

IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. This notice applies to the base prospectus dated June 12, 2019 (the “**Base Prospectus**”) following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Base Prospectus) and the Dealers (as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DISCUSSED IN THE ATTACHED BASE PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DISCUSSED IN THE ATTACHED BASE PROSPECTUS.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities being offered, prospective investors must be either (1) qualified institutional buyers (“**QIBs**”) (within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act) or (2) non-U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) located outside the United States. The attached Base Prospectus is being provided to you at your request, and by accessing the attached Base Prospectus you shall be deemed to have represented to the Issuer and the Dealers that (1) either (a) you and any customers you represent are QIBs or (b) you and any customers you represent are non-U.S. persons located outside of the United States and any electronic mail address that you have provided and to which the Base Prospectus may have been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia, and (2) you consent to delivery of such Base Prospectus by electronic transmission.

You are reminded that the attached Base Prospectus has been provided to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the attached Base Prospectus to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealer(s) or any affiliate of the Dealer(s) is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Dealer(s) or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Base Prospectus may be distributed in the United Kingdom only to, and is directed at (1) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (2) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on the attached Base Prospectus or any of its contents.

PROFESSIONAL INVESTORS ONLY / NO PRIIPS KID – Manufacturer target market (MiFID II (as defined in the Base Prospectus) product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (“**KID**”) has been prepared as the Notes are not available to retail in EEA (as defined in the Base Prospectus).

The attached Base Prospectus has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Dealers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus provided to you in electronic format and a hard copy version that may be available to you on request from the Dealers.



U.S.\$ 15,000,000,000
U.S. Medium-Term Note Program

Under the U.S. Medium-Term Note Program (the “**Program**”) described in this base prospectus (the “**Base Prospectus**”), Danske Bank A/S (the “**Bank**,” “**Danske Bank**,” the “**Issuer**” and, together with its consolidated subsidiaries, the “**Group**”) may, subject to compliance with all relevant laws, regulations and directives, from time to time issue debt instruments (the “**Notes**”) denominated in any currency agreed by the Issuer and the relevant Dealer(s) (as defined below). The aggregate principal amount of Notes outstanding will not at any time exceed U.S.\$ 15,000,000,000 (or its equivalent in other currencies), subject to any duly authorized increase. The terms of each particular issue of Notes will be established by the Issuer and specified in the relevant Final Terms (as defined below). Under the Program, Notes may be preferred senior notes (“**Preferred Senior Notes**”) or non-preferred senior notes (“**Non-Preferred Senior Notes**”), as indicated in the relevant Final Terms. Any Notes issued under the Program on or after the date of this Base Prospectus are issued subject to the provisions described herein (as such Base Prospectus may be amended or supplemented from time to time).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws and, subject to certain exceptions, may not be offered or sold, directly or indirectly, within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S under the Securities Act (“**Regulation S**”). The Notes may be offered for sale only (i) in the United States, to qualified institutional buyers (“**QIBs**”) within the meaning of, and in reliance on, Rule 144A under the Securities Act (“**Rule 144A**”) or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States, to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. See “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

The Notes may be issued on a continuing basis to one or more of the Dealers specified herein and any additional Dealers appointed under the Program from time to time, which appointment may be for a specific issue or on an ongoing basis (each a “**Dealer**” and, together, the “**Dealers**”). References in this Base Prospectus to the “**relevant Dealer**” shall, in relation to any issue of Notes, be to the Dealer agreeing to subscribe for such Notes or, in the case of each issue of Notes syndicated amongst a group of Dealers, the lead manager of such issue.

This Base Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, “**MiFID II**”) and/or which are to be offered to the public in any Member State of the European Economic Area (the “**EEA**,” and each, a “**Member State**”). This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and has been prepared for the purpose of giving information with regard to the issue of Notes under the Program during the period of twelve months from the date of its publication.

Application has been made to The Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for Notes issued under the Program to be admitted to the Official List (the “**Official List**”) of Euronext Dublin and trading on its regulated market. References in this Base Prospectus to Notes being “**listed**” (and all related references) on Euronext Dublin shall mean that such Notes have been admitted to the Official List of Euronext Dublin and to trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. However, Notes may also be issued under the Program on an unlisted basis or be admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation by other stock exchanges, listing authorities and/or quotation systems, and the Final Terms applicable to a Series (as defined below) of Notes will specify whether or not the Notes of such Series have been admitted to trading on the regulated market of Euronext Dublin or are unlisted or are admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.

See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

EACH INITIAL AND SUBSEQUENT PURCHASER OF NOTES OFFERED HEREBY IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF SUCH NOTES AND MAY IN CERTAIN CASES BE REQUIRED TO PROVIDE CONFIRMATION OF COMPLIANCE WITH SUCH RESALE OR OTHER TRANSFER RESTRICTIONS. SEE “*TRANSFER AND TRANSFER RESTRICTIONS*.”

In addition, prospective investors are referred to “*Important Information—MiFID II Product Governance/Target Market*” and “*Important Information—PRIIPs / IMPORTANT—EEA Retail Investors*.”

Arranger for the Program

BofA Merrill Lynch

Dealers

BNP PARIBAS

BofA Merrill Lynch

Citigroup

Credit Suisse

Danske Bank

Goldman Sachs & Co. LLC

HSBC

J.P. Morgan

Morgan Stanley

UBS Investment Bank

Wells Fargo Securities

The date of this Base Prospectus is June 12, 2019.

IMPORTANT INFORMATION

The Bank accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche (as defined below) of Notes issued under the Program. To the best of the knowledge of the Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. References herein to this “**Base Prospectus**” are to this document, as supplemented from time to time including the documents incorporated by reference into this Base Prospectus.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Dealers or any of their affiliates as to the accuracy or completeness of the information contained or incorporated by reference into this Base Prospectus or any information provided by the Bank in connection with the Program. No Arranger or Dealer or any of their affiliates accepts any liability in relation to the information contained or incorporated by reference into this Base Prospectus or any other information provided by the Bank in connection with the Program.

The Bank has not authorized any person to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank or any of the Arranger or the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Program or the Notes should be considered as a recommendation by the Bank or the Dealers or any of their affiliates that any recipient of this Base Prospectus or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the Bank’s financial condition and affairs, and its own appraisal of the Bank’s creditworthiness. Neither this Base Prospectus nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on the Bank’s behalf or by or on behalf of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the Bank’s financial condition or affairs during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, among other things, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws. Unless otherwise specified in any supplement to this Base Prospectus, each Tranche of Notes is initially being privately placed exclusively to persons reasonably believed by the Dealers to be QIBs within the meaning of Rule 144A or in other transactions exempt from the registration requirements of the Securities Act, including in accordance with Regulation S.

Notes offered in the United States to QIBs in reliance on Rule 144A will be represented by one or more “**Rule 144A Global Notes**” and Notes offered outside the United States in reliance on Regulation S will be represented by one or more “**Regulation S Global Notes**” (together with the Rule 144A Global Notes, the “**Global Notes**”). After their initial private placement, Notes represented by Rule 144A Global Notes may be resold to QIBs in transactions satisfying the requirements of Rule 144A or in transactions exempt from the registration requirements of the Securities Act, including in accordance with Regulation S. For a description of certain restrictions on resale or transfer of the Rule 144A Global Notes, see “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

Neither this Base Prospectus nor any Final Terms constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Bank, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Arranger or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. This Base Prospectus may only be used for the purposes for which it has been published. Persons into whose possession this Base Prospectus or the Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In

particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, see “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

The rating of certain Series of Notes to be issued under the Program may be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Series of Notes will be issued by a credit rating agency established in the European Union (the “EU”) and registered under Regulation (EC) No. 1060/2009, as amended (the “**CRA Regulation**”) will be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the EU before June 7, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A list of registered credit rating agencies is available on the European Securities and Markets Authority (“ESMA”) website at www.esma.europa.eu/supervision/credit-rating-agencies/risk (list last updated on March 18, 2019).

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”). If any such reference rate does constitute such a benchmark, the relevant Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilizing manager(s) (the “**Stabilizing Manager(s)**”) (or any person acting on behalf of any Stabilizing Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws, regulations and rules.

MiFID II Product Governance/Target Market – The relevant Final Terms in respect of any Notes will include a legend titled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purposes of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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OVERVIEW

The following overview should be read as an introduction to, in conjunction with, and is qualified in its entirety by, the more detailed information that appears elsewhere in this Base Prospectus, including the Group's consolidated financial statements incorporated by reference into this Base Prospectus. See "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Notes. Any decision to invest in the Notes should be based on the consideration of this Base Prospectus as a whole together with the relevant Final Terms. Certain terms used in this overview are defined elsewhere in this Base Prospectus, including under "Terms and Conditions of the Notes."

Business Overview

The Group is the leading financial service provider in Denmark (source: the Danish Financial Supervisory Authority (the "DFSA")) measured by total working capital as at September 30, 2018, and one of the largest in the Nordic region measured by total assets as at March 31, 2019. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Bank is the largest bank in Denmark (source: the DFSA), is one of the larger banks in Finland and Northern Ireland and has challenger positions in Sweden and Norway. As at March 31, 2019, the Group's total assets amounted to DKK 3,715 billion and the Group employed 20,978 full-time equivalent employees. As at the same date, the Group had approximately 3.3 million customers and approximately 2.2 million customers used the Group's online services. The Group had 234 branches as at March 31, 2019.

