7,007
Loans at amortised cost and fair value	13,616	46,721	-4,114
Deposits	22,006	-52,690	-41,751
Issued bonds at amortised cost and fair value	-141,954	-26,251	-7,596
Assets/liabilities under insurance contracts	-19,779	-7,322	-5,291
Other assets/liabilities	17,971	3,031	-1,224
Cash flow from operations	**-22,696**	**-78,235**	**-37,562**
Cash flow from investing activities			
Sale of businesses*	1,314	-	-
Acquisition of intangible assets	-637	-549	-885
Acquisition of tangible assets	-233	-233	-686
Sale of tangible assets	3	8	8
Cash flow from investing activities	**447**	**-774**	**-1,563**
Cash flow from financing activities			
Issue of subordinated debt	-	10,102	10,102
Redemption of subordinated debt	-	-3,718	-3,718
Issue of non-preferred senior bonds	20,052	4,352	4,352
Redemption of non-preferred senior bonds	-20,438	-6,309	-6,309
Dividends paid	-1,705	-1,708	-1,708
Redemption of equity accounted additional tier 1 capital	-5,419	-	-3,000
Paid interest on equity accounted additional tier 1 capital	-164	-267	-466
Principal portion of lessee lease payments	-464	-497	-654
Cash flow from financing activities	**-8,137**	**1,955**	**-1,401**
Cash and cash equivalents as at 1 January	362,997	400,889	400,889
Foreign currency translation	-2,280	1,641	2,634
Change in cash and cash equivalents	-30,386	-77,054	-40,526
Cash and cash equivalents, end of period	**330,331**	**325,476**	**362,997**
Cash and cash equivalents, end of period			
Cash in hand	6,231	6,847	6,765
Demand deposits with central banks	194,285	267,843	286,621
Amounts due from credit institutions and central banks within three months	129,815	50,786	69,611
Total	**330,331**	**325,476**	**362,997**

* See note G7 for details of sale of businesses.

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 2021.

On 1 January 2022, the Group implemented the amendments to IAS 16, IAS 37, IFRS 3 and Annual Improvements to IFRS Standards 2018 - 2020. 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 2021. Annual Report 2021 provides a full description of the significant accounting policies.

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 2021) 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 2021). An overview of the classification and measurement basis for financial instruments can be found in note G1(c) of the Annual Report 2021.

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 reporting period could differ from those on which management's estimates are based.

Measurement of expected credit losses on loans, financial guarantees and loan commitments, and 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 risk management notes provide information on the scenarios as at 30 September 2022.

The base case scenario enters with a probability of 70% (31 December 2021: 70%), the upside scenario with a probability of 10% (31 December 2021: 10%) and the downside scenario with a probability of 20% (31 December 2021: 20%). On the basis of these assessments, the allowance account as at 30 September 2022 amounted to DKK 18.8 billion (31 December 2021: DKK 22.7 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.6 billion (31 December 2021: DKK 1.7 billion). Compared to the base case scenario, the allowance account would increase DKK 8.3 billion (31 December 2021: DKK 8.5 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 0.3 billion (31 December 2021: DKK 0.2 billion) compared to the base case scenario.

Management applies judgement when determining the need for post-model adjustments. As at 30 September 2022, the post-model adjustments amounted to DKK 6.0 billion (31 December 2021: DKK 6.3 billion) which are predominantly linked to economic uncertainties arising from the outbreak of war in Ukraine, the uncertainty related to inflation and increasing interest rates, and other sector-specific factors that ensure prudent coverage of expected credit losses for the Group's credit exposures. On the types of risks covered by post-model adjustments, more information can be found in the risk management notes.

The Group's credit exposure directly related to customers in or from Russia and Ukraine amounted to less than DKK 20 million as at 30 September 2022.

Note G15 of the Annual Report 2021 and the section on credit risk in the risk management notes provide more details on expected credit losses. As at 30 September 2022, financial assets covered by the expected credit loss model accounted for about 49.9% of total assets (31 December 2021: 54.2%).

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Fair value measurement of financial instruments

At the end of September 2022, 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 30 September 2022, the adjustments totalled DKK 0.2 billion (31 December 2021: DKK 1.0 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note G12 of this report and note G33(a) of the Annual Report 2021 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. The Group's IBOR Transition Programme successfully managed the cessation of the LIBOR interest rate indexes for GBP, EUR, CHF and JPY at 31 December 2021, and is now focused of the transition of USD LIBOR contracts ahead of the June 2023 deadline. In addition, the Programme is also providing oversight on how the introduction of the DESTR and SWESTR indexes could affect its core Nordic customer base. 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. Following IASB's project 'Interest Rate Benchmark Reform' 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 2021.

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 30 September 2022, goodwill amounted to DKK 4.4 billion (31 December 2021: 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 decline in income, increase in loan impairment charges, decline in the market value of assets under management, major restructurings, macroeconomic developments etc. In the third quarter of 2022, goodwill in Danica Pension amounting to DKK 1.6 billion was assessed to be impaired due to increasing discount rates and lower financial outlook. Following the impairment charges on goodwill, goodwill in Danica Pension amounts to DKK 0.0 billion as at 30 September 2022 (31 December 2021: DKK 1.6 billion).

The remaining goodwill mainly consists of DKK 2.1 billion (31 December 2021: DKK 2.1 billion) in Markets, DKK 1.8 billion (31 December 2021: DKK 1.8 billion) in Asset Management and DKK 0.5 billion (31 December 2021: DKK 0.5 billion) in General Banking (all part of the business segment Large Corporates & Institutions) showing significant amounts of excess value in the impairment tests in 2021.

Note G19 of the Annual Report 2021 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 2021 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 and presentation during the year

On 1 January 2022, the Group implemented the amendments to IAS 16, IAS 37, IFRS 3 and Annual Improvements to IFRS Standards 2018 - 2020. The implementation of the amendments to IFRSs had no impact on the financial statements. The sections below explain in further details the changes to accounting policies and presentation implemented.

Since 31 December 2021, the Group has changed the presentation of Assets held for sale and Liabilities in disposal groups held for sale to be presented separately on the face of the balance sheet rather than within Other assets and Other liabilities respectively. Comparative information as at 30 September 2021 has been restated.

In the third quarter of 2022, the Group recognised impairment charges on goodwill. This is presented as a separate line in the Income statement.

In the third quarter of 2022, the Group recognised an increase in provision for Estonia matter. This is presented as a separate line in the Income statement.

Amendment to IAS 16, Property, plant and equipment

The amendment clarifies that if items are produced while bringing an item of property, plant and equipment into use, the proceeds from sale of that item cannot be deducted from the cost of the asset. The proceeds must instead be recognised in profit or loss.

The amendment has no impact on the financial statements.

Amendment to IAS 37, Provisions, contingent liabilities and contingent assets

The amendment clarifies that when assessing whether a contract is onerous, costs to be included are those that are directly related to the contract, and include the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract.

The amendment has no impact on the financial statements.

Amendment to IFRS 3, Business combinations

IFRS 3 has been amended to refer to the updated contractual framework. The amendment has no impact on the financial statements.

Annual Improvements to IFRS Standards 2018 – 2020 Cycle

The annual improvements contain amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. In IFRS 1, the amendment provides a subsidiary that becomes a first-time adopter of IFRS later than its parent with an exemption relating to the measurement of its assets and liabilities. In IFRS 9, the amendment clarifies that, when applying the "10% per cent test" for derecognition of financial liabilities and determining the fees paid net of fees received, a borrower should include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment to IFRS 16 is to one of its illustrative examples. Finally, the amendment to IAS 41 removes the requirement to exclude cash flows for taxation when measuring fair value.

None of these amendments has any impact on the financial statements.

(b) Standards not yet in force

IFRS 17, Insurance contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was an interim standard that did not prescribe the measurement of insurance contracts but relied on existing accounting practices. IFRS 17 is a comprehensive standard with principles for, for example, the measurement of insurance contracts at a current (fulfilment) value in the balance sheet, the recognition of insurance contract revenue in the income statement and the presentation of information on the performance in relation to insurance contracts. IFRS 17 was endorsed by the EU in November 2021, and is effective for annual reporting periods beginning on or after 1 January 2023.

The Group is in the process of making required changes to models and data, and assessing the impact on the Group's financial statements. This includes an assessment of the Group's insurance products in terms of classification and measurement and aggregation into portfolios. Estimates using the three measurement approaches (Building Bloch approach, Variable Fee approach and Premium Allocation approach), including a preliminary calculation of the Contractual Service Margin, have been made. The Group will apply all three measurement approaches, with the Variable Fee approach applied to the majority of insurance contracts.

The Group expects to apply the fair value approach for measuring insurance contracts at the transition date. The Group does not expect a significant impact on equity on implementation of IFRS 17. The Group also does not expect any material changes to profitability patterns in the insurance business under IFRS 17.

Notes – Danske Bank Group

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

c) Changes in financial highlights and segment reporting

From 2022 the Group has changed the presentation of Resolution fund, bank tax etc. to be presented as a separate element within Operating expenses in the financial highlights and segment reporting. The separate presentation of Resolution fund, bank tax etc. is also reflected in the comparative information, although there is no change to total Operating expenses. This change does not affect the presentation in the IFRS income statement.

During the first quarter of 2022, Danske Bank settled the sale of its business activities in Luxembourg. The residual activities in Luxembourg have been moved from Personal Customers to Non-core in the first quarter of 2022, and this change is reflected in the 2022 financial highlights and segment reporting. There is no impact on 2021 financial highlights nor 2021segment reporting; that is, comparatives have not been restated as this change is not a reclassification.

During the second quarter of 2022, the Group transferred the remaining activities in Germany from Large Corporates & Institutions to Non-core that had not been transferred to other group entities due to closure of the Group's banking activities in Germany. This change is reflected in the 2022 financial highlights and segment reporting. There is no impact from this on 2021 financial highlights nor 2021 segment reporting; that is, comparatives have not been restated as this change is not a reclassification.

With effect from second quarter of 2022, the presentation in the financial highlights and segment reporting has been changed to reflect changes to the Group's commercial activities that were announced on 7 January 2022. The business unit Personal & Business Customers has been divided into two business units: Personal Customers and Business Customers. Comparative information in note G3 has been restated to reflect the change in business segments. The IFRS income statement and balance sheet are not impacted by the change. The table below shows the restated amounts in the financial highlights and segment reporting for first nine months 2021:

Changes in financial highlights and segment reporting - first nine months 2021 restated

(DKK millions)	Personal Customers	Business Customers	Personal & Business Customers
Net interest income	5,936	5,819	11,755
Net fee income	3,621	1,185	4,805
Net trading income	227	270	496
Other income	171	443	614
Total income	9,954	7,716	17,670
Operating expenses	7,015	3,817	10,832
of which resolution fund, bank tax etc.	86	131	
Profit before loan impairment charges	2,939	3,899	6,838
Loan impairment charges	-120	574	454
Profit before tax	**3,058**	**3,325**	**6,383**
Loans, excluding reverse transactions	868,118	639,676	1,507,794
Other assets	317,555	212,249	529,804
Total assets	**1,185,673**	**851,925**	**2,037,597**
Deposits, excluding repo deposits	407,296	286,252	693,548
Other liabilities	746,874	523,946	1,270,819
Allocated capital	31,503	41,727	73,230
Total liabilities and equity	**1,185,673**	**851,925**	**2,037,597**
Profit before tax as % p.a. of allocated capital (avg.)	12.1	10.9	11.5
Cost/income ratio (%)	70.5	49.5	61.3
Full-time-equivalent staff, end of period	4,977	1,693	6,669

During the third quarter of 2022, the Group recognised impairment charges on goodwill in Danica Pension. This is presented as a separate line in the financial highlights and segment reporting.