The Bank is the parent company of the Group. Danske Bank is a Nordic bank with bridges to the world, and its core markets are Denmark, Sweden, Norway and Finland. In these countries, it serves all types of customers, from retail and commercial customers to large corporate and institutional customers. It also operates in Northern Ireland, where it serves both retail and commercial customers. The Group has additional offices in several other European countries including a subsidiary in Luxembourg and branch offices in Poland, Germany and the United Kingdom (the "U.K."), where its main offerings are solutions for Nordic and local businesses as well as private banking clients. The Group also conducts broker-dealer activities in the United States. See "*Recent Developments—Strategic Business Review*" below for an update on the Baltics and Russia.

Group Strategy

On May 2, 2018, the Group began to implement its new strategy called "Nordic Integrator." Integration will be key to realizing the Group's vision of being recognized as the most trusted financial partner. With its new strategy, the Bank is working towards becoming a Nordic Integrator bank, taking an even more active role in making its customers financially confident and contributing to societal growth and stability. The Group wants to become integral to its customers' lives, more closely integrated into the Nordic societies and more integrated internally across its organization.

Recent Developments

Updates Regarding Anti-Money Laundering Investigations Relating to the Bank's Estonian Branch

Certain recent developments relating to the anti-money laundering ("AML") matters at the Bank's Estonian branch and related investigations are discussed under "*Description of the Group—Legal and Arbitration Proceedings.*" See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Group Operates—The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business. The Group is subject to a variety of ongoing investigations and litigation in connection with the AML matters at the Bank's Estonian branch, which could have a material adverse effect on the Bank.*"

Appointment of Chris Vogelzang as the new CEO

On May 10, 2019, the Group announced that it had appointed Chris Vogelzang as the new CEO and a member of the Executive Board from June 1, 2019. Jesper Nielsen, who was the interim CEO from October 1, 2018 to June 1, 2019 continues as Head of Banking DK and member of the Executive Board. See "*Organization and Management—Bank's Executive Board.*"

Sale of Danica Pension Sweden

On December 11, 2018, the Group announced the sale of Danica Pension Försäkringsaktiebolag (publ) (Danica Pension Sweden). The sale was completed on May 2, 2019.

Strategic Business Review

On February 19, 2019, the Bank announced the closing of all of its banking activities in the Baltics and Russia. The Estonian Financial Supervisory Authority ordered on February 19, 2019 the Bank to cease all banking operations in Estonia within eight months. In Latvia, Lithuania and Russia, the Bank's decision to close its operations follows from the Bank's strategy

of focusing on its Nordic core markets. All banking activities in the Baltics and Russia have been transferred to the Non-core unit. The strategic business review resulted in a value adjustment of the Non-core portfolio in the first quarter of 2019.

Overview of Key Risk Factors

An investment in the Notes involves risks. Such risks include, but are not limited to, the risk factors described below and in “*Risk Factors*.” Any of these risks could have a material adverse effect on the Bank’s business, results of operations, financial position or future prospects or the value of the Notes. Additional risks and uncertainties, including those of which the Executive Board is currently unaware or deems immaterial, may also have a material adverse effect on the business, results of operations, financial position or future prospects of the Group or may result in other events that could cause investors to lose all or part of their investment. This Base Prospectus also contains forward-looking statements that are subject to future events, risks and uncertainties. The actual outcome could differ materially from the outcome anticipated in these forward-looking statements as a result of many factors, including but not limited to the risks described below and elsewhere in this Base Prospectus. See “*Important Information for Investors—Special Notice Regarding Forward-looking Statements*.”

Risks related to the markets in which the Group operates include, but are not limited to the following:

- The weak economic recovery or deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group’s business, results of operations and financial position.
- Disruptions and volatility in the global financial markets may adversely impact the Group.
- The Group’s profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates.
- The Group’s financial performance may be adversely affected by the changes in fair value of its holdings of financial instruments and a decline in its net trading income.
- The Group’s financial performance may be adversely affected by material fluctuations in foreign currency exchange rates.
- Being part of the financial services industry, the Group faces substantial competitive pressures.
- Catastrophic events, terrorist attacks, acts of war or hostilities, pandemic diseases and other unpredictable events could have an adverse effect on the Group’s business and results of operations.

Risks related to the Group include, but are not limited to the following:

- The Group has significant customer and counterparty credit risk exposure.
- Deterioration in counterparties’ credit quality may adversely affect the Group’s business, results of operations and financial position; additionally, the Group’s credit risk is concentrated in the Nordic countries, particularly Denmark.
- The Group’s other banking businesses add to the risks of the Group, including counterparty and settlement risks.
- Illiquidity or a decline in the value of the collateral securing the Group’s loans could require the Group to increase its loan impairment charges.
- The Group has acquired significant goodwill through its acquisitions and, as a result of the financial crisis, has made significant goodwill impairment charges and it may be required to further write down its acquisition goodwill.
- Adverse capital and credit market conditions may negatively affect the Group’s ability to access liquidity and capital, as well as its cost of funding and capital.
- The Bank’s funding and competitive position depend on its credit ratings.
- Non-financial risks, including outsourcing partners and suppliers, can potentially result in financial loss as well as harm the Group’s reputation.
- There are risks associated with the Group’s complex information technology (“IT”) systems.
- The Bank’s ownership of the Danica Group exposes the Group to insurance risks.

- The Group may incur further liabilities under its defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations.
- The risk management methods used by the Group may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.
- The Group's loan portfolio may not grow, which could adversely affect net interest income.
- The Group depends on its senior management and employees, and it may have difficulty attracting and retaining qualified professionals.
- The Group's accounting policies and methods are critical to how it reports its results of operations and financial condition. They require management to make estimates about matters that are uncertain.

Risks relating to the legal and regulatory environment in which the Group operates include, but are not limited to the following:

- The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business. The Group is subject to a variety of ongoing investigations and litigation in connection with the AML matters at the Bank's Estonian branch, which could have a material adverse effect on the Bank.
- The Group faces increased capital and liquidity requirements as a result of the Basel III Framework.
- The Bank may be subject to bail-in under the BRRD, and the exercise of any power under the BRRD could have a material adverse effect on Holders.
- The Group will have to pay additional amounts under deposit guarantee schemes or resolution funds.
- Changes in the Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations.

Risks related to the Notes generally include, but are not limited to the following:

- The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks."
- Future discontinuance of certain benchmark rates (for example, LIBOR or EURIBOR) may adversely affect the value of Floating Rate Notes that are linked to or which reference any such benchmark rate.
- The market continues to develop in relation to SOFR as a reference rate.
- The Notes may not be a suitable investment for all investors.
- The Conditions contain provisions that may permit their modification and waiver without the consent of all investors.
- Changes in law could affect the governing law of the Notes.
- Trading in the Notes could be impacted by denominations involving integral multiples.
- The Notes may be subject to optional redemption by the Issuer.
- The Notes may be redeemed prior to maturity for taxation reasons.
- The Notes may be issued at a substantial discount or premium.
- The Notes may be subject to changes in interest rate, which could affect the value of the Notes.
- Holders of the Issuer's covered bonds will have priority over Holders of the Notes upon bankruptcy of the Issuer.
- Credit ratings may not reflect all risks.
- Legal investment considerations may restrict certain investments.
- Exchange rates and exchange controls may affect investments in the Notes.
- Secondary market risk.

- Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act.

Risks related to the structure of a particular issue of Notes include, but are not limited to the following:

- The Non-Preferred Senior Notes rank junior to the Issuer's other unsubordinated creditors.
- Substitution and variation of Non-Preferred Senior Notes without Holder consent.
- There are no events of default and limited enforcement events in relation to Non-Preferred Senior Notes.
- The qualification of the Non-Preferred Senior Notes as "eligible liabilities" is subject to uncertainty.
- No right of set-off or counterclaim.

Summary Consolidated Financial Information and Other Data

The consolidated income statement and balance sheet data presented below have been derived from (i) the unaudited consolidated interim financial statements of the Group as at and for the three months ended March 31, 2019, together with comparative figures as at and for the three months ended March 31, 2018 (the “**Interim Financial Statements**”); (ii) the audited consolidated financial statements of the Group as at and for the year ended December 31, 2018, together with comparative figures as at and for the year ended December 31, 2017 (the “**2018 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group as at and for the year ended December 31, 2017, together with comparative figures as at and for the year ended December 31, 2016 (the “**2017 Financial Statements**,” and together with the 2018 Financial Statements, the “**Full-year Financial Statements**”). The Interim Financial Statements and the Full-year Financial Statements are together referred to in this Base Prospectus as the “**Consolidated Financial Statements**.” The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (the “**IASB**”), as adopted by the EU (“**IFRS**”) and Danish disclosure requirements for listed financial companies, and are incorporated by reference into this Base Prospectus. The consolidated interim financial statements of the Group as at and for the three months ended March 31, 2019 have been reviewed by Deloitte Statsautoriseret Revisionspartnerselskab (“**Deloitte**”) and the consolidated financial statements of the Group as at and for the years ended December 31, 2018 and 2017 have been audited by Deloitte. The reports of Deloitte on the respective consolidated financial statements are incorporated by reference into this Base Prospectus.

The following information is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the tables below deviate from the corresponding figures in the Group’s consolidated financial statements as discussed in more detail under “*Important Information for Investors—Presentation of Financial Information*.” See note 3 to the Interim Financial Statements, notes 1(d), 2(a) and 3 to the 2018 Financial Statements and notes 1(c) and 3 to the 2017 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

The information below should be read together with the Consolidated Financial Statements incorporated by reference into this Base Prospectus and the sections “*Important Information for Investors—Presentation of Financial Information*,” “*Important Information for Investors—Non-IFRS Measures of Financial Performance*” and “*Operating and Financial Review and Prospects*.”

	For the three months ended March 31,		For the year ended December 31,		
	2019	2018 (restated) ⁽¹⁾	2018	2017 (restated) ⁽²⁾	2016 (not restated) ⁽²⁾
(DKK in millions)					
INCOME STATEMENT DATA					
Net interest income*	5,520	5,946	23,571	23,806	22,028
Net fee income*	3,869	3,762	15,402	15,664	14,183
Net trading income*	1,299	1,435	4,676	7,087	8,607
Other income*	115	309	716	1,591	3,140
Total income*	10,802	11,452	44,365	48,149	47,959
Operating expenses*	(6,145)	(5,612)	(25,011)	(22,722)	(22,642)
Profit before loan impairment charges*	4,657	5,841	19,354	25,427	25,317
Loan impairment charges*	(357)	330	650	873	3
Profit before tax, core*	4,300	6,171	20,004	26,300	25,320
Profit before tax, Non-core*	(288)	32	(282)	(12)	37
Profit before tax*	4,012	6,202	19,722	26,288	25,357
Tax*	(1,024)	(1,322)	(4,721) ⁽¹⁾	(5,388)	(5,500)
Net profit for the period*	2,988	4,880	15,001 ⁽¹⁾	20,900	19,858
Attributable to additional tier 1 etc.	194	194	781	786	663

	As at March 31, 2019	As at December 31, (DKK in millions)		
		2018	2017	2016
BALANCE SHEET DATA				
Assets				
Due from credit institutions and central banks*	171,169	169,237	277,631	200,544
Repo loans*	319,906	316,362	228,538	244,474
Loans*	1,793,049	1,769,438	1,723,025	1,689,155
Trading portfolio assets*	468,414	415,811	449,292	509,678
Investment securities	264,909	276,424	324,618	343,337
Assets under insurance contracts	424,824	377,369	296,867	285,398
Total assets in Non-core*	15,319	14,346	4,886	19,039
Other assets*	257,324	239,480	234,672	192,046
Total assets	<u>3,714,914</u>	<u>3,578,467</u>	<u>3,539,528</u>	<u>3,483,670</u>
Liabilities				
Due to credit institutions and central banks*	141,753	148,095	155,528	155,085
Repo deposits*	254,444	262,181	220,371	199,724
Deposits*	909,354	894,495	911,852	859,435
Bonds issued by Realkredit Danmark*	751,185	741,092	758,375	726,732
Other issued bonds*	367,794	330,477	405,080	392,512
Trading portfolio liabilities*	423,324	390,222	400,596	478,301
Liabilities under insurance contracts	458,521	417,279	322,726	314,977
Total liabilities in Non-core*	5,596	4,014	3,094	2,816
Other liabilities*	215,474	204,243	164,531	149,641
Subordinated debt	28,891	23,092	29,120	37,831
Additional tier 1 etc.	14,421	14,300	14,339	14,343
Shareholders' equity	144,156	148,976	153,916	152,272
Total liabilities and equity	<u>3,714,914</u>	<u>3,578,467</u>	<u>3,539,528</u>	<u>3,483,670</u>

	As at and for the three months ended March 31,		As at and for the year ended December 31,		
	2019	2018	2018	2017	2016
				(restated) ⁽²⁾	(not restated) ⁽²⁾
Ratios and Key Figures					
Earnings per share, ⁽³⁾ DKK	3.3	5.3	16.5	22.2	20.2
Return on average shareholders' equity, ⁽⁴⁾ percent	7.7	12.6	9.8	13.6	13.1
Net interest income as percent per annum of loans and deposits ⁽⁵⁾	0.83	0.89	0.88	0.89	0.86
Cost/income ratio, ⁽⁶⁾ percent	56.9	49.0	56.4	47.2	47.2
Total capital ratio, ⁽⁷⁾ percent	21.8	21.4	21.3	22.6	21.8
Common equity tier 1 capital ratio, ⁽⁸⁾ percent	16.7	16.4	17.0	17.6	16.3
Full-time-equivalent staff (end of period)	20,978	19,709	20,683	19,768	19,303

* The tables above are based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk deviate from the corresponding figures in the Consolidated Financial Statements as discussed in more detail under "Important Information for Investors—Presentation of Financial Information." See note 3 to the Interim Financial Statements, notes 1(d), 2(a) and 3 to the 2018 Financial Statements and notes 1(c) and 3 to the 2017 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

- (1) As discussed in more detail under "Important Information for Investors—Presentation of Financial Information—Changes in Accounting Policies, Restatements and Reclassifications of Consolidated Financial Statements—Three Months Ended March 31, 2019," the Group has restated the comparative financial highlights as at and for the three months ended March 31, 2018 and as at and for the year ended December 31, 2018 in the Group's Interim Financial Statements. The above tables reflect the restated figures as at and for the three months ended March 31, 2018, but includes figures as at and for the years ended December 31, 2018, 2017 and 2016 that have not been restated for these changes and, therefore, are not directly comparable in all respects with the information presented as at and for the three months ended March 31, 2019 and 2018. In the Group's Interim Financial Statements, the restated figure for Tax is DKK 4,548 million and DKK 15,174 million for Net profit for the period for the year ended December 31, 2018.
- (2) As discussed in more detail under "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2017," the Group has restated the comparative financial highlights as at and for the year ended December 31, 2017 in the Group's Annual Report 2018. The above tables reflect the restated figures as at and for the year ended December 31, 2017, but includes figures as at and for the year ended December 31, 2016 that have not

been restated and, therefore, are not directly comparable in all respects with the information presented as at and for the years ended December 31, 2018 and 2017.

- (3) Net profit for the period* (annualized for the three months ended March 31, 2019 and 2018) divided by the average number of shares outstanding during the year. Net profit for the period* is stated after the deduction of interest net of tax on equity-accounted additional tier 1 capital.
- (4) Net profit for the period* (annualized for the three months ended March 31, 2019 and 2018) divided by quarterly average shareholders' equity. Net profit for the period* 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 194 million (including tax thereon) for the first three months of 2019, DKK 194 million for the first three months of 2018, DKK 784 million for 2018, DKK 786 million for 2017 and DKK 663 million for 2016, and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests equal to a reduction in the quarterly average of equity of DKK 14,361 million for the first three months of 2019, DKK 14,401 million for the first three months of 2018, DKK 18,396 million for 2018, DKK 17,748 million for 2017 and DKK 15,935 million for 2016.
- (5) Net interest income* divided by the daily average of loans* and deposits*.
- (6) Operating expenses* divided by total income*.
- (7) Total capital divided by the total REA. Calculated in accordance with the CRR (as defined herein), taking transitional rules into account as stipulated by the DFSA.
- (8) Common equity tier 1 capital divided by the total REA. Calculated in accordance with the CRR, taking transitional rules into account as stipulated by the DFSA.

General Description of the Program

This general description of the Program does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Base Prospectus. Terms not defined in this section are defined elsewhere in this Base Prospectus.

Issuer	Danske Bank A/S.
Description	U.S. Medium-Term Note Program.
Program Amount	The aggregate principal amount of Notes outstanding at any time shall not exceed U.S.\$ 15,000,000,000 or the approximate equivalent in another currency calculated as at the issue date of the relevant Notes. The Program size may be increased from time to time without the consent of the holders of the Notes (the “ Holders ”).
Arranger	BofA Securities, Inc.
Dealers	BNP Paribas Securities Corp. BofA Securities, Inc. Citigroup Global Markets Inc. Credit Suisse Securities (USA) LLC Danske Bank A/S Goldman Sachs & Co. LLC HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Morgan Stanley & Co. LLC UBS Securities LLC Wells Fargo Securities, LLC and any other Dealer appointed from time to time by the Issuer either generally in respect of the Program or in relation to a particular Tranche of Notes.
Fiscal Agent	U.S. Bank National Association.
Listing Agent	Matheson.
Currencies	Any currency agreed between the Issuer and the relevant Dealer(s), subject to any applicable legal or regulatory restrictions.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par as specified in the relevant Final Terms.
Form and Denomination of Notes	Notes will be issued only in registered form and in minimum denominations of U.S.\$ 200,000 (or, in the case of Notes not denominated in U.S. dollars, the equivalent thereof in such foreign currency, rounded down to the nearest 100,000 units of such foreign currency, but so that in no event will the minimum denomination be lower than EUR 100,000 or its equivalent at the date of issue of the relevant Notes) and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency) in excess thereof.

Unless otherwise specified in any supplement to this Base Prospectus, Notes offered in the United States to QIBs in reliance on Rule 144A will be represented by one or

more Rule 144A Global Notes and Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes. Copies of the Global Notes will be available for inspection at the specified office of the Fiscal Agent.