In the third quarter of 2022, the Group recognised an increase in provision for Estonia matter. This is presented as a separate line in the financial highlights and segment reporting.

Notes – Danske Bank Group

G3. Business segments

(a) Business model and business segmentation

With effect from the second quarter of 2022, the presentation in the financial highlights and segment reporting has been changed to reflect the changes to the Group's commercial activities that were announced on 7 January 2022 and came into effect in May 2022. The Group's commercial activities are organised in five reporting business units:

- Personal Customers, which serves personal customers and Private Banking customers in Denmark, Sweden, Norway and Finland.
- Business Customers, which serves small and medium-sized business customers across all markets, and includes the Group's Asset Finance operations
- Large Corporates & Institutions, which serves large corporates and institutional customers across all Nordic markets
- Danica Pension, which specialises in pension schemes, life insurance policies and health insurance policies in Denmark
- Northern Ireland, which serves personal, business and corporate customers in Northern Ireland alongside digital channels.

Besides the five commercial business units, the Group's reportable segments under IFRS 8 include Non-core and Group functions. Comparative information has been restated to reflect the new structure.

Notes – Danske Bank Group

G3. Business segments continued

Business segments first nine months 2022

(DKK millions)	Personal Customers	Business Customers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	6,039	6,476	4,015	-	1,332	-	-48	-67	17,746	2,710	20,456
Net fee income	3,662	1,353	4,296	-	248	-	-39	15	9,536	-964	8,572
Net trading income	343	372	622	-	-611	-	-181	133	679	-41,245	-40,567
Net income from insurance business	-	-	-	-323	-	-	-	-	-323	323	-
Other income	547	632	2	-	18	-	1,990	-1,986	1,203	4,113	5,316
Net premiums	-	-	-	-	-	-	-	-	-	26,646	26,646
Net insurance benefits	-	-	-	-	-	-	-	-	-	-12,039	-12,039
Total income	10,592	8,833	8,936	-323	986	-	1,722	-1,905	28,840	3,622	32,462
Operating expenses	7,334	3,919	5,090	-	943	1	4,327	-2,043	19,570	3,696	23,266
of which resolution fund, bank tax etc.	121	168	379	-	-	-	59	-	728	-728	-
of which impairment charges, other intangible assets	-	-	-	-	-	-	24	-	24	-24	-
Provision for Estonia matter	-	-	-	-	-	-	14,000	-	14,000	-	14,000
Goodwill impairment charges	-	-	-	1,627	-	-	-	-	1,627	-	1,627
Profit before loan impairment charges	3,258	4,914	3,846	-1,951	43	-	-16,605	138	-6,357	-74	-6,431
Loan impairment charges	334	-90	-155	-	36	-	669	-	794	-63	730
Profit before tax, core	2,924	5,004	4,001	-1,951	7	-	-17,274	138	-7,151	-10	-7,161
Profit before tax, Non-core	-	-	-	-	-	-10	-	-	-10	10	-
Profit before tax	**2,924**	**5,004**	**4,001**	**-1,951**	**7**	**-10**	**-17,274**	**138**	**-7,161**	**-**	**-7,161**
Loans, excluding reverse transactions	799,312	617,671	352,114	-	53,784	-	30,583	-29,185	1,824,278	1,196	1,825,474
Other assets (including Non-core)	318,519	200,037	4,281,630	840,782	59,999	1,786	4,520,736	-7,735,591	2,487,899	-1,196	2,486,703
Total assets	**1,117,831**	**817,708**	**4,633,743**	**840,782**	**113,783**	**1,786**	**4,551,319**	**-7,764,776**	**4,312,177**	**-**	**4,312,177**
Deposits, excluding repo deposits	415,364	287,523	399,252	-	96,232	-	2,041	-13,096	1,187,316	2,105	1,189,421
Other liabilities (including Non-core)	671,426	490,701	4,193,469	819,835	12,338	2,446	4,529,939	-7,751,680	2,968,472	-2,105	2,966,368
Allocated capital	31,042	39,485	41,023	20,947	5,213	-	18,680	-	156,389	-	156,389
Total liabilities and equity	**1,117,831**	**817,708**	**4,633,743**	**840,782**	**113,783**	**2,446**	**4,550,660**	**-7,764,776**	**4,312,177**	**-**	**4,312,177**
Profit before tax as % p.a. of allocated capital (avg.)	12.5	16.8	12.6	-12.7	0.2	-	-61.5	-	-5.6	-	-5.6
Cost/income ratio (%)	69.2	44.4	57.0	-	95.6	-	-	-	122.0	-	119.8
Full-time-equivalent staff, end of period	4,749	1,689	2,109	872	1,271	36	10,802	-	21,528	-	21,528

Notes – Danske Bank Group

G3. Business segments continued

Business segments first nine months 2021

(DKK millions)	Personal Customers*	Business Customers*	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	5,936	5,819	3,553	-	996	-	197	-3	16,498	3,844	20,342
Net fee income	3,621	1,185	4,720	-	201	-	66	-92	9,700	-889	8,811
Net trading income	227	270	2,417	-	-13	-	300	-89	3,111	20,074	23,185
Net income from insurance business	-	-	-	1,576	-	-	-	-	1,576	-1,576	-
Other income	171	443	2	-	9	-	1,628	-1,630	623	3,464	4,087
Net premiums	-	-	-	-	-	-	-	-	-	27,114	27,114
Net insurance benefits	-	-	-	-	-	-	-	-	-	48,221	48,221
Total income	9,954	7,716	10,692	1,576	1,193	-	2,192	-1,814	31,509	3,810	35,318
Operating expenses	7,015	3,817	5,562	-	937	-	1,705	-162	18,874	3,870	22,743
of which resolution fund, bank tax etc.	86	131	276	-	-	-	30	-	523	-523	-
Profit before loan impairment charges	2,939	3,899	5,129	1,576	257	-	487	-1,652	12,635	-60	12,575
Loan impairment charges	-120	574	230	-	-96	-	-2	-	587	-83	504
Profit before tax, core	3,058	3,325	4,900	1,576	353	-	488	-1,652	12,048	23	12,071
Profit before tax, Non-core	-	-	-	-	-	23	-	-	23	-23	-
Profit before tax	**3,058**	**3,325**	**4,900**	**1,576**	**353**	**23**	**488**	**-1,652**	**12,071**	**-**	**12,071**
Loans, excluding reverse transactions	868,118	639,676	240,090	-	56,508	-	28,074	-31,112	1,801,353	1,616	1,802,969
Other assets (including Non-core)	317,555	212,249	3,118,398	654,241	62,069	2,184	3,919,938	-6,163,056	2,123,578	-1,616	2,121,962
Total assets	**1,185,673**	**851,925**	**3,358,487**	**654,241**	**118,577**	**2,184**	**3,948,012**	**-6,194,168**	**3,924,931**	**-**	**3,924,931**
Deposits, excluding repo deposits	407,296	286,252	376,909	-	99,665	-	1,522	-16,927	1,154,717	2,128	1,156,845
Other liabilities (including Non-core)	746,874	523,946	2,938,617	641,927	12,419	2,456	3,913,575	-6,177,241	2,602,573	-2,128	2,600,445
Allocated capital	31,503	41,727	42,961	12,315	6,494	-	32,642	-	167,642	-	167,642
Total liabilities and equity	**1,185,673**	**851,925**	**3,358,487**	**654,241**	**118,577**	**2,456**	**3,947,739**	**-6,194,168**	**3,924,931**	**-**	**3,924,931**
Profit before tax as % p.a. of allocated capital (avg.)	12.1	10.9	14.8	16.0	7.0	-	2.1	-	9.8	-	9.8
Cost/income ratio (%)	70.5	49.5	52.0	-	78.5	-	77.8	-	59.9	-	64.4
Full-time-equivalent staff, end of period	4,977	1,693	2,716	963	1,289	25	10,364	-	22,027	-	22,027

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

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 75 in Annual Report 2021. Net income from insurance business is presented before elimination of intra-group transactions. The decomposition of the reclassification between the IFRS income statement and Financial highlights is shown in the tables below.

Reclassification first nine months 2022

(DKK millions)	IFRS financial statements	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	20,456	-	-923	-1,792	5	-2,710	17,746
Net fee income	8,572	-	57	912	-5	964	9,536
Net trading income	-40,567	-	875	40,383	-12	41,245	679
Net income from insurance business	-	-	-	-323	-	-323	-323
Other income	5,316	-2,779	-8	-1,316	-9	-4,113	1,203
Net premiums	26,646	-	-	-26,646	-	-26,646	-
Net insurance benefits	-12,039	-	-	12,039	-	12,039	-
Total income	32,462	-2,779	-	-822	-21	-3,622	28,840
Operating expenses	23,266	-2,779	-	-822	-95	-3,696	19,570
Provision for Estonia matter	14,000	-	-	-	-	-	14,000
Goodwill impairment charges	1,627	-	-	-	-	-	1,627
Profit before loan impairment charges	-6,431	-	-	-	74	74	-6,357
Loan impairment charges	730	-	-	-	63	63	794
Profit before tax, core	-7,161	-	-	-	10	10	-7,151
Profit before tax, Non-core	-	-	-	-	-10	-10	-10
Profit before tax	**-7,161**	**-**	**-**	**-**	**-**	**-**	**-7,161**

Reclassification first nine month 2021

(DKK millions)	IFRS financial statements	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	20,342	-	-1,362	-2,465	-17	-3,844	16,498
Net fee income	8,811	-	82	808	-1	889	9,700
Net trading income	23,185	-	1,321	-21,384	-11	-20,074	3,111
Net income from insurance business	-	-	-	1,576	-	1,576	1,576
Other income	4,087	-2,880	-41	-548	6	-3,464	623
Net premiums	27,114	-	-	-27,114	-	-27,114	-
Net insurance benefits	48,221	-	-	-48,221	-	-48,221	-
Total income	35,318	-2,880	-	-907	-22	-3,810	31,509
Operating expenses	22,743	-2,880	-	-907	-82	-3,870	18,874
Profit before loan impairment charges	12,575	-	-	-	60	60	12,635
Loan impairment charges	504	-	-	-	83	83	587
Profit before tax, core	12,071	-	-	-	-23	-23	12,048
Profit before tax, Non-core	-	-	-	-	23	23	23
Profit before tax	**12,071**	**-**	**-**	**-**	**-**	**-**	**12,071**

Notes – Danske Bank Group

G4. Income

(a) Interest income and interest expense

For the nine months ending 30 September 2022, total interest income and interest expenses amounted to DKK 51,563 million and DKK 31,106 million respectively (30 September 2021: DKK 45,210 million and DKK 24,868 million respectively). Of this, negative interest income during the period ending September 2022 amounted to DKK 1,289 million (30 September 2021: DKK 1,171 million) and negative interest expenses amounted to DKK 2,742 million (30 September 2021: DKK 2,721 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income. Note G5 of the Annual Report 2021 provides more information on the treatment of negative interest income and negative interest expense.