Global Notes representing the Notes will be held by or on behalf of The Depository Trust Company (“DTC”) for the benefit of participants in DTC, including Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”).

Status of the Notes The Issuer may issue Preferred Senior Notes or Non-Preferred Senior Notes under the Program, as specified in the relevant Final Terms.

Preferred Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank:

- (i) *pari passu* without any preference among themselves;
- (ii) at least *pari passu* with all other ordinary, unsubordinated and unsecured obligations of the Issuer, present and future, save for certain mandatory exceptions provided by law (including obligations benefitting from a preferred ranking to the Preferred Senior Notes); and
- (iii) senior to any Non-Preferred Senior Liabilities as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer.

Non-Preferred Senior Notes are intended to constitute MREL/TLAC Eligible Liabilities.

Non-Preferred Senior Notes will constitute direct, unconditional and unsecured Non-Preferred Senior Liabilities and will at all times rank:

- (i) *pari passu* without any preference among themselves;
- (ii) *pari passu* with all other Non-Preferred Senior Liabilities, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
- (iii) senior to holders of the Ordinary Shares and any subordinated obligations or instruments that rank or are expressed to rank junior to the Non-Preferred Senior Liabilities, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and
- (iv) junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Non-Preferred Senior Liabilities, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer.

Issuance in Series..... The Notes will be issued in separate series (each, a “Series”) under the Agency Agreement and each Series may comprise one or more tranches of Notes (each, a “Tranche”). The Notes of each Tranche that constitute the same Series will be subject to identical terms, except that the issue date, the issue price or the first payment of interest (if any) may be different in respect of different Tranches of the same Series.

Interest Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the basis of calculating interest may change between the issue date and the maturity date of the relevant Series.

Interest Payments	Interest may be paid monthly, quarterly, semi-annually, annually or at such other intervals as are specified in the relevant Final Terms.
Redemption	The Final Terms will specify the scheduled maturity date for the Notes. The Final Terms will indicate whether Notes may be redeemed early (other than for taxation reasons or following an Event of Default) at the option of the Issuer and/or the Holders on a date or dates specified and at a price or prices and on such terms as are specified in the relevant Final Terms.
Redemption upon the occurrence of a MREL/TLAC Disqualification Event	In the case of Non-Preferred Senior Notes and subject to the provisions of Condition 10.11 (<i>Conditions to Redemption etc. Prior to Maturity Date (if any)</i>), if the MREL/TLAC Disqualification Event Redemption Option is specified in the relevant Final Terms as being applicable, early redemption will be permitted at the option of the Issuer upon the occurrence of a MREL/TLAC Disqualification Event as described in Condition 10.3 (<i>Early Redemption upon the Occurrence of a MREL/TLAC Disqualification Event</i>).
Substitution and variation of Non-Preferred Senior Notes	In the case of Non-Preferred Senior Notes and if the MREL/TLAC Disqualification Event Substitution/Variation Option is specified in the relevant Final Terms as being applicable, if a MREL/TLAC Disqualification Event has occurred and is continuing, or to ensure the effectiveness or enforceability of Condition 25.6 (<i>Acknowledgement of Danish Statutory Loss Absorption Powers</i>), the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Holders, so that they become or remain Qualifying Non-Preferred Senior Notes. See Condition 10.10 (<i>Substitution and Variation of Non-Preferred Senior Notes</i>).
Withholding Taxes	<p>All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in Denmark unless such withholding or deduction is required by law.</p> <p>In the event payments are subject to withholding or deduction of tax, subject to certain exceptions, the Issuer will pay such additional amounts as will result in receipt by Holders of the amount that would have been received in the absence of such withholding or deductions.</p>
Taxation	For certain Danish and U.S. tax considerations, see “ <i>Taxation</i> .”
Events of Default in relation to Preferred Senior Notes	The events or circumstances described in Condition 13 (<i>Events of Default</i>) of the Terms and Conditions of the Notes (the “ Conditions ”) shall be acceleration events in relation to the Notes of any Series of Notes.
Enforcement Events in relation to Non-Preferred Senior Notes	In relation to Non-Preferred Senior Notes, there will be enforcement events relating only to the liquidation or bankruptcy of the Issuer, provided that a Holder may not itself file for the liquidation or bankruptcy of the Issuer.
Negative Pledge	None.
Cross Default	None.
Listing and Admission to Trading	Each Series of Notes may be listed on Euronext Dublin and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer(s) and specified in the relevant Final Terms or may be issued on the basis that a Series of Notes will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

Governing Law	The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law, except for Condition 5 (<i>Status of the Notes</i>), Condition 10.2 (<i>Early Redemption Following a Tax Event</i>), Condition 10.3 (<i>Early Redemption upon the Occurrence of a MREL/TLAC Disqualification Event</i>), Condition 14 (<i>Enforcement Events</i>) and Condition 25.6 (<i>Acknowledgement of Danish Statutory Loss Absorption Powers</i>), which will be governed by, and shall be construed in accordance with, Danish law.
Selling Restrictions	The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the benefit of U.S. persons. In addition, there are certain restrictions on the offer, sale and transfer of the Notes in the EEA (including the U.K.) and such other restrictions as may be required in connection with the offer and sale of a particular Tranche of Notes. See “ <i>Plan of Distribution</i> ” and “ <i>Transfer and Transfer Restrictions</i> .”
Risk Factors	There are certain factors that may affect the Issuer’s ability to fulfill its obligations under the Notes. See “ <i>Risk Factors</i> ” for a discussion of certain factors to be considered in connection with an investment in the Notes.
Ratings.....	<p>The Program has been rated by the following rating agencies: S&P Global Ratings Europe Limited or successors thereto (“S&P”), Fitch Ratings Ltd or successors thereto (“Fitch”) and Moody’s Investors Service (Nordics) AB or successors thereto (“Moody’s”). Up-to-date information should always be sought by direct reference to the relevant rating agency. See also “<i>Operating and Financial Review and Prospects—Credit Ratings</i>” for information on the Issuer’s long-term debt credit ratings.</p> <p>Series of Notes issued under the Program may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Program, and will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the information set out elsewhere in this Base Prospectus, prior to making any investment decision with respect to the Notes. The risks described below could have a material adverse effect on the Bank's business, results of operations, financial position or future prospects, or the value of the Notes. Additional risks and uncertainties, including those of which the Group's management is not currently aware or deems immaterial, may also have an adverse effect on the Group's business, results of operations, financial position or future prospects, or may result in other events that could cause investors to lose all or part of their investment.

This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results of operations of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group, described below and elsewhere in this Base Prospectus. The order in which the following risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects. The risk factors set out below are the ones that the Bank believes are the most significant risks facing the Group.

Risks Related to the Markets in which the Group Operates

The weak economic recovery or deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group's business, results of operations and financial position.

The financial services industry generally prospers in conditions of economic growth, stable geopolitical conditions, capital markets that are transparent, liquid and buoyant, and positive investor sentiment. Each of the Group's operating segments is affected by general economic and geopolitical conditions, which can cause the Group's results of operations and financial position to fluctuate from year to year as well as on a long-term basis. The Group's performance is in particular significantly influenced by the general economic conditions of the countries in which it operates, in particular the Nordic markets (Denmark, Sweden, Norway and Finland) and Northern Ireland. See "*Operating and Financial Review and Prospects—Primary Factors Affecting the Group's Results of Operations—Macroeconomic Environment*" for more details on recent economic developments. As Nordic countries are small, open economies, they are sensitive to disruptions in the global economy or the free flow of goods and services. Accommodating central bank monetary policy and low interest rates have had, and continue to have, an impact on the Group's net interest income, see "*—The Group's profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates*" below. Adverse economic developments have affected and will continue to affect the Group's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Group's customers, particularly its small- and medium-sized enterprise ("*SME*") customers, which, in turn, could further reduce the Group's credit quality (resulting in increased impairment charges) and demand for the Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Group's business, results of operations and financial position, and measures implemented by the Group might not be satisfactory to reduce any credit, market and liquidity risks.

Disruptions and volatility in the global financial markets may adversely impact the Group.

Global financial markets have experienced significant disruptions and volatility in the past, including from August 2007 through the early part of 2009, when the global financial system experienced unprecedented credit and liquidity conditions and disruptions leading to a reduction in liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency in money and capital markets interest rates. Since January 2015, the European Central Bank (the "*ECB*") has maintained a policy of extremely low interest rates in response to low inflation and low inflation expectations. Inflation has increased due to higher food and fuel prices, but core inflation remains below the ECB target. The general theme in 2016 was tighter spreads, interrupted briefly by heightened volatility surrounding the major political events of the year: the U.K. referendum on June 23, 2016 in which a majority voted to leave the EU ("*Brexit*"), the U.S. presidential election and the Italian referendum on constitutional reform. A similar sequence was evident in each instance: spreads widened prior to the results, followed by a tightening, even though the outcomes on each occasion were the opposite of what had been expected and/or considered positive by the markets prior to the results. The ECB's asset purchase program continued to support low yields and tight spreads in the eurozone through 2017 and 2018. The ECB is no longer increasing its asset holdings, but continues to reinvest the principal payments from its assets, and has stated that it will continue to do so for an extended period. The U.S. tax reform, fiscal spending and a strong outlook for the U.S. economy have led the Federal Reserve to hike the policy rates, but long-term bond yields have declined in 2019. In 2018 and 2019, there have been periods of heightened market volatility driven, among other things, by concerns over trade disputes between the United States and China and the related protectionist initiatives that have been introduced, and concerns over the U.S. and global economic outlook. The market conditions have also been, and are likely to continue to be, affected by concerns over increased geopolitical tensions, including those related to the crisis in Eastern Ukraine and the Middle East, tensions on the Korean peninsula and the effects of the recent increase in global oil prices. The global economy also remains sensitive to developments in China, where increasing debt levels give cause for concern.