(b) Fee income

Note G6 of the Annual Report 2021 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Fee income first nine months 2022

(DKK millions)	Financial highlights - net fee income	Reclassifica-tions	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	3,715	-485	3,231	3,505	6,736
Money transfers, account fee, cash management and other fees	2,869	-181	2,688	985	3,673
Lending and Guarantees	2,065	399	2,464	86	2,549
Capital markets	886	-697	189	-	189
Total	**9,536**	**-964**	**8,572**	**4,575**	**13,147**

Fee income first nine months 2021

(DKK millions)	Financial highlights - net fee income	Reclassifica-tions	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	4,044	-318	3,725	3,435	7,160
Money transfers, account fee, cash management and other fees	2,359	-60	2,300	992	3,291
Lending and Guarantees	1,896	513	2,409	81	2,490
Capital markets	1,402	-1,025	377	-	377
Total	**9,700**	**-889**	**8,811**	**4,507**	**13,318**

(c) Net trading income or loss

Net trading income amounted to net loss of DKK 40,567 million for the nine months ending 30 September 2022 (30 September 2021: net income of DKK 23,185 million). Net trading income includes a loss of DKK 39,970 million in relation to assets and liabilities under insurance contracts.

(d) Other income

Other income amounted to DKK 5,316 million for the nine months ending 30 September 2022 (30 September 2021: DKK 4,087 million). Other income includes income from lease assets, investment property and real estate brokerage, gain or loss on sale of disposal groups, and income from holdings in associates. Further, other income includes a gain of DKK 421 million from the sale of the Group's activities in Luxembourg, and a gain of DKK 415 million from the sale of Danica Pensjonforsikring AS (Danica Pension business segment in Norway) during the first nine months of 2022.

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Notes – Danske Bank Group

G5. Loan impairment charges and reconciliation of total allowance account

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

Loan impairment charges

(DKK millions)	30 September 2022	30 September 2021
ECL on new assets	3,442	3,083
ECL on assets derecognised	-5,169	-5,913
Impact of net remeasurement of ECL (incl. changes in models)	1,321	1,548
Write-offs charged directly to income statement*	1,510	2,188
Received on claims previously written off	-189	-220
Interest income, effective interest method	-186	-182
Total	**730**	**504**

*DKK 0.7 billion of Write-offs charged directly to income statement relates to the Group's debt collection customers.

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2021	2,267	7,459	13,617	23,342
Transferred to stage 1 during the period	1,844	-1,605	-239	-
Transferred to stage 2 during the period	-180	649	-469	-
Transferred to stage 3 during the period	-120	-872	993	-
ECL on new assets	646	1,282	1,839	3,768
ECL on assets derecognised	-632	-1,491	-4,578	-6,701
Impact of net remeasurement of ECL (incl. changes in models)	-942	1,172	1,058	1,287
Write-offs debited to the allowance account	-5	-	-	-5
Foreign exchange adjustments	21	54	328	402
Other changes	-182	160	675	653
ECL allowance account as at 31 December 2021	**2,717**	**6,807**	**13,223**	**22,746**
Transferred to stage 1 during the period	1,094	-1,023	-71	-
Transferred to stage 2 during the period	-332	709	-376	-
Transferred to stage 3 during the period	-20	-555	575	-
ECL on new assets	703	1,228	1,511	3,442
ECL on assets derecognised	-653	-1,048	-3,468	-5,169
Impact of net remeasurement of ECL (incl. changes in models)	-493	1,066	748	1,321
Write-offs debited to the allowance account*	-	-2	-3,594	-3,596
Foreign exchange adjustments	-38	-80	139	22
Other changes	-16	-	64	49
ECL allowance account as at 30 September 2022	**2,961**	**7,102**	**8,751**	**18,814**

*Write-offs debited to the allowance account includes DKK 1.0 billion in relation to the Group's debt collection customers.

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. ECL on assets derecognised relates to, for example, loans that have been modified significantly (e.g. due to restructuring) which have resulted in derecognition of the original loans. The amount reflects normal credit procedures. 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)	30 September 2022	31 December 2021
Bonds issued by Realkredit Danmark (covered bonds)	667,033	770,661
Commercial papers and certificates of deposits	-	24,248
Structured retail notes	2,870	-
Issued bonds at fair value, total	**669,904**	**794,909**

Issued bonds at amortised cost

(DKK millions)	30 September 2022	31 December 2021
Commercial papers and certificates of deposits	-	1,488
Preferred senior bonds	59,992	65,221
Covered bonds	146,476	157,145
Issued bonds at amortised cost, total	**206,469**	**223,854**
Non-preferred senior bonds	**107,706**	**107,654**

Further information on issued bonds at fair value through profit or loss can be found in note G16 of the Annual Report 2021. The issuance and redemption of bonds (including commercial papers and certificates of deposits at fair value and structured retail notes) during the year are presented in the tables below.

Nominal value (DKK millions)	1 January 2022	Issued	Redeemed	Foreign currency translation	30 September 2022
Commercial papers and certificate of deposits	23,712	2,508	26,709	489	-
Preferred senior bonds*	67,724	1,400	8,407	6,337	67,055
Covered bonds	165,067	30,500	24,850	-7,906	162,811
Non-preferred senior bonds	108,104	20,100	20,404	7,184	114,983
Other issued bonds	**364,607**	**54,508**	**80,370**	**6,104**	**344,849**

*Preferred senior bonds includes structured retail notes.

Nominal value (DKK millions)	1 January 2021	Issued	Redeemed	Foreign currency translation	31 December 2021
Commercial papers and certificate of deposits	22,515	53,067	52,783	913	23,712
Preferred senior bonds*	63,352	27,282	27,717	4,805	67,724
Covered bonds	168,445	33,344	34,037	-2,685	165,067
Non-preferred senior bonds	105,028	4,371	6,422	5,126	108,104
Other issued bonds	**359,340**	**118,066**	**120,959**	**8,159**	**364,607**

*Preferred senior bonds includes structured retail notes.

Notes – Danske Bank Group

G6. Issued bonds, subordinated debt and additional tier 1 capital continued

Subordinated debt and additional tier 1 capital

As at 30 September 2022, the nominal value of subordinated debt, including liability accounted additional tier 1 capital, amounted to DKK 42,019 million (31 December 2021: DKK 39,649 million). During the nine months ended 30 September 2022, the Group redeemed additional tier 1 capital accounted for as equity of EUR 750 million, leaving the nominal value of equity accounted additional tier 1 capital of DKK 0 million at 30 September 2022 (31 December 2021: DKK 5,577 million). During 2021, the Group redeemed DKK 3,000 million of additional tier 1 capital accounted for as equity. The Group also issued DKK 5,577 million and redeemed DKK 3,718 million of tier 2 capital in 2021, and issued USD 750 million (DKK 4,565 million) of liability accounted additional tier 1 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 6.4.3 of Risk Management 2021 for further information). As at 30 September 2022, distributable items for Danske Bank A/S amounted to DKK 124.0 billion (31 December 2021: DKK 133.2 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. As at 30 September 2022 the common equity tier 1 capital ratio was 19.0% (31 December 2021: 20.9%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

G7. Assets held for sale and Liabilities in disposal groups held for sale

Assets held for sale and Liabilities in disposal groups held for sale include assets and liabilities that fall under IFRS 5.

(DKK millions)	30 September 2022	31 December 2021
Assets held for sale		
Loans held for sale	-	4,539
Assets under insurance contracts	-	23,979
Other	248	282
Total	248	**28,800**
Liabilities in disposal groups		
Deposits held for sale	-	6,453
Insurance liabilities	-	23,124
Total	-	**29,577**

In December 2021, Danske Bank entered into an agreement for the sale of Danica Pensjonforsikring AS (Danica Pension business segment in Norway) to Storebrand. The sale, which included assets and liabilities under insurance contracts, was approved by the Norwegian authorities in June 2022 and subsequently settled.

Loans held for sale and associated deposits consists of loan portfolios where the Group has entered into sales agreements. In July 2021, Danske Bank entered into a binding contract for the sale of the business activities of Danske Bank International in Luxembourg to Union Bancaire Privée SA. The sale, which included loans, assets under management and deposits, settled in the first quarter of 2022.

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

Notes – Danske Bank Group

G8. Other assets and Other liabilities

Other assets and Other liabilities

	30 September 2022	31 December 2021
Other assets		
Accrued interest and commissions due	5,318	3,450
Prepayments, accruals and other amounts due	12,242	18,558
Defined benefit pension plan, net assets	1,849	2,451
Investment property	1,211	2,263
Tangible assets	7,639	8,583
Right of use lease assets	2,803	3,922
Holdings in associates	215	206
Total	**31,276**	**39,433**
Other liabilities		
Sundry creditors	51,011	41,191
Accrued interest and commissions due	7,148	5,845
Defined benefit pension plans, net liabilities	385	441
Other staff commitments	1,624	1,986
Lease liabilities	2,787	3,909
Loan commitments and guarantees etc.	3,105	2,335
Reserves subject to a reimbursement obligation	5	5
Other provisions, including litigations	16,120	557
Total	**82,186**	**56,268**

In the table above showing the composition of Other liabilities, the line item Sundry creditors included provisions for customer remediation of DKK 1,817 million (31 December 2021: DKK 603 million), and provisions for restructuring costs of DKK 268 million (31 December 2021: DKK 327 million). The line item Other provisions, including litigations includes DKK 15.5 billion in relation to the Estonia matter.

The provision for customer remediation (included within Sundry creditors) increased by DKK 1.3 billion during the third quarter of 2022 in relation to the Group's debt collection customers in Denmark. DKK 0.6 billion of the increase relates to compensation to customers, whilst the remaining DKK 0.7 billion relates to loan impairment charges (which includes part of the compensation to customers). The majority of the provision is expected to be utilised by the end of 2023.

In relation to the Estonia matter, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution with the Danish and the US authorities, at a total of DKK 15.5 billion. This includes the provision of DKK 1.5 billion recognised in the third quarter of 2018 as it is Danske Bank's best assessment that the resolution will include confiscation of no less than DKK 1.5 billion. Therefore, Danske Bank now books an additional provision of DKK 14 billion in the third quarter. Discussions with authorities are ongoing and there is still uncertainty that a resolution will be reached, but Danske Bank is working towards a coordinated resolution before year end, however, the final timing is not within Danske Bank's control.