There can be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain European countries will not lead to new funding uncertainty, resulting in increased volatility and widening of credit spreads. Risks related to the economic development in emerging markets have also had, and may continue to have, a negative impact on global economic activity and the global financial markets. If these conditions continue to persist, or should there be further turbulence in these or other markets, this could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to the Group. Further, any of the foregoing factors could have a material adverse effect on the Group's business, results of operations and financial position.

The Group's profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates.

The Group earns interest from loans and other assets and pays interest to its depositors and other creditors. The Group's results of operations are, therefore, dependent to a great extent on the Group's net interest income. Net interest income represented 51.1 percent of the Group's total income for the first three months of 2019, as compared to 51.9 percent for the first three months of 2018. Net interest income represented 53.1 percent of the Group's total income in 2018, as compared to 49.4 percent in 2017 and 45.9 percent in 2016. The Group's net interest margin, which is the difference between the yield on its interest-bearing assets and the cost of its interest-bearing liabilities, varies according to prevailing interest rates and is a significant factor in determining the profitability of the Group. Net interest margins, particularly deposit margins, tend to be compressed in a low to negative interest rate environment, as discussed in more detail below. Reductions in interest rates, a prolonged period of low interest rates, compression of the interest rate spread, or any sharp or unexpected increase in interest rates may result in a decrease in the amount of net interest income generated by the Group and in its net interest margin, either of which could have a material adverse effect on the Group's business, results of operations and financial position. During the periods under review, margins, especially deposit margins, have been under pressure due to the prolonged negative interest rate environment in Denmark, Finland and Sweden.

Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks in the jurisdictions in which the Group operates. In particular, the effect of the EU's Economic and Monetary Union and the policies of the governments of the four Nordic countries (Denmark, Sweden, Norway and Finland, together the "Nordic countries" or the "Nordic region") in which the Group operates and the U.K. are significant for the Group and are unpredictable in nature. For example, central banks have reduced interest rates to record lows and the interest rates have remained low since 2013, and have even reached negative levels in various jurisdictions. In a low to negative interest rate environment, many deposit rates have been reduced to a level close to or below zero. In Denmark, Danmarks Nationalbank (the "Danish Central Bank") increased the certificate of deposit rate to negative 0.65 percent in the beginning of 2016 up from negative 0.75 percent between February 6, 2015 and January 7, 2016, which was the lowest level historically. As at the date of this Base Prospectus, the Danish Central Bank lending rate is positive at 0.05 percent, despite the negative deposit rate. With deposit rates at levels close to or below zero, it is difficult to compensate for any further decline in interest rates with further reductions in these deposit rates. Consequently, lower interest rates resulting from monetary policy adversely affect the Group's deposit margin with a consequent adverse effect on net interest income. A zero to negative interest rate environment may also adversely affect the Group's yield on excess liquidity placed by it with the central banks and yield on its liquidity bond portfolio and its trading and bond portfolio maintained for client facilitation. The Group's net interest income in 2016 through the first quarter of 2019 was adversely affected by the low to negative interest rate environment and very low deposit margins. The Group cannot predict when these low interest rate policies may be reversed, and it is difficult for the Group to assess the impact that increases in interest rates will have on the Group's business, results of operations and financial position.

The Group's financial performance may be adversely affected by the changes in fair value of its holdings of financial instruments and a decline in its net trading income.

The Group's trading portfolio assets amounted to DKK 468,414 million as at March 31, 2019, DKK 415,811 million as at December 31, 2018, DKK 449,292 million as at December 31, 2017 and DKK 509,678 million as at December 31, 2016. The fair value of financial instruments held by the Group, including bonds (government, corporate and mortgage), equity investments, investments in private equity and hedge funds, commodities and derivatives (including credit derivatives), is sensitive to volatility of and correlations between various market variables, including interest rates, credit spreads, equity prices and foreign exchange rates. If the fair value of the Group's trading portfolio assets were to decline, the Group would be required to record fair value losses. In addition, the fair value of certain financial instruments is determined by using financial models incorporating assumptions, judgments and estimates that are inherently uncertain and may change over time or may ultimately be inaccurate. Moreover, market volatility and illiquidity could make it difficult to value certain of the Group's holdings. Any of these factors could require the Group to recognize fair value losses, which may have a material adverse effect on the Group's business, results of operations and financial position. In addition, because the Group's net trading income depends to a great extent on the performance of financial markets, volatile market conditions could result in a significant decline in the Group's net trading income, or result in a trading loss, which, in turn, could have a material adverse effect on the Group's business, results of operations and financial position.

The Group's financial performance may be adversely affected by material fluctuations in foreign currency exchange rates.

The Group has operations in a number of jurisdictions. As a result, the Group's operations are conducted in many different currencies, all of which must be translated into Danish Kroner at the applicable exchange rates for inclusion in the Group's consolidated financial statements. Because the Group's consolidated financial statements are stated in Danish Kroner, the translation effect of these material foreign currency fluctuations may have an adverse effect on the results of operations and financial position of the Group and may affect the comparability of its results between financial periods. The Group also has liabilities in currencies other than Danish Kroner and trades currencies on behalf of its customers and for its own account, thus maintaining open currency positions. Adverse movements in foreign exchange rates may impact the Group and its customers negatively, particularly with respect to the Group's liabilities denominated in foreign currencies and its customers' open currency positions. Adverse currency movements may also impact the Group's deposit base and certain borrowers and the Group's exposure to its lenders. Accordingly, fluctuations in foreign currency exchange rates, in particular if such fluctuations are unanticipated or sudden, may adversely affect the Group's cash flows as well as its balance sheet positions, and over the long term, its results of operations, and may have a material adverse effect on the Group's business, results of operations, capital ratios and financial position.

The Danish Kroner is pegged to the euro. In 2015, the Danish Kroner faced strong appreciation pressure due to the change in monetary policy in Switzerland and the significant current account surplus in Denmark. To ensure a stable currency, the Danish Central Bank lowered interest rates to below the levels in Europe to reduce appreciation pressure as it defended the peg to the euro. Since spring 2015, the appreciation pressure has eased significantly. As the foreign exchange reserves returned to the same level as at the end of 2014, the Danish Central Bank increased the certificate of deposit rate to negative 0.65 percent from negative 0.75 percent in January 2016. The certificate of deposit rate remains at negative 0.65 percent as at the date of this Base Prospectus. As discussed under "*The Group's profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates*" above, low to negative interest rates can adversely affect the Group. Accordingly, any action taken by the Danish Central Bank in response to the pressure on the Danish Kroner, including further interest rate cuts, could have a material adverse effect on the Group's business, results of operations and financial position.

Being part of the financial services industry, the Group faces substantial competitive pressures.

There is substantial competition in Denmark, the other Nordic countries and the other jurisdictions in which the Group operates for banking services and other products and services that the Group provides. Such competition is strongest in the Group's core geographic markets in Denmark and the other Nordic countries where it faces competition from regional banks and from a number of local banks. In recent years, the Group has lost market share in deposits and lending in certain markets. See "*Description of the Group—Competitive Position and Main Markets*" for more information on the Group's market shares. The Group's banking operations in its other markets also face varying levels of competition. The Group seeks to maintain customer loyalty and retention, which can be influenced by a number of factors, including service levels, the prices and attributes of products and services, financial strength and actions taken by competitors. If the Group is unable to effectively compete through offering attractive and profitable products and service offerings, it may lose market share or incur losses on some or all of its activities.

Competition in the financial services industry is affected by a high level of consolidation, both at national and international levels, in the markets in which the Group operates as well as by the emergence of alternative distribution channels for many of the products offered by the Group. Consumer demand, technological changes disruptive to the established banking industry, regulatory actions and other factors also affect the competition that the Group faces. The failure by the Group to manage these competition risks could have a material adverse effect on the Group's business, results of operations and financial position.

Catastrophic events, terrorist attacks, acts of war or hostilities, pandemic diseases and other unpredictable events could have an adverse effect on the Group's business and results of operations.

Catastrophic events, terrorist attacks, acts of war or hostilities, pandemic diseases and other similar unpredictable events, and responses to those events or acts, may create economic and political uncertainties that could have a negative impact on the economic conditions in the countries where the Group operates and, more specifically, could interrupt the Group's business and result in substantial losses. Such events or acts and losses resulting therefrom are difficult to predict and may relate to property, financial assets, trading positions or key employees. If the Group's business continuity plans do not fully address such events or cannot be implemented under the circumstances, such losses may increase. Unforeseen events can also lead to additional operating costs, such as higher insurance premiums and the implementation of redundant back-up systems. Insurance coverage for certain unforeseeable risks may be unavailable, and thus increase the risk of the Group. The Group's inability to effectively manage these risks could have a material adverse effect on the Group's business, results of operations and financial position.