Notes – Danske Bank Group

G9. Foreign currency translation reserve

The Group has granted loans to its branches in Sweden, Norway and Finland in the currency of the foreign unit for a total of DKK 34,786 million (31 December 2021: DKK 35,698 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 position 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. With effect from 1 January 2021, the Group's net investment in its subsidiaries Danske Hypotek AB (Sweden) and Danske Mortgage Bank Plc (Finland) has been included in the structural FX hedge position to extend the hedge to the risk exposure amount measured by currency for EUR, NOK and SEK across the entire Group balance sheet, although with constraints to the size of the loans to the foreign branches and the net investments in the foreign subsidiaries. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decreases the hedge of the currency risk on the net investments in those units. As at 30 September 2022, the structural FX hedge position totalled DKK 41,648 million (31 December 2021: DKK 39,749 million) and a loss of DKK 1,771 million has been recognised in Other comprehensive income during the first nine months of 2022, primarily due to a depreciation of both NOK and SEK against DKK throughout the first nine month of 2022. During the first nine months of 2021, a gain of DKK 245 million related to the structural FX hedge position was recognised in Other comprehensive income mainly due to a strengthening of NOK against DKK throughout the first nine month of 2021.

G10. Guarantees, commitments and contingent liabilities

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

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

(a) Guarantees (DKK millions)	30 September 2022	31 December 2021
Financial guarantees	6,480	6,267
Other guarantees	73,005	74,733
Total	**79,485**	**81,000**

(b) Commitments (DKK millions)	30 September 2022	31 December 2021
Loan commitments shorter than 1 year	211,165	271,862
Loan commitments longer than 1 year	215,659	205,503
Other unutilised commitments	15,386	16,183
Total	**442,210**	**493,549**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 196 billion (31 December 2021: DKK 194 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 Special Crime Unit ("SCU") (formerly the Danish State Prosecutor for Serious Economic and International Crime) 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, SCU added violation of Section 71 of the Danish Financial Business Act for governance and control failures in the period from 1 February 2006 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.

Notes – Danske Bank Group

G10. Guarantees, commitments and contingent liabilities continued

The Bank is reporting to, responding to and cooperating with various authorities, including SCU, 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 that the Bank had planned to complete during 2020 has been finalised and the Bank has reported the findings to relevant authorities. The Bank continues to fully cooperate and will provide the authorities with further information if and when requested. On 28 April 2022, the bank announced that it had entered into initial discussion with US and Danish Authorities on the resolution of the Estonia matter. On the basis of the current stage of these discussions with the US Department of Justice, the US Securities and Exchange Commission and the Danish Special Crime Unit, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution with these authorities, at a total of DKK 15.5 billion. This includes the provision of DKK 1.5 billion recognised in the third quarter of 2018 as it is Danske Bank's best assessment that the resolution will include confiscation of no less than DKK 1.5 billion. Therefore, Danske Bank now books an additional provision of DKK 14 billion in the third quarter. Discussions with authorities are ongoing and there is still uncertainty that a resolution will be reached, but Danske Bank is working towards a coordinated resolution before year end, however, the final timing is not within Danske Bank's control. Danske Bank will not comment further on the discussions with authorities. The provision is disclosed in note G8.

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, of which now DKK 2.5 billion remains.

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action led by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 21 January 2021, the court dismissed the case because it did not fulfil the criteria for being approved as a class action. The decision to dismiss was confirmed by the Eastern High Court on appeal on 1 April 2022, and permission to appeal was denied on 17 August 2022. In March 2019, October 2019, January 2020, March 2020, September 2020, and February 2021 a total of 320 separate cases were initiated, of which 318 are still ongoing against the Bank with a total claim amount of approximately DKK 7.9 billion. On 27 December 2019 and 4 September 2020, two separate claims were filed by 93 investors against the Bank with a total claim amount of approximately DKK 1.6 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, which was increased to approximately DKK 147 million on 3 January 2022. 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). A total of 198 cases have been referred to the Eastern High Court, while the remaining cases are stayed or pending before the Copenhagen City Court. The Bank is defending 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 billion. The main hearing in the first case was concluded on 11 October 2022, and a decision is expected on the 8 November 2022. In the second case, a hearing on limitation is expected to be scheduled in H1 2023. 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. On 12 November 2021, the Bank received a joinder statement of claim from the claimants requesting that Danske Bank be joined to the case initiated on 20 February 2020 against Thomas F. Borgen. The claim amount is currently limited to DKK 10 million with a reservation to increase this to the full amount of the claim initiated against Thomas F. Borgen on 20 February 2020. The court has stated that the claim against the Bank will continue on a standalone basis before the Copenhagen City Court and has stayed the claim pending resolution of the claims pending before the Eastern High Court.

On 5 August 2021, an action was filed in the United States District Court for the Eastern District of New York by approximately 500 plaintiffs, comprising U.S. military members and U.S. civilians who allegedly were killed or wounded while serving in Afghanistan between 2011 and 2016 and their families, against the Bank and Danske Markets, Inc., as well as various branches of Deutsche Bank and Standard Chartered Bank and two money remitters Placid Express and Wall Street Exchange. Plaintiffs claim that the defendant banks and money remitters allegedly aided and abetted a terrorist syndicate that sponsored violence in Afghanistan, in violation of the Anti-Terrorism Act, through the facilitation of certain transactions that allegedly allowed funds to ultimately be transferred to the terrorist organisations. The complaint seeks unspecified punitive and compensatory damages. On 18 March 2022, the defendants separately filed motions seeking dismissal of this action. Those motions remain pending. The timing of the completion of the lawsuit and the outcome are uncertain.

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 and the Danish Tax Agency on other matters. The Danish Data Protection Agency has filed a criminal complaint against Danske Bank for the violation of the General Data Protection Regulation (GDPR) and recommends that the Danish prosecution service impose a fine of DKK 10 million on Danske Bank. 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 G8.

Notes – Danske Bank Group

G10. Guarantees, commitments and contingent liabilities continued

(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.

With effect from 1 April 2022, Danske Bank A/S is no longer 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 had been jointly and severally liable.

Notes – Danske Bank Group

G11. Assets provided or received as collateral

As at 30 September 2022, the Group had deposited securities (including bonds issued by the Group) worth DKK 46.7 billion as collateral with Danish and international clearing centres and other institutions (31 December 2021: DKK 42.1 billion).

As at 30 September 2022, the Group had provided cash and securities (including bonds issued by the Group) worth DKK 144.1 billion as collateral for derivatives transactions (31 December 2021: DKK 73.2 billion).

As at 30 September 2022, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts and unit-linked investment contracts worth DKK 408.1 billion (31 December 2021: DKK 514.5 billion) as collateral for policyholders' savings of DKK 404.1 billion (31 December 2021: DKK 493.1 billion).

As at 30 September 2022, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 710.7 billion (31 December 2021: DKK 818.9 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 297.0 billion (31 December 2021: DKK 325.1 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'.

	30 September 2022			31 December 2021		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	61,084	61,084	-	29,928	29,928
Trading and investment securities	201,000	79,258	280,257	193,258	70,857	264,115
Loans at fair value	-	706,337	706,337	-	809,872	809,872
Loans at amortised cost	-	331,308	331,308	-	339,183	339,183
Assets under insurance contracts and unit-linked investment contracts	-	335,715	335,715	-	433,672	433,672
Other assets	-	44	44	-	50	50
Total	201,000	1,513,746	1,714,746	193,258	1,683,562	1,876,820
Own issued bonds	33,080	92,453	125,533	32,592	90,192	122,784
Total, including own issued bonds	**234,080**	**1,606,199**	**1,840,278**	**225,850**	**1,773,754**	**1,999,604**

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 201.0 billion as at 30 September 2022 (31 December 2021: DKK 193.3 billion).

As at 30 September 2022, the Group had received securities worth DKK 388.0 billion (31 December 2021: DKK 297.8 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 30 September 2022, the Group had sold securities or provided securities as collateral worth DKK 171.9 billion (31 December 2021: DKK 133.0 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 2021 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

G12. Fair value information for financial instruments

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

	30 September 2022		31 December 2021	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	200,515	-	293,386
Due from credit institutions and central banks	71,681	62,081	39,462	31,694
Trading portfolio assets	784,555	-	509,590	-
Investment securities	148,571	153,763	157,056	146,721
Loans at amortised cost	-	1,120,703	-	1,027,442
Loans at fair value	916,854	-	1,024,461	-
Assets under pooled schemes and unit-linked investment contracts	63,592	-	76,654	-
Assets under insurance contracts	704,380	-	522,184	-
Loans held for sale	-	-	-	4,539
Total	**2,689,634**	**1,537,062**	**2,329,407**	**1,503,781**
Financial liabilities				
Due to credit institutions and central banks	104,512	79,769	84,763	88,213
Trading portfolio liabilities	716,472	-	374,959	-
Deposits	134,013	1,180,023	134,332	1,157,698
Issued bonds at fair value	669,904	-	794,909	-
Issued bonds at amortised cost	-	206,469	-	223,854
Deposits under pooled schemes and unit-linked investment contracts	64,521	-	76,982	-
Liabilities held for sale	-	-	-	6,453
Non-preferred senior bonds	-	107,706	-	107,654
Subordinated debt	-	40,008	-	39,321
Loan commitments and guarantees	-	3,105	-	2,335
Total	**1,689,422**	**1,617,080**	**1,465,945**	**1,625,529**

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 2021 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 2021 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. The carrying amount of investment securities as at 30 September 2022 is DKK 154 billion compared to the fair value of DKK 140 billion (31 December 2021: DKK 147 billion and 146 billion respectively). The carrying amount of subordinated debt is DKK 40 billion compared to the fair value of DKK 37 billion at 30 September 2022 (31 December 2021: DKK 39 billion and DKK 41 billion respectively). There is no significant difference between the carrying amount and the fair value of all other financial instruments at amortised cost.