Risks Related to the Group

The Group has significant customer and counterparty credit risk exposure.

As a large and diverse financial organization, the Group is subject to a broad range of general credit risks. Through its banking operations in Denmark and in certain other jurisdictions, the Group engages in traditional banking businesses, including lending to retail, corporate and institutional customers. These activities expose the Group to credit risk. The Group is also exposed to credit risk with respect to customers and third parties who owe the Group money, securities or other assets and who may not pay or perform their obligations. These customers and third parties include borrowers of loans made to them by the Group, issuers whose securities the Group holds, trading counterparties, counterparties under swap, credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, downturns in the economy or declines in asset values, operational failures or other reasons. For information on the Group's credit exposure, see "*Risk Management—Credit Risk—Credit Exposure*."

Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing and other relationships. Even perceived lack of creditworthiness or questions about a counterparty's solvency may lead to market-wide liquidity problems and losses or defaults by the Group or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges. The Group routinely executes a high volume of transactions with counterparties in the financial services industry and systemic risk could have a material adverse effect on the Group's ability to raise new funding and on its business, results of operations and financial position. Volatility in foreign exchange and fixed income markets could increase counterparty credit risk. Credit risk also includes the risk of losses due to a country's financial difficulties, the imposition of sanctions relating to or affecting a country, political decisions on nationalization and expropriation, or if the country's credit rating is downgraded, or there is an expectation of a potential downgrade.

In addition, the Group is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Group holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the Group's counterparties could also have a material adverse effect on the Group's income and risk weightings applied to the Group's assets, leading to increased capital requirements. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the Group is entitled to receive and the value of pledged assets. The Group may also be unable to realize or liquidate collateral held by it at prices sufficient to recover the full amount of the counterparty exposure.

If any of the events described above materialize, it could have a material adverse effect on the Group's business, results of operations and financial position.

Deterioration in counterparties' credit quality may adversely affect the Group's business, results of operations and financial position; additionally, the Group's credit risk is concentrated in the Nordic countries, particularly Denmark.

The Group is a leading provider of credit to retail, corporate and institutional customers in Denmark and also has significant banking operations in Finland, Norway and Sweden. The Group is exposed to the risk that its borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans, if any, may not be sufficient. The Group's principal credit exposures are to retail and corporate customers, financial institutions and credit institutions. The Group's largest exposure is related to lending to personal customers, which consists to a large extent of mortgage products in the Nordic countries. The main risks in the personal customer portfolio relate to elevated asset prices in growth regions, interest-only loans and short-term adjustable rate mortgages in Denmark.

As this credit risk reflects some concentration, particularly to retail customers through the Group's large mortgage portfolio in Denmark, a major part of which are interest-only mortgages that do not amortize, the Group's financial position will be sensitive to a significant deterioration in credit and general economic conditions in Denmark. The interest-only mortgages will be reset and begin amortizing on the dates specified in the respective mortgage agreements. The Group's risk is particularly related to customers' ability to amortize their mortgages when they reset and when loan-to-value ("LTV") ratios are high, which provides less collateral coverage. As at December 31, 2018, interest-only mortgages with high LTV ratios (higher than 80 percent) that will reset before December 31, 2021 amounted to DKK 1.9 billion. The Group is monitoring rapid asset price appreciation on residential and commercial properties in Copenhagen and growth areas in Norway and Sweden. In Denmark, Sweden and Norway, house prices had been increasing for a long period, especially in the growth regions (Copenhagen and Århus in Denmark, Stockholm in Sweden and Oslo/Akershus in Norway), driven by higher demand and low interest rates. However, initial signs that the housing market is cooling are starting to show in the

growth regions, and house prices in Sweden and Norway decreased in 2017, partially due to macroprudential measures in the two countries. Both have stabilized during 2018, and declines in prices in Denmark have been limited at this point. In general, payment performance remains strong, and the Bank has included a downside on property prices in the calculation of its “IFRS 9 – Financial Instruments” (“IFRS 9”) provisions, as further described below, particularly in Sweden where the Group’s macroeconomists forecast a 5 percent house price decline over the coming year. In the Group’s agricultural portfolio, a combination of poor weather conditions in Denmark and low prices particularly for pork producers led to significant declines in earnings for Danish farmers in 2018. This led to increases in impairments to agricultural customers. Based on significant increases in pork prices in recent weeks, the Group considers its current impairment levels sufficient, despite not yet knowing the full impact on the 2018 accounts of smaller farmers. As at December 31, 2018, the Group’s gross exposure to the agricultural industry amounted to DKK 74.3 billion. Of this gross exposure, 5.0 percent was non-performing with 82.6 percent of the uncollateralized non-performing exposure being covered by the allowance account. Overall, high indebtedness and a very high proportion of variable-rate loans remained major risks in 2018, and the Group focused on reducing its customers’ interest rate sensitivity. The persistently difficult market conditions in the offshore shipping industry continued to affect the portfolio’s credit quality as the restructurings carried out in recent years have proven insufficient given the protracted recovery of investment levels in the industry. Some customers are undergoing second round restructurings, which has led to increased impairment charges against the sector in recent quarters. As at March 31, 2019, the Group’s gross exposure to these oil-related activities (mainly oil services and oil majors, which are included in the shipping, oil and gas portfolio) amounted to DKK 19.3 billion. The Group is also exposed to the economic conditions in its other core Nordic markets, Northern Ireland and the other countries in which it operates. Deterioration in the economic conditions in the Group’s markets, or the failure of large borrowers in these countries to perform their obligations to the Group, could have a material adverse effect on the Group’s business, results of operations and financial position.

The Group records loan impairment charges aimed at covering estimated expected credit losses inherent in its loan portfolio in accordance with IFRS 9. The Group’s loan impairment charges follows the IFRS 9 requirements to segment exposures into stages depending on the development in credit risk since origination. For performing loans in stages 1 and 2, the impairment levels are modelled with a focus on historical loss rates combined with economic scenarios provided by the Group’s macroeconomists, which lead to a forward-looking calculation of the expected credit loss. For exposures in stage 1, the impairment amount equals the expected credit loss over a 12-month horizon. For exposures in stage 2, the impairment amount equals the expected credit loss over the lifetime of the exposure. Staging is primarily driven by changes to the customer’s credit classification, combined with qualitative indicators of a decrease in credit quality, for instance the granting of forbearance measures to the customer. In stage 3, impairment levels are more specific to the individual customers and are based on, among other things, the customer’s likely repayment capacity and the valuation of the underlying assets, as well as numerous other portfolio and case specific assumptions. These internal analyses and assumptions may give rise to inaccurate predictions of credit performance, and the Group may experience unexpected reductions in profitability or increased losses as a result. Due to improving economic conditions and improving credit quality over recent periods, the Group’s loan impairment charges have been declining; however, lower reversals on non-performing loans, increased impairments against agricultural exposures in Denmark and single name exposure at the Corporates & Institutions business unit (“C&I”) during the first quarter of 2019 resulted in an increase in loan impairment charges. The Group’s loan impairment charges amounted to a net charge of DKK 357 million in the first three months of 2019, a net reversal of DKK 650 million in 2018, a net reversal of DKK 873 million in 2017 and a net reversal of DKK 3 million in 2016. There can be no assurance that this level of loan impairment charges will continue in the future, and any significant increase in the size of the Group’s loan impairment charges, or loan losses in excess of the Group’s loan impairment charges, could have a material adverse effect on the Group’s business, results of operations and financial position. See also “—Risks Related to the Markets in which the Group Operates—The weak economic recovery or deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group’s business, results of operations and financial position” above and “—Illiquidity or a decline in the value of the collateral securing the Group’s loans could require the Group to increase its loan impairment charges” below.

The Group’s other banking businesses add to the risks of the Group, including counterparty and settlement risks.

In addition to its traditional banking businesses, the Group conducts investment banking and insurance businesses and holds a large securities portfolio. Such activities expose the Group to risks which, for example, can arise from holding securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Group, extending credit through other arrangements, executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty, or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Adverse changes in the financial condition of the Group’s counterparties or a general deterioration in general economic conditions, or adverse changes to counterparty credit risk arising from systemic risks in the financial system, could affect the recoverability and value of the Group’s assets and require an increase in the level of the Group’s loan and other impairment charges. The Group’s failure to manage these risks could have a material adverse effect on the Group’s business, results of operations and financial position.

Illiquidity or a decline in the value of the collateral securing the Group's loans could require the Group to increase its loan impairment charges.

As at December 31, 2018, the Group held collateral in core activities (after haircuts) amounting to DKK 1,431.6 billion, corresponding to 59.8 percent of the Group's net credit exposure (excluding Non-core). The lending portfolio primarily consists of mortgage loans, with the largest exposure to customers in Denmark. In addition to the Group's mortgage portfolio, other collateral includes equity and debt securities. Downturns in the residential and commercial real estate markets, and, in particular, a correction in the Danish residential real estate market, or a general deterioration of economic conditions in the industries in which the Group's customers operate in Denmark, the other Nordic countries and the other markets in which the Group operates, or in the markets in which the collateral is located, may result in illiquidity and a decline in the value of the collateral securing the Group's loans, including a decline to levels below the outstanding principal balance of those loans. In the case of equity securities collateral, such securities may be unlisted and illiquid and the value of such securities is closely linked to the business performance of the customers. A decline in the value of collateral securing the Group's loans or the inability to obtain additional collateral may, in certain cases, require the Group to reclassify the relevant loans, record loan impairments or increase its reserve requirements.

As at December 31, 2018, the Group's net credit exposure to the residential real estate market in Denmark was DKK 510 billion, corresponding to 21.3 percent of the Group's net credit exposure, and the Group's net credit exposure to the commercial property sector amounted to DKK 300.4 billion, corresponding to 12.6 percent of the Group's net credit exposure. Any future declines in property prices in any of the countries in which the Group offers property financing may lead to loan impairment charges. In addition, a failure to recover the expected value of collateral in the case of foreclosure may also expose the Group to losses.

The illiquidity referred to above or increases in loan impairment charges could have a material adverse effect on the Group's business, results of operations and financial position. See "*Risk Management—Credit Risk*" for a further discussion of the credit risks to which the Group is exposed.

The Group has acquired significant goodwill through its acquisitions and, as a result of the financial crisis, has made significant goodwill impairment charges and it may be required to further write down its acquisition goodwill.

The Group has completed a number of acquisitions that resulted in the Group recording goodwill on its balance sheet. Goodwill is tested for impairment at least once a year which requires that management estimate the future cash flows from acquisitions. A number of factors affect the value of such cash flows, such as discount rates and other conditions which depend, in part, on economic developments, customer behavior and the competitive situation and, if and when events or changes in circumstances indicate impairment, such goodwill must be written down accordingly. The Group did not recognize any goodwill impairment charges in the first three months of 2019, in 2018, in 2017 or in 2016. As at March 31, 2019, the Group's goodwill amounted to DKK 7.8 billion, or 0.2 percent, of the Group's total assets. Should there be additional declines in the value of its acquired businesses, the Group may be required to further impair its current goodwill which, depending on the amount impaired, may have a material adverse effect on the Group's results of operations and financial position.

Adverse capital and credit market conditions may negatively affect the Group's ability to access liquidity and capital, as well as its cost of funding and capital.

Liquidity risk is the risk of losses because funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations. Liquidity risk is inherent in much of the business of the Group and can be heightened by a number of factors, including rising interest rates, which can increase the Group's cost of funding, and reduced access to funding sources, including the capital markets, which could be attributed to market conditions generally or the perception of the Group in the credit markets. The capital and credit markets experience volatility on a recurring basis. In 2018 and continuing until the date of this Base Prospectus, political uncertainty in the EU has had repercussions for financial markets. In particular, Brexit, the extension of the Brexit negotiation period, uncertain political and economic conditions in Italy, political activism in France, leadership changes in Germany, U.S.-China trade war talks and the policies of the U.S. administration have all led to increased uncertainty on the future political direction in the affected countries and resulted in heightened volatility on capital markets. For a discussion of macroeconomic conditions, see "*Risks Related to the Markets in which the Group Operates*" above.

A substantial portion of the Group's funding is derived from deposits and issued bonds. In addition to its core deposit base and investment portfolio, the Group is reliant on a number of funding programs (which include covered bonds) available to it in Europe and the United States. If the short-term funding sources of the Group become volatile or are unavailable, the Group would be required to utilize other, possibly more expensive sources to meet its funding needs, such as collateralized borrowings or asset sales. The availability of financing depends on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, the Bank's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Group's long- or short-term financial prospects. For example, declining residential

property values may have a material adverse effect on the Group's ability to issue covered bonds. If the Group's funding sources were limited or became unavailable or market conditions deteriorated, the Group's ability to raise funding could be adversely affected or such market conditions could result in a significant increase in the Group's cost of funding. If any of these events were to occur they could have a material adverse effect on the Group's business, results of operations and financial position.

The Bank's funding and competitive position depend on its credit ratings.

The Bank's credit ratings are important to its business. As at the date of this Base Prospectus, the Bank's long-term Issuer credit rating is A from S&P, long-term Issuer default rating is A from Fitch, and long-term Issuer rating is A2 from Moody's. For additional information on the Bank's credit ratings, see "*Operating and Financial Review and Prospects—Credit Ratings.*" The Bank's credit ratings are subject to change at any time and its credit ratings could be downgraded as a result of many factors, including the failure of the Bank to successfully implement its strategies, developments with respect to the AML matters at the Bank's Estonian branch or general downgrading of the credit ratings of financial institutions in the Danish banking sector. In addition, the Bank's credit ratings are, pursuant to the current methodologies used by S&P and Moody's, linked to all major markets in which Danske Bank operates (Denmark, Sweden, Norway and Finland). Accordingly, developments in these markets could impact the Bank's credit ratings. Any downgrade of the Bank's credit ratings could adversely affect its liquidity and competitive position, undermine confidence in the Bank, increase its borrowings costs and limit its access to the capital markets or trigger obligations under certain bilateral provisions in some of its trading and collateralized financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with the Bank or require it to post additional collateral. Termination of the Bank's trading and collateralized financing contracts could cause it to sustain losses and may impair its liquidity by requiring the Bank to find other sources of financing or to make significant cash payments or securities movements. A downgrade of the Bank's credit ratings could also lead to a loss of customers and counterparties, which could have a material adverse effect on the Bank's business, results of operations and financial position.

Non-financial risks, including outsourcing partners and suppliers, can potentially result in financial loss as well as harm the Group's reputation.

The Group is exposed to non-financial risks in the form of possible losses resulting from inappropriate or inadequate internal procedures, human or system errors, or external events. Non-financial risks include legal risks and are often associated with one-off events, such as failure to observe business or working procedures, defects or breakdowns of the technical infrastructure, criminal acts, fire and storm damage, and litigation. These events can potentially result in financial loss and harm to the reputation of the Bank, individual Group companies or the Group as a whole.

The nature of the Group's business inherently generates non-financial risks. The Group's business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. Non-financial risks are present in the Group's businesses, through inadequate or defective internal processes (including financial reporting and risk monitoring processes) or from people-related events (including the risk of fraud and other criminal acts carried out against the Group, errors by employees and failure to document transactions properly or obtain proper authorization) or external events (including natural disasters or the failure of external systems). In addition, the Group's failure to identify and deal with conflicts of interest could damage the Group's reputation and negatively affect the willingness of customers to enter into transactions with the Group. The Group also faces the risk that its employees make decisions that are not in compliance with the Group's corporate governance practices, internal guidelines or policy documents or that otherwise conflict with applicable laws and regulations. There can be no assurance that the risk controls, loss mitigation and other internal controls or actions in place within the Group will be effective in identifying and controlling each of the non-financial risks faced by it. Any weakness in these controls or actions could result in a material adverse impact on the Group's business, financial condition, results of operations, liquidity and/or prospects, and could result in reputational damage. Given the Group's high volume of transactions, errors in the recording and processing of transactions may be repeated or compounded before they are discovered and rectified, and there can be no assurance that risk assessments made in advance will adequately predict the occurrence, or estimate the costs, of these errors.

The failure of the Group to manage these risks could have a material adverse effect on the Group's reputation, business, results of operations and financial position.

There are risks associated with the Group's complex IT systems.

Large-scale institutional banking activities, including those conducted by the Group, are increasingly dependent on highly sophisticated IT systems to process and monitor, on a daily basis, a large number of transactions, many of which are complex, across numerous and diverse markets, and in many currencies. The Group's operations rely on the secure processing, storage and transmission of confidential and other information in its IT systems and its IT platform, mainly operated by the Group itself, with support from third-party service providers to a limited degree. Complex IT systems are vulnerable to a number of problems, such as unauthorized access or malicious hacking, computer viruses or other malicious

code and other external attacks or internal breaches that could have a security impact, as well as physical damage to vital IT centers and software or hardware malfunctions.

The threat to the security of the Group's customer information from cyber-attacks continues to increase. Activists, rogue states and cyber-criminals are among those targeting computer systems in general. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attacks, it is possible that future attacks may lead to significant breaches of security. If one or more of such events occur, any one of them potentially could jeopardize the confidential and other information of the Group, any of its clients or its counterparties. The Group may be required to spend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. While the Group maintains insurance covering direct financial losses related to cyber-attacks, the Group may also be subject to litigation and financial losses as well as reputation risks that are either not insured against or not fully covered through any insurance maintained by the Group. Any such events could result in additional costs and material losses to the Group and damage to the reputation of the Group.

In addition, since part of the Group's IT services are outsourced to third-party partners, the Group faces risks relating to the failure of those third parties to fulfill their obligations towards the Group. Any failure or disruption in the Group's IT platform, particularly for retail products and services, or greater-than-expected costs for its IT platform could significantly affect the operations and the quality of customer service of the Group and could have a material adverse effect on the Group's reputation, business, results of operations and financial position. Failure in the mobile payment systems may have a direct impact on retail businesses generally as they rely on the payment infrastructure in a way similar to their reliance on card terminals. Any such failure or disruption could be due to, among others, a spike in transaction volume, deterioration in the quality of IT development, support and operations processes and high turnover of employees, resulting in an inadequate number of personnel to handle the growth and increasing complexity of operations.

Further, if the Group is not successful in implementing new systems, or adapting its current IT platform in line with the expected growth of its business, the Group may not be able to meet the expectations or changing demands of its customers. If the Group fails to effectively implement new IT systems or to adapt to new technological developments, it may incur substantial additional expenses or be unable to compete successfully, which could have a material adverse effect on the Group's reputation, business, results of operations and financial position.

The Bank's ownership of the Danica Group exposes the Group to insurance risks.

The Group operates a life insurance and pensions business through the Danica Group (Danica Pension), which exposes the Group to market risks as well as insurance risks. For additional information on the Group's insurance risks, see "*Risk Management—Insurance Risk*." The insurance activities are reported in the business unit Wealth Management. The most important factor with respect to the conventional life insurance products (Traditionel) is the relationship between Danica Pension's investment securities and its life insurance obligations. Traditionel insurance policies offer guaranteed benefits calculated on the basis of interest rates (technical rates). The guaranteed benefits apply to all future ordinary payments as well as current savings and guarantees under issued policies. Until 1994, the technical rate was 4.5 percent per annum. From 1994 to 1999, the technical rate was 2.5 percent per annum, from 1999 to 2011, Danica Pension offered policies with a maximum technical rate of 1.5 percent per annum, and since 2011, the technical rate of interest has been 0.5 percent per annum. A significant number of policies had a technical rate higher than 0.5 percent as at March 31, 2019.

The policyholders' savings earn an actual rate of interest that is set at the discretion of Danica Pension, which can be changed at any time. In practice, Danica Pension annually grants to its policyholders a bonus interest rate on the policyholders' savings. The difference between the technical rate and the actual interest rate accrued on policyholders' savings is called a "bonus." The actual interest rate paid to policyholders for 2018 was between 1.8 percent and 6.0 percent per annum before tax. Bonus interest rates above or below investment return rates will, respectively, strengthen or weaken the collective bonus potential. If the future expected returns on the investment securities of Danica Pension's customers are inadequate to cover these guaranteed benefit levels, Danica Pension will be required to set aside additional reserves to cover such guarantees. If such reserve strengthening cannot be covered by the bonus potential, the remaining deficit will be provided by funds allocated from shareholders' equity of the relevant entity of the Danica Group, which would negatively affect the Group's equity.

Danica Pension's insurance risk is linked to actual trends in life expectancy, mortality, disability, critical illness and other similar factors. For example, an increase in life expectancy affects the time during which benefits are payable under certain pension plans, whereas trends in mortality and critical illness affect life insurance and disability benefits. Danica Pension undertakes ongoing actuarial assessments, which take into account the factors described above, for the purpose of calculating insurance obligations and relevant reserve adjustments. Such assessments involve estimates and assumptions, which are inherently uncertain, and include Danica Pension's estimates of premiums to be received over the assumed life of the policy, the timing of the event covered by the insurance policy, the amount of benefits or claims to be paid under the policy and the investment returns on the assets purchased with the premiums received.

Only a small portion of Danica Pension's insurance risk is covered by reinsurance arrangements and relates to large individual policy exposures and the risk of losses due to disasters. The inability of Danica Pension to successfully manage these insurance risks could have a material adverse effect on the Group's business, results of operations, capital ratios and financial position.

The Group may incur further liabilities under its defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations.

Pension risk arises because of the Group's liability for defined benefit pension plans for current and former employees. The Group's defined benefit pension obligations consist of pension plans in Northern Ireland, Ireland and Sweden as well as a number of small pension plans in Denmark. All of these plans are closed to new members, and new employees are enrolled in defined contribution or cash balance plans. In addition, the Group has minor defined benefit pension obligations that are recognized directly on the balance sheet and that are not managed by separate pension funds.

The Group's obligation, less the value of plan assets, is recognized as a liability, and the liability and pension expenses are measured actuarially. The net present value of the Group's IFRS aggregate net pension assets amounted to DKK 962 million as at December 31, 2018, DKK 1,204 million as at December 31, 2017 and DKK 545 million as at December 31, 2016.

Additional cash contributions may be required to the pension plans in excess of ordinary contributions, for example, as a result of changes in the underlying assumptions for the calculation of the pension obligations, which may lead to greater than expected estimated future obligations, or as a result of declines in the value of, and return from, the plan assets. If such additional contributions are significant, it could have a material adverse effect on the Group's business, results of operations and financial position.

The risk management methods used by the Group may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.

The Group devotes significant resources to develop risk management policies, procedures and assessment methods for its banking and other businesses. For these purposes, the Group uses a value-at-risk ("VaR") model, back testing, models to calculate the Group's total risk exposure amount ("REA") and stress tests, as well as other risk assessment methods. Nonetheless, the risk management techniques and strategies applied by the Group may not be fully effective in hedging risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the qualitative tools and metrics used by the Group for managing risk are based upon the use of observed historical market behavior as well as future predictions. The Group applies statistical and other tools to these observations and predictions to arrive at quantifications of risk exposures. These tools and metrics may fail to predict or predict incorrectly future risk exposures and the Group's losses could, therefore, be significantly greater than such measures would indicate. In addition, the risk management methods used by the Group do not take all risks into account and could prove insufficient. If prices move in a way that the Group's risk modeling has not anticipated, the Group may experience significant losses. Assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that are calculated by the Group using mathematical models. Monitoring the deterioration of assets like these can be difficult and may lead to losses that the Group has not anticipated. Unanticipated or incorrectly quantified risk exposures could result in material losses in the banking and asset management businesses of the Group.

Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that is publicly available or otherwise accessible. This information may not in all cases be accurate, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and the Group's policies and procedures may not be fully effective.

The inability of the Group to successfully implement and adhere to effective risk management methods, including the inability to accurately assess the credit risk of its customers, could have a material adverse effect on the Group's business, results of operations and financial position.

The Group's loan portfolio may not grow, which could adversely affect net interest income.

The Group's loans increased by 1.3 percent to DKK 1,793,049 million as at March 31, 2019 from DKK 1,769,438 million as at December 31, 2018. The Group's loans increased 2.7 percent to DKK 1,769,438 million as at December 31, 2018 from DKK 1,723,025 million as at December 31, 2017, which, in turn, represented an increase of 2.0 percent from DKK 1,689,155 million as at December 31, 2016. The Group may find it difficult to increase lending volumes to customers that meet its credit quality standards, in part due to the weak economic environment. The inability to find credit-quality customers or continuing weak credit demand may have an impact on the Group's lending. If the Group is unable to grow its loan portfolio in general, the Group may not generate sufficient interest income to offset the continuing low net interest margins or any decline in such net interest margins, which could have a material adverse effect on the Group's business, results of operations and financial position.

The Group depends on its senior management and employees and it may have difficulty attracting and retaining qualified professionals.

The future operating results of the Group depend to a large extent upon the continued contributions of senior management. The Group could be adversely affected if any of its senior managers ceases to actively participate in the management of its business. In addition, the Group depends in large part on its ability to attract, train, retain and motivate highly skilled management and employees. There is, however, significant competition for employees with the level of experience and qualifications in banking that the Group depends upon. In the future, it may be increasingly difficult for the Group to hire and retain qualified personnel.

The Group may lose some of its most talented personnel to competitors, which could adversely affect the business of the Group and prevent it from retaining and attracting customers, managing existing and new legal and regulatory obligations, implementing and monitoring internal financial reporting policies and procedures, or maintaining or improving operational performance.

In order to address above risks, the Group has in 2018 and 2019 intensified and launched initiatives within succession, talent acquisition and workforce planning.

Further, in order to recruit qualified and experienced employees and to minimize the possibility of their departure to other companies, the Group companies provide compensation packages that they believe are consistent with the standards of the labor markets in which the Group operates, and as a result, the Group may incur high operational costs. If the Group cannot attract, train, retain and motivate qualified personnel, it may be unable to compete effectively in the banking industry and the Group's strategies may be limited, which in each case could have a material adverse effect on the Group's business, results of operations and financial position.

The Group's accounting policies and methods are critical to how it reports its results of operations and financial condition. They require management to make estimates about matters that are uncertain.

Accounting policies and methods are fundamental to how the Group records and reports its results of operations and financial condition. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with IFRS. Management has identified certain accounting policies in the notes to its financial statements as being critical because they require management's judgment to ascertain the value of assets and liabilities. See "Operating and Financial Review and Prospects—Significant Accounting Estimates," "Operating and Financial Review and Prospects—Overview of Classification and Measurement Basis for Financial Instruments and Insurance Contracts" and the notes to the Interim Financial Statements and the 2018 Financial Statements incorporated by reference into this Base Prospectus.

The estimates and assumptions that the Group uses in preparing its financial statements are based on premises that management finds reasonable, but that are inherently uncertain and unpredictable. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or reducing a liability. Although the Group has established detailed policies and control procedures that are intended to ensure that these critical accounting estimates and assumptions are well controlled and applied consistently, there can be no assurance that these policies and procedures will always be effective. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Group's estimates and assumptions pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

Risks Relating to the Legal and Regulatory Environments in which the Group Operates

The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business. The Group is subject to a variety of ongoing investigations and litigation in connection with the AML matters at the Bank's Estonian branch, which could have a material adverse effect on the Bank.

The Group is subject to a wide variety of banking, insurance and financial services laws and regulations and faces the risk of significant interventions by a number of regulatory and enforcement authorities in Denmark and in each of the other countries in which the Group does business. As a result, the Group is exposed to many forms of risk (including legal risk) that could have an adverse