Notes – Danske Bank Group

G12. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 September 2022				
Financial assets				
Due from credit institutions and central banks	-	71,681	-	71,681
Derivatives	18,607	523,032	1,867	543,506
Trading portfolio bonds	212,292	22,668	-	234,960
Trading portfolio shares	5,966	-	123	6,089
Investment securities, bonds	121,518	25,138	-	146,656
Investment securities, shares	-	-	1,916	1,916
Loans at fair value	-	916,854	-	916,854
Assets under pooled schemes and unit-linked investment contracts	63,592	-	-	63,592
Assets under insurance contracts, bonds	161,656	15,703	3,331	180,690
Assets under insurance contracts, shares	124,081	5,083	48,923	178,087
Assets under insurance contracts, derivatives	-	344,420	1,183	345,603
Total	**707,711**	**1,924,579**	**57,343**	**2,689,634**
Financial liabilities				
Due to credit institutions and central banks	-	104,512	-	104,512
Derivatives	18,558	524,210	1,765	544,533
Obligations to repurchase securities	169,128	2,784	27	171,939
Deposits	-	134,013	-	134,013
Issued bonds at fair value	669,904	-	-	669,904
Deposits under pooled schemes and unit-linked investment contracts	-	64,521	-	64,521
Total	**857,590**	**830,040**	**1,792**	**1,689,422**

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2021				
Financial assets				
Due from credit institutions and central banks	-	39,462	-	39,462
Derivatives	3,925	254,193	2,106	260,224
Trading portfolio bonds	226,350	10,933	-	237,283
Trading portfolio shares	11,977	-	106	12,083
Investment securities, bonds	132,415	23,411	-	155,826
Investment securities, shares	-	-	1,230	1,230
Loans at fair value	-	1,024,461	-	1,024,461
Assets under pooled schemes and unit-linked investment contracts	76,654	-	-	76,654
Assets under insurance contracts, bonds	176,479	23,610	5,300	205,389
Assets under insurance contracts, shares	156,574	4,998	45,353	206,925
Assets under insurance contracts, derivatives	-	107,636	2,234	109,870
Total	**784,374**	**1,488,704**	**56,329**	**2,329,407**
Financial liabilities				
Due to credit institutions and central banks	-	84,763	-	84,763
Derivatives	3,929	236,240	1,835	242,004
Obligations to repurchase securities	130,396	2,443	116	132,955
Deposits	-	134,332	-	134,332
Issued bonds at fair value	794,909	-	-	794,909
Deposits under pooled schemes and unit-linked investment contracts	-	76,982	-	76,982
Total	**929,234**	**534,760**	**1,951**	**1,465,945**

Notes – Danske Bank Group

G12. 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
30 September 2022					
Unlisted shares					
allocated to insurance contract policyholders	48,923	-	-	6,688	1,344
other	2,012	201	201	18	-20
Illiquid bonds	3,331	73	73	-116	-135
Derivatives, net fair value	1,284	-	-	-	176
31 December 2021					
Unlisted shares					
allocated to insurance contract policyholders	45,353	-	-	3,950	7,802
other	1,220	122	122	125	-12
Illiquid bonds	5,300	101	101	120	117
Derivatives, net fair value	2,504	-	-	-	-909

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 nine month period ended 30 September 2022 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	30 September 2022			31 December 2021		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	46,573	5,300	2,504	36,028	7,438	3,083
Value adjustment through profit or loss	8,030	-251	176	11,865	237	-909
Acquisitions	20,890	48	-125	9,556	122	-191
Sale and redemption	-24,557	-1,766	-283	-10,611	-2,497	161
Transferred from quoted prices and observable input	-	-	-	-	-	-2
Transferred to quoted prices and observable input	-	-	-988	-265	-	363
Fair value end of period	**50,936**	**3,331**	**1,284**	**46,573**	**5,300**	**2,504**

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

G13. Group holdings and undertakings

(a) Disposal of MobilePay A/S in exchange for an interest in Vipps AS

In June 2021, Danske Bank entered into an agreement with OP Financial Group in Finland and the consortium of banks behind Vipps in Norway to merge the three mobile payment providers MobilePay, Vipps and Pivo into one comprehensive digital wallet serving 11 million users and over 400,000 shops and webshops.

Following dialogue with the EU's Directorate-General for Competition, it has been decided that OP Financial Group (in Finland) will no longer be a co-owner, and hence Pivo will not be part of the merger.

In October 2022, the agreement between Danske Bank and the consortium of banks behind Vipps to merge MobilePay and Vipps has been approved by all relevant authorities, including the EU Commission. The parties expect to complete the transaction during the fourth quarter of 2022. The transaction will result in a one-off gain of around DKK 400 million for Danske Bank. After the merger, Danske Bank will own 27.8% of the new parent company, Vipps AS.

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2021 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions)		Lending activities				
30 September 2022	Total	Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	194.3	194.3	-	-	-	-
Due from credit institutions and central banks	133.8	62.1	-	71.7	-	-
Trading portfolio assets	784.6	-	-	543.5	241.0	-
Investment securities	302.3	-	-	-	302.3	-
Loans at amortised cost	1,120.7	1,119.5	1.2	-	-	-
Loans at fair value	916.9	706.3	-	210.5	-	-
Assets under pooled schemes and unit-linked investment contracts	63.6	-	-	-	-	63.6
Assets under insurance contracts	745.7	-	-	-	-	745.7
Off-balance-sheet items						
Guarantees	79.5	79.5	-	-	-	-
Loan commitments shorter than 1 year	211.2	209.8	1.3	-	-	-
Loan commitments longer than 1 year	215.7	215.7	-	-	-	-
Other unutilised commitments	15.4	-	-	-	0.1	15.3
Total	**4,783.5**	**2,587.2**	**2.5**	**825.7**	**543.5**	**824.6**
31 December 2021						
Balance sheet items						
Demand deposits with central banks	286.6	286.6	-	-	-	-
Due from credit institutions and central banks	71.2	31.7	-	39.5	-	-
Trading portfolio assets	509.6	-	-	260.2	249.4	-
Investment securities	303.8	-	-	-	303.8	-
Loans at amortised cost	1,027.4	1,026.1	1.3	-	-	-
Loans at fair value	1,024.5	809.9	-	214.6	-	-
Assets under pooled schemes and unit-linked investment contracts	76.7	-	-	-	-	76.7
Assets under insurance contracts	547.8	-	-	-	-	547.8
Assets held for sale	28.5	4.5	-	-	-	24.0
Off-balance-sheet items						
Guarantees	81.0	81.0	-	-	-	-
Loan commitments shorter than 1 year	271.9	270.3	1.6	-	-	-
Loan commitments longer than 1 year	205.5	205.5	-	-	-	-
Other unutilised commitments	16.2	-	-	-	0.1	16.0
Total	**4,450.5**	**2,715.6**	**2.9**	**514.3**	**553.3**	**664.5**

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 196 billion at 30 September 2022 (31 December 2021: DKK 194 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

The Group's direct exposure to Russia and Ukraine amounted to less than DKK 0.1 billion at 30 September 2022.

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.

The Group implemented a new Definition of Default in January 2022 in order to align the existing definition of default for accounting purposes with the regulatory definition. According to the new definition of default, all exposures in stage 3 are considered default. As a result, all non-performing loans are now considered default, and hence equal to the total of stage 3 exposures.

Although Stage 3 and default (rating 11) are generally aligned, a small amount of credit exposure in stage 3 can be found outside default. This is due to impairment staging being updated monthly (after each month-end), whereas default is updated daily. For the same reason, some credit exposure in default is outside stage 3. For most industries the exposure in stage 2 has increased since the end of 2021. This is mainly driven by (forward-looking) post-model adjustments related to global tensions etc. and does not reflect a weakening in credit quality measured by e.g. customer classification.

For further details about the Group's credit risk management and the use of information on expected credit losses for risk management purposes, see Risk Management 2021.

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 162 in Annual Report 2021.

30 September 2022 (DKK billions)	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	160.9	0.1	-	-	-	-	160.9	0.1	-	145.0	-	-
2	0.01	0.03	266.3	0.2	-	-	-	-	266.3	0.2	-	150.0	0.1	-
3	0.03	0.06	567.3	1.0	-	0.1	-	-	567.2	1.0	-	289.1	0.5	-
4	0.06	0.14	620.4	1.6	-	0.3	-	-	620.1	1.6	-	289.5	0.5	-
5	0.14	0.31	482.5	8.7	-	0.5	0.1	-	482.1	8.6	-	173.8	5.1	-
6	0.31	0.63	240.8	33.5	-	0.5	0.6	-	240.3	32.8	-	80.1	15.5	-
7	0.63	1.90	81.9	51.1	0.2	1.0	2.2	-	81.0	48.9	0.2	25.6	18.7	0.2
8	1.90	7.98	9.4	29.6	-	0.5	2.5	-	8.9	27.1	-	2.3	4.8	-
9	7.98	25.70	0.9	3.6	-	-	1.0	-	0.9	2.6	-	-	-	-
10	25.70	99.99	0.4	12.0	1.3	-	0.7	0.2	0.4	11.3	1.0	0.1	2.1	0.7
11 (default)	100.00	100.00	0.2	0.5	31.7	0.2	-	8.5	-	0.5	23.2	-	0.2	2.5
Total			**2,430.9**	**141.7**	**33.4**	**3.0**	**7.1**	**8.7**	**2,427.9**	**134.6**	**24.7**	**1,155.5**	**47.5**	**3.4**

31 December 2021 (DKK billions)	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	264.7	0.1	-	-	-	-	264.7	0.1	-	245.1	-	-
2	0.01	0.03	207.3	0.6	0.4	-	-	-	207.3	0.6	0.4	80.6	0.2	-
3	0.03	0.06	570.6	1.9	1.5	0.1	-	-	570.6	1.9	1.4	264.9	0.9	-
4	0.06	0.14	637.2	2.5	2.3	0.1	-	-	637.0	2.5	2.2	287.3	0.8	0.1
5	0.14	0.31	485.0	4.0	2.1	0.3	-	-	484.7	4.0	2.1	150.3	0.9	0.1
6	0.31	0.63	275.7	17.1	1.1	0.5	0.2	-	275.1	16.9	1.1	94.6	5.9	-
7	0.63	1.90	103.0	46.6	1.0	0.9	1.4	-	102.1	45.2	1.0	30.1	13.8	-
8	1.90	7.98	16.5	40.0	0.3	0.6	2.9	0.1	16.0	37.1	0.2	3.8	11.0	-
9	7.98	25.70	0.6	5.1	0.1	0.1	1.1	-	0.5	4.0	0.1	0.1	0.5	-
10	25.70	99.99	0.4	12.6	22.5	-	1.2	4.9	0.4	11.4	17.7	0.1	3.4	3.0
11 (default)	100.00	100.00	-	0.2	14.6	0.1	-	7.3	0.1	0.2	7.3	0.1	-	0.2
Total			**2,560.9**	**130.6**	**46.0**	**2.7**	**6.8**	**12.4**	**2,558.2**	**123.8**	**33.6**	**1,156.8**	**37.5**	**3.5**

Exposures, expected credit losses and collateral in default have increased compared to the end of 2021 due to the implementation of the new definition of default in January 2022. At the same time, stage 3 decreased primarily due to 1) final adjustments of staging during the implementation of new definition of default that is now aligned to European Banking Authority requirements and 2) write-offs. The stage 3 coverage ratio is 72% (31 December 2021: 78%).

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.

30 September 2022	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	265.7	1.3	-	-	-	-	265.7	1.3	-	263.1	-	-
Financials	150.9	3.3	0.4	0.1	0.2	0.2	150.8	3.1	0.2	144.4	2.1	0.2
Agriculture	55.4	6.1	3.1	0.3	0.8	0.8	55.1	5.3	2.3	14.3	1.0	0.1
Automotive	27.1	2.2	0.2	-	0.1	0.1	27.1	2.1	0.1	22.0	1.1	-
Capital goods	82.1	8.6	1.3	0.1	0.3	0.6	82.0	8.2	0.7	74.0	6.6	0.3
Commercial property	268.9	23.7	3.7	0.5	1.6	0.8	268.4	22.1	2.9	51.7	3.2	0.3
Construction and building materials	45.1	6.9	1.3	0.1	0.5	0.5	45.0	6.4	0.8	33.7	3.4	0.3
Consumer goods	67.9	7.5	0.9	0.1	0.4	0.3	67.9	7.1	0.6	54.5	4.8	0.2
Hotels, restaurants and leisure	8.0	5.1	1.1	-	0.1	0.3	8.0	5.0	0.8	3.4	0.9	0.2
Metals and mining	14.6	0.6	-	-	-	-	14.6	0.5	-	12.6	0.2	-
Other commercials	17.3	0.9	0.2	0.2	-	-	17.0	0.9	0.2	13.6	0.2	-
Pharma and medical devices	44.7	3.2	-	-	0.1	-	44.7	3.1	-	42.1	2.9	-
Private housing co-ops and non-profit associations	184.7	3.9	0.6	0.1	0.1	0.1	184.6	3.8	0.5	29.0	0.5	-
Pulp, paper and chemicals	56.6	4.5	0.2	-	0.1	0.1	56.6	4.4	0.1	45.7	3.1	-
Retailing	31.1	2.4	1.8	0.1	0.1	0.5	31.0	2.2	1.2	20.4	1.2	0.6
Services	58.1	5.8	0.7	0.3	0.2	0.3	57.8	5.6	0.4	48.4	4.0	0.1
Shipping, oil and gas	33.9	0.9	6.4	-	-	1.5	33.9	0.9	4.8	21.9	0.3	0.4
Social services	26.9	0.8	0.7	-	0.1	0.1	26.9	0.7	0.6	13.0	0.3	0.4
Telecom and media	24.3	1.0	0.2	-	-	0.1	24.2	0.9	0.1	22.4	0.7	-
Transportation	13.5	3.1	0.5	-	0.2	0.1	13.5	2.9	0.4	6.2	1.5	0.2
Utilities and infrastructure	90.2	4.0	-	0.1	0.3	-	90.1	3.7	-	71.0	3.2	-
Personal customers	863.9	46.0	10.0	1.0	1.8	2.2	862.9	44.2	7.8	148.2	6.4	-
Total	**2,430.9**	**141.7**	**33.4**	**3.0**	**7.1**	**8.7**	**2,427.9**	**134.6**	**24.7**	**1,155.5**	**47.5**	**3.4**

As at 30 September 2022, oil and gas exposures (within the Shipping, oil and gas industry) represent a gross exposure of DKK 18.8 billion (31 December 2021: DKK 18.3 billion) and expected credit losses of DKK 0.8 billion (31 December 2021: DKK 1.8 billion). Oil and gas exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of September 2022.

Notes – Danske Bank Group

Credit exposure continued

31 December 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	332.8	1.4	-	-	-	-	332.8	1.4	-	330.1	0.1	-
Financials	122.0	2.8	0.4	0.1	0.2	0.2	122.0	2.5	0.2	107.9	1.4	-
Agriculture	57.6	5.6	4.8	0.3	0.9	1.2	57.3	4.7	3.6	12.2	0.8	0.1
Automotive	25.3	1.6	0.3	-	0.1	0.1	25.3	1.5	0.2	19.9	0.7	0.1
Capital goods	71.4	6.9	1.6	-	0.3	0.6	71.3	6.7	1.0	62.6	5.7	0.5
Commercial property	291.2	19.6	5.5	0.5	1.5	1.2	290.7	18.1	4.3	59.3	1.9	0.6
Construction and building materials	46.1	4.5	1.9	-	0.4	0.7	46.1	4.1	1.2	32.8	1.9	0.5
Consumer goods	71.1	4.3	1.0	-	0.3	0.3	71.0	4.0	0.7	53.0	2.6	-
Hotels, restaurants and leisure	8.5	5.4	1.9	-	0.2	0.4	8.5	5.2	1.4	3.0	0.8	0.2
Metals and mining	12.6	0.4	0.1	-	-	-	12.6	0.4	-	10.0	0.1	-
Other commercials	13.3	1.1	0.1	0.2	-	-	13.1	1.1	0.1	9.1	0.2	-
Pharma and medical devices	53.1	5.5	-	-	0.1	-	53.1	5.5	-	50.7	4.5	-
Private housing co-ops and non-profit associations	207.4	4.2	0.9	0.1	0.2	0.2	207.3	4.0	0.7	34.1	0.5	0.1
Pulp, paper and chemicals	39.0	1.5	0.2	-	-	0.1	39.0	1.5	0.1	27.8	0.3	-
Retailing	28.4	1.7	2.4	-	0.1	1.0	28.4	1.6	1.4	18.1	1.0	0.2
Services	57.9	3.3	0.8	0.2	0.2	0.4	57.7	3.2	0.5	46.9	1.9	0.1
Shipping, oil and gas	31.3	3.2	6.6	0.1	0.3	2.4	31.2	2.9	4.2	16.8	1.4	-
Social services	25.5	0.9	1.0	-	0.1	0.3	25.4	0.8	0.7	9.3	0.4	0.4
Telecom and media	22.2	0.5	0.2	-	-	0.1	22.2	0.5	0.1	20.3	0.3	-
Transportation	14.3	2.0	0.5	-	0.2	0.1	14.3	1.8	0.4	6.5	0.8	0.1
Utilities and infrastructure	76.1	4.6	-	-	0.1	-	76.0	4.4	-	56.4	4.2	-
Personal customers	953.9	49.6	15.9	1.1	1.6	3.1	952.8	48.0	12.8	170.1	5.8	0.5
Total	**2,560.9**	**130.6**	**46.0**	**2.7**	**6.8**	**12.4**	**2,558.2**	**123.8**	**33.6**	**1,156.8**	**37.5**	**3.5**

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 2021, a table showing collateral by type (after haircut) is included. The mitigating effect from collateral at the end of September 2022 can be found as the difference between the columns 'Net exposure' and 'Net exposure, ex collateral' and amounted to DKK 1,380.8 billion at 30 September 2022 (31 December 2021: DKK 1,517.8 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 3.3 billion (31 December 2021: DKK 4.9 billion) with the guarantees covering DKK 2.9 billion of the loans (31 December 2021: DKK 4.0 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.

30 September 2022	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 Customers												
Personal Customers Denmark	466.5	27.2	6.3	0.9	1.5	1.3	465.6	25.7	5.0	62.7	4.3	0.1
Personal Customers Nordic	386.6	14.4	3.2	0.2	0.2	0.8	386.4	14.2	2.5	88.7	2.0	-
Total Personal Customers	**853.0**	**41.6**	**9.5**	**1.0**	**1.7**	**2.0**	**852.0**	**39.9**	**7.5**	**151.4**	**6.3**	**0.1**
Business Customers												
Asset Finance	48.4	12.5	1.2	0.1	0.4	0.3	48.4	12.1	0.8	19.0	2.5	-
Business Customers	327.4	44.3	11.8	1.0	3.2	3.6	326.4	41.1	8.2	120.2	14.6	1.7
Commercial Real Estate	286.6	12.0	1.3	0.2	0.5	0.3	286.4	11.5	1.0	49.9	1.9	0.2
Total Business Customers	**662.4**	**68.8**	**14.2**	**1.2**	**4.2**	**4.2**	**661.2**	**64.7**	**10.0**	**189.0**	**19.0**	**1.9**
Large Corporates & Institutions	**652.0**	**25.7**	**8.0**	**0.5**	**1.1**	**2.0**	**651.6**	**24.6**	**5.9**	**588.8**	**21.4**	**1.3**
Northern Ireland	**85.4**	**5.4**	**1.6**	**0.2**	**0.1**	**0.4**	**85.1**	**5.3**	**1.2**	**48.5**	**0.8**	**0.1**
Group Functions	**178.1**	**0.1**	**-**	**-**	**-**	**-**	**178.1**	**0.1**	**-**	**177.7**	**0.1**	**-**
Total	**2,430.9**	**141.7**	**33.4**	**3.0**	**7.1**	**8.7**	**2,427.9**	**134.6**	**24.7**	**1,155.5**	**47.5**	**3.4**

Notes – Danske Bank Group

Credit exposure continued

31 December 2021 (DKK billions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Personal Customers*												
Personal Customers Denmark	532.7	23.4	12.0	0.9	1.2	2.3	531.8	22.2	9.8	63.9	2.3	0.3
Personal Customers Nordic	400.8	20.1	3.2	0.2	0.3	0.7	400.6	19.8	2.6	103.8	2.9	0.2
Personal Customers Other	4.0	0.2	0.1	-	-	-	4.0	0.2	0.1	0.9	0.1	-
Total Personal Customers	**937.5**	**43.7**	**15.3**	**1.1**	**1.5**	**3.0**	**936.4**	**42.2**	**12.5**	**168.6**	**5.3**	**0.5**
Business Customers*												
Asset Finance	48.8	10.7	0.9	0.1	0.4	0.2	48.8	10.3	0.7	17.5	2.0	0.1
Business Customers	349.8	35.5	15.8	0.9	3.5	4.5	348.9	32.0	11.4	122.0	9.7	1.7
Commercial Real Estate	313.8	9.8	1.7	0.1	0.2	0.4	313.7	9.6	1.4	54.4	1.3	0.1
Total Business Customers	**712.4**	**56.0**	**18.4**	**1.1**	**4.0**	**5.0**	**711.4**	**52.0**	**13.4**	**193.9**	**13.0**	**1.9**
Large Corporates & Institutions	**560.5**	**25.4**	**10.1**	**0.3**	**1.1**	**3.8**	**560.2**	**24.2**	**6.3**	**482.2**	**18.4**	**0.9**
Northern Ireland	**93.7**	**5.4**	**2.0**	**0.1**	**0.1**	**0.6**	**93.6**	**5.3**	**1.4**	**55.9**	**0.7**	**0.1**
Group Functions	**256.7**	**0.1**	**-**	**-**	**-**	**-**	**256.7**	**0.1**	**-**	**256.3**	**0.1**	**-**
Total	**2,560.9**	**130.6**	**46.0**	**2.7**	**6.8**	**12.4**	**2,558.2**	**123.8**	**33.6**	**1,156.8**	**37.5**	**3.5**

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

Notes – Danske Bank Group

Credit exposure continued

Exposures subject to forbearance measures

The Group adopts forbearance plans to assist customers in financial difficulty. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and debt forgiveness. Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to retain long -term business relationships during economic downturns if there is a realistic possibility that the customer will be able to meet its obligations again, or are used for minimising losses in the event of default. The Group's forbearance practices are described on page 169 in Annual Report 2021.

During the corona crisis, the Group has granted concessions to assist customers affected by the crisis. At the end of 2021, such concessions represented an increase in gross exposure of DKK 13 billion, of which around DKK 13 billion (net of expected credit losses) was considered forbearance measures. This level have decreased in the first nine months of 2022. The remaining concessions considered forbearance measures relate primarily to Personal customers and Shipping, oil and gas.

Exposures subject to forbearance measures

	30 September 2022		31 December 2021	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active forbearance	2,500	7,856	7,348	7,317
Under probation	9,434	-	13,993	-
Total	11,934	7,856	**21,341**	**7,317**

*These loans are part of the total stage 3 loan amount.

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2021	2,263	7,438	12,853	22,554
Transferred to stage 1 during the period	1,843	-1,604	-239	-
Transferred to stage 2 during the period	-180	649	-469	-
Transferred to stage 3 during the period	-120	-864	984	-
ECL on new assets	646	1,282	1,839	3,767
ECL on assets derecognised	-629	-1,483	-4,377	-6,489
Impact of net remeasurement of ECL (incl. changes in models)	-923	1,172	1,011	1,259
Write-offs debited to the allowance account	-5	-	-	-5
Foreign exchange adjustments	21	54	268	343
Other changes	-182	160	527	505
ECL allowance account as at 31 December 2021	**2,733**	**6,804**	**12,397**	**21,935**
Transferred to stage 1 during the period	1,087	-1,016	-71	-
Transferred to stage 2 during the period	-332	707	-375	-
Transferred to stage 3 during the period	-20	-551	571	-
ECL on new assets	703	1,228	1,511	3,442
ECL on assets derecognised	-646	-1,026	-3,386	-5,058
Impact of net remeasurement of ECL (incl. changes in models)	-512	1,068	755	1,312
Write-offs debited to the allowance account*	-	-2	-2,775	-2,778
Foreign exchange adjustments	-38	-80	65	-53
Other changes	-14	-33	22	-25
ECL allowance account as at 30 September 2022	**2,961**	**7,100**	**8,713**	**18,774**

* Write-offs debited to the allowance account includes DKK 1.0 billion in relation to the Group's debt collection customers.

ECL on assets derecognised relates to, for example, loans that have been modified significantly (e.g. due to restructuring) which have resulted in derecognition of the original loans. The amount reflects normal credit procedures.

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Personal Customers*	Business Customers*	Large Corporates & Institutions	Northern Ireland	Group Functions	Allowance account Total
ECL allowance account as at 1 January 2021	5,814	9,959	5,777	990	15	22,554
ECL on new assets	524	1,768	1,215	259	2	3,767
ECL on assets derecognised	-864	-2,023	-3,333	-266	-3	-6,489
Impact on remeasurement of ECL (incl. change in models)	304	934	152	-135	4	1,259
Write-offs debited to allowance account	-	-	-	-5	-	-5
Foreign currency translation	12	2	257	71	-	343
Other changes	-136	-454	1,159	-63	-1	505
ECL allowance account as at 31 December 2021	**5,654**	**10,186**	**5,227**	**850**	**17**	**21,935**
ECL on new assets	450	1,339	1,608	43	2	3,442
ECL on assets derecognised**	-603	-1,613	-2,734	-104	-4	-5,058
Impact on remeasurement of ECL (incl. change in models)	265	260	660	108	19	1,312
Write-offs debited to allowance account	-928	-434	-1,295	-120	-	-2,778
Foreign currency translation	-27	-131	143	-38	-	-53
Other changes	15	-25	-13	-1	-1	-25
ECL allowance account as at 30 September 2022	**4,827**	**9,582**	**3,595**	**738**	**32**	**18,774**

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

** Write-offs debited to the allowance account includes DKK 1.0 billion in relation to the Group's debt collection customers.

The method used for calculating expected credit losses is described in detail in note G15 of the Annual Report 2021.

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. That is, after the forecast period, the macroeconomic scenarios revert slowly towards a steady state.

The applied scenarios that drive the expected credit loss calculation in the first nine months of 2022 have been updated with the latest macroeconomic data. Compared to the end of 2021, the base and the upside scenarios have been revised to reflect expectations of higher inflation and interest rate hikes fuelled by the war in Ukraine. The scenario weighting remained unchanged from the end of 2021.

The base case scenario is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 30 September 2022, the base case scenario reflects an expectation of higher inflation and interest rates fuelled by the war in Ukraine. This results in a weaker GDP growth due to soaring energy costs, skills shortages and wage pressures that affect consumers and businesses in the Nordic economies. Unemployment rates have been revised downwards, which is reflective of a strong performance of the labour market.

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters. In this scenario, consumers spend a large proportion of the substantial savings accumulated during the pandemic. There is a consumer-led global recovery, and in this scenario there is slightly more support for the housing market. In this scenario, the Central Banks are expected to hike rates earlier as inflation expectations will be higher.

The Group's downside scenario is a severe recession scenario, calibrated to a level of severity resembling the recession in 2008-2009, however with a slightly less steep decline in GDP and other variables reflecting that the economy is no longer on top of the economic cycle. A trigger of the economic setback could be continued macroeconomic worsening and challenges linked to high business costs. This adversely impacts the labour market, results in higher and more persistent unemployment, sending inflation to plummet. This would lead to a severe slowdown in the economies in which the Group is represented.

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.

Notes – Danske Bank Group

Credit exposure continued

30 September 2022	Base-case 2022	Base-case 2023	Base-case 2024	Downside 2022	Downside 2023	Downside 2024	Upside 2022	Upside 2023	Upside 2024
GDP	2.4	1.4	1.5	-3.4	-1.7	0.3	2.9	2.4	1.5
Industrial Production	3.5	2.1	2.1	-5.1	-2.5	0.5	3.9	3.6	1.7
Unemployment	4.5	4.6	4.7	7.3	8.8	9.3	4.5	4.2	4.3
Inflation	5.9	2.7	1.8	-0.3	0.6	0.6	5.7	2.6	2.1
Consumption Expenditure	3.1	2.0	1.8	-3.7	-0.8	-0.1	3.9	2.7	2.0
Property prices - Residential	2.9	-2.7	0.8	-15.1	-10.2	-1.5	3.9	-0.5	2.0
Interest rate - 3 month	1.5	1.9	1.8	-0.2	-0.3	-0.3	1.5	1.9	1.8
Interest rate - 10 year	2.5	2.4	2.3	-0.5	-0.4	0.1	2.5	2.2	2.1

At 31 December 2021, the following base case and downside scenarios were used:

31 December 2021	Base case 2022	Base case 2023	Base case 2024	Downside 2022	Downside 2023	Downside 2024	Upside 2022	Upside 2023	Upside 2024
GDP	3.4	1.9	1.8	-1.5	0.3	0.2	4.5	1.7	1.6
Industrial Production	4.4	2.6	2.6	-2.2	0.5	0.4	5.9	2.4	2.2
Unemployment	5.0	4.9	4.8	9.9	10.4	10.6	4.7	4.6	4.6
Inflation	1.6	1.6	1.6	-0.7	-0.1	0.1	2.3	1.9	1.9
Consumption Expenditure	4.3	2.0	1.8	-0.7	-0.6	-0.2	5.4	1.5	1.6
Property prices - Residential	2.6	2.3	2.4	-8.3	-1.5	-0.3	3.6	3.3	2.4
Interest rate - 3 month	0.2	0.3	0.4	-0.6	-0.6	-0.7	0.3	0.3	0.7
Interest rate - 10 year	0.9	1.1	1.2	-1.1	-0.7	-0.7	1.1	1.5	1.5

The base case scenario enters with a probability of 70% (31 December 2021: 70%), the upside scenario with a probability of 10% (31 December 2021: 10%) and the downside scenario with a probability of 20% (31 December 2021: 20%). On the basis of these assessments, the allowance account as at 30 September 2022 amounted to DKK 18.8 billion (31 December 2021: 21.9 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.6 billion (31 December 2021: 1.7 billion). Compared to the base case scenario, the allowance account would increase DKK 8.2 billion (31 December 2021: 8.5 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 0.3 billion (31 December 2021: 0.2 billion) compared to the base case scenario. 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 30 September 2022, the post-model adjustments amounted to DKK 6.0 billion (31 December 2021: 6.3 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 relating to secondary effects from the war in Ukraine and 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.

Notes – Danske Bank Group

Credit exposure continued

Post-model adjustments by type and mostly impacted industries

(DKK billions)	30 September 2022	31 December 2021*
Coverage of individual industries and types		
Agriculture	0.8	0.9
Commercial Property	1.3	1.5
Construction and building materials	0.4	0.2
Personal customers (including other retail exposures)	1.4	1.7
Others**	2.1	1.1
Coverage of individual industries and types	6.0	5.4
Model changes	-	0.9
Total	**6.0**	**6.3**

* Post-model adjustments for Construction and building materials are now presented separately in 2022 (previously included within Others). In addition, DKK 2.2 billion of process related post-model adjustments as at 31 December 2021 have been redistributed between the individual industries. As such, 2021 post-model adjustments have been restated. There is no change to the total value of post-model adjustments at 31 December 2021.

** No individual industry included in Others exceeds DKK 0.3 billion at 30 September 2022 (31 December 2021: DKK 0.2 billion).

In first nine months of 2022, the total balance of post-model adjustments has been reduced by a net amount of DKK 0.3 billion compared to the end of 2021. A reduction of DKK 0.9 billion was due to a release of the post-model adjustment reserved to cover the model changes for the new Definition of Default that was implemented in January 2022.

The current macroeconomic uncertainties characterised by the supply chain disruptions, labour shortages and rising inflation and energy costs have been exacerbated by the war in Ukraine giving rise to a new set of challenges that affect economic and business activity. In light of these developments, the Group has formulated a new post-model adjustment of DKK 1.5 billion to address the uncertainties presented by the secondary effects from the economic sanctions affecting specific industries such as Utilities, Construction, etc. The post-model adjustment cuts across industries that are sensitive to prices rises on energy, agriculture and metals, which have been assessed for idiosyncratic risks to ensure a prudent coverage of expected credit loss in the Group's portfolios. Likewise, post-model adjustments associated with the property segment (commercial property and retail mortgages) and process related risks have been increased due to higher uncertainty related to inflation and increasing interest rates.

On the other hand, Covid-related uncertainties have been reduced from the end of 2021 and the related post-model adjustments are fully released by September 2022, as the new virus variants has not resulted in prolonged lockdowns.

Notes – Danske Bank Group

Credit exposure from Non-core lending activities

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

30 September 2022	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	14	-	-	-	-	-	14	-	-	-	-	-
Commercial customers	14	-	-	-	-	-	14	-	-	-	-	-
Non-core conduits etc.	2,462	39	66	1	2	37	2,462	37	30	27	6	-
Total	**2,476**	**39**	**67**	**1**	**2**	**37**	**2,475**	**37**	**30**	**27**	**6**	**-**

31 December 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	126	6	14	-	2	14	126	3	-	33	-	-
Personal customers	-	-	6	-	-	6	-	-	-	-	-	-
Commercial customers	121	5	9	-	2	9	120	3	-	27	-	-
Public Institutions	5	-	-	-	-	-	5	-	-	5	-	-
Non-core conduits etc.	2,771	-	817	-	-	795	2,771	-	22	122	-	19
Total	**2,897**	**6**	**831**	**-**	**2**	**809**	**2,897**	**3**	**22**	**154**	**-**	**19**

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

30 September 2022	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	821	-	-	-	-	-	821	-	-	-	-	-
2	0.01	0.03	1,646	-	-	-	-	-	1,646	-	-	27	-	-
3	0.03	0.06	1	-	-	1	-	-	-	-	-	-	-	-
4	0.06	0.14	1	-	-	-	-	-	1	-	-	-	-	-
5	0.14	0.31	1	2	-	-	-	-	1	2	-	-	2	-
6	0.31	0.63	6	-	-	-	-	-	6	-	-	-	-	-
7	0.63	1.90	1	-	-	-	-	-	1	-	-	-	-	-
8	1.90	7.98	-	19	-	-	2	-	-	17	-	-	4	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	18	3	-	-	3	-	18	-	-	-	-
11 (default)	100.00	100.00	-	-	64	-	-	34	-	-	30	-	-	-
Total			**2,476**	**39**	**67**	**1**	**2**	**37**	**2,475**	**37**	**30**	**27**	**6**	**-**

31 December 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	587		-	-	-	-	587	-	-	122	-	-
2	0.01	0.03	1,026	-	2	-	-	-	1,026	-	2	14	-	2
3	0.03	0.06	1,086	-	-	-	-	-	1,085	-	-	3	-	-
4	0.06	0.14	127	-	-	-	-	-	127	-	-	1	-	-
5	0.14	0.31	2	-	-	-	-	-	2	-	-	-	-	-
6	0.31	0.63	48	2	2	-	-	-	48	2	2	-	-	-
7	0.63	1.90	20	-	-	-	-	-	20	-	-	15	-	-
8	1.90	7.98	-	2	-	-	2	-	-	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	-	18	-	-	5	-	-	13	-	-	13
11 (default)	100.00	100.00	1	-	809	-	-	804	1	-	5	-	-	4
Total			**2,897**	**6**	**831**	**-**	**2**	**809**	**2,897**	**3**	**22**	**154**	**-**	**19**

Notes – Danske Bank Group

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 September 2022	31 December 2021
Counterparty credit risk		
Derivatives with positive fair value	543.5	260.2
Reverse transactions and other loans at fair value*	282.2	254.1
Credit exposure from other trading and investment securities		
Bonds	535.4	539.8
Shares	8.0	13.3
Other unutilised commitments**	0.1	0.1
Total	**1,369.2**	**1,067.6**

* 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 282.2 billion (31 December 2021: DKK 252.3 billion), of which DKK 71.7 billion relates to credit institutions and central banks (31 December 2021: DKK 37.7 billion), and other primarily short-term loans of DKK 0.0 billion (31 December 2021: DKK 1.7 billion) related to credit institutions and central banks.

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

Derivatives with positive fair value

(DKK millions)	30 September 2022	31 December 2021
Derivatives with positive fair value before netting	1,358,112	654,261
Netting (under accounting rules)	814,607	394,037
Carrying amount	543,506	260,224
Netting (under capital adequacy rules)	407,688	183,395
Net current exposure	135,818	76,829
Collateral	115,670	59,732
Net amount	**20,148**	**17,098**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	340,286	187,176
Currency contracts	201,931	72,468
Other contracts	1,289	580
Total	**543,506**	**260,224**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30-September-2022							
Held-for-trading (FVPL)	157,973	3,929	15,121	42,792	6,266	8,879	234,960
Managed at fair value (FVPL)	2,975	752	25,473	713	188	1,614	31,715
Held to collect and sell (FVOCI)	13,962	4,177	63,734	7,133	24,944	989	114,941
Held to collect (AMC)	53,288	8,255	85,544	5,699	977	-	153,763
Total	**228,198**	**17,113**	**189,872**	**56,337**	**32,376**	**11,482**	**535,378**
31 December 2021							
Held-for-trading (FVPL)	174,732	3,305	11,113	38,878	3,576	5,679	237,283
Managed at fair value (FVPL)	4,342	921	27,360	819	670	2,417	36,530
Held to collect and sell (FVOCI)	14,620	4,822	69,859	10,116	19,640	239	119,296
Held to collect (AMC)	50,051	5,307	82,903	6,694	1,766	-	146,721
Total	**243,744**	**14,356**	**191,236**	**56,507**	**25,652**	**8,335**	**539,830**

At 30 September 2022, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 180,690 (31 December 2021: DKK 205,389 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2021 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost as at 30 September 2022 and 31 December 2021, see note G12.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30-September-2022							
Denmark	60,806	-	189,872	-	-	2,213	252,891
Sweden	63,745	-	-	56,337	-	3,965	124,047
UK	5,269	144	-	-	2,706	637	8,756
Norway	4,680	-	-	-	28,581	2,008	35,269
USA	18,062	4,444	-	-	-	32	22,538
Spain	3,011	-	-	-	1	-	3,012
France	11,470	18	-	-	145	83	11,716
Luxembourg	-	5,429	-	-	-	68	5,497
Finland	10,351	3,529	-	-	375	1,224	15,479
Ireland	1,751	-	-	-	-	10	1,761
Italy	1,309	-	-	-	-	4	1,313
Portugal	30	-	-	-	-	-	30
Austria	5,288	-	-	-	13	33	5,334
Netherlands	3,797	7	-	-	17	736	4,557
Germany	38,190	-	-	-	293	373	38,855
Belgium	438	2,942	-	-	1	-	3,381
Other	-	600	-	-	246	95	941
Total	**228,198**	**17,113**	**189,872**	**56,337**	**32,376**	**11,482**	**535,378**
31 December 2021							
Denmark	79,233	-	191,236	-	-	2,498	272,967
Sweden	72,787	-	-	56,507	-	2,106	131,400
UK	4,300	-	-	-	2,128	274	6,701
Norway	5,249	-	-	-	21,612	1,737	28,599
USA	16,581	3,628	-	-	-	6	20,215
Spain	2,627	-	-	-	1	-	2,628
France	12,939	15	-	-	159	112	13,226
Luxembourg	-	5,982	-	-	-	66	6,048
Finland	6,684	1,908	-	-	766	760	10,119
Ireland	2,100	-	-	-	3	17	2,120
Italy	2,475	-	-	-	-	4	2,479
Portugal	46	-	-	-	-	-	46
Austria	4,674	-	-	-	-	57	4,731
Netherlands	5,526	6	-	-	27	489	6,047
Germany	27,564	-	-	-	687	38	28,289
Belgium	655	2,265	-	-	1	-	2,921
Other	304	551	-	-	268	168	1,291
Total	**243,744**	**14,356**	**191,236**	**56,507**	**25,652**	**8,335**	**539,830**

The Group has no exposure to government bonds issued by Russia or Ukraine at 30 September 2022.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30-September-2022							
AAA	185,700	14,186	189,021	56,327	32,104	1,283	478,621
AA+	11,024	2,712	-	-	61	47	13,844
AA	21,027	215	-	10	112	1,520	22,883
AA-	5,273	-	-	-	-	20	5,293
A+	813	-	-	-	-	94	907
A	2,738	-	847	-	100	3,188	6,873
A-	-	-	-	-	-	1,195	1,195
BBB+	273	-	-	-	-	1,670	1,943
BBB	246	-	4	-	-	1,851	2,101
BBB-	1,093	-	-	-	-	303	1,396
BB+	-	-	-	-	-	131	131
BB	-	-	-	-	-	108	108
BB-	-	-	-	-	-	4	5
Sub. "investment-grade" or unrated	11	-	-	-	-	69	79
Total	**228,198**	**17,113**	**189,872**	**56,337**	**32,376**	**11,482**	**535,378**
31 December 2021							
AAA	203,216	12,061	190,753	56,491	25,090	334	487,946
AA+	9,186	15	-	-	87	3	9,292
AA	19,022	2,279	-	16	3	1,718	23,038
AA-	4,731	-	-	-	-	87	4,818
A+	304	-	-	-	-	41	345
A	3,263	-	473	-	472	1,641	5,848
A-	-	-	-	-	-	956	956
BBB+	1,465	-	-	-	-	1,005	2,470
BBB	455	-	10	-	-	1,363	1,828
BBB-	2,065	-	-	-	-	415	2,481
BB+	-	-	-	-	-	324	324
BB	-	-	-	-	-	183	183
BB-	-	-	-	-	-	30	30
Sub. "investment-grade" or unrated	36	-	-	-	-	233	269
Total	**243,744**	**14,356**	**191,236**	**56,507**	**25,652**	**8,335**	**539,830**

*Comparative information has been restated as the amounts were exchanged in Annual Report 2021.

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first nine months 2022 of the Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 30 September 2022 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2022 and ending on 30 September 2022. Moreover, in our opinion, the management's report includes a fair view of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 27 October 2022

Executive Leadership Team

Carsten Egeriis
CEO

Magnus Agustsson

Berit Behring

Christian Bornfeld

Karsten Breum

Stephan Engels

Johanna Norberg

Frans Woelders

Board of Directors

Martin Blessing
Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Lars-Erik Brenøe

Jacob Dahl

Raija-Leena Hankonen-Nybom

Bente Avnung Landsnes

Allan Polack

Carol Sergeant

Helle Valentin

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Aleksandras Cicasovas
Elected by the employees

Louise Aggerstrøm Hansen
Elected by the employees

Independent auditors' review report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the consolidated interim financial statements
We have reviewed the consolidated interim financial statements of Danske Bank A/S for the financial period 1 January to 30 September 2022, pp. 33-74 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, for the Group, as well as the consolidated cash flow statement.

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 the 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 the consolidated interim financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements for the financial period 1 January to 30 September 2022 have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies.

Emphasis of matter
We draw attention to note G8 and G10 to the consolidated interim financial statements that includes a description of the estimated provision from the potential coordinated resolution with authorities in US and Denmark and the uncertainty that a resolution will be reached and a description of the contingent liability regarding the uncertainty as to the outcome of the civil claims into the terminated non-resident portfolio at Danske Bank's Estonian Branch.

Our conclusion is not modified in respect of this matter.

Copenhagen, 27 October 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Kasper Bruhn Udam	Jakob Lindberg
State-Authorised	State-Authorised
Public Accountant	Public Accountant
Identification No	Identification No
(MNE) mne29421	(MNE) mne40824

Supplementary information

Financial calendar

2 February 2023	Annual Report 2022
16 March 2023	Annual general meeting
28 April 2023	Interim report – first quarter 2023
21 July 2023	Interim report – first half 2023
27 October 2023	Interim report – first nine months 2023

Contacts

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Danske Capital	danskecapital.com
Danica Pension	danicapension.dk

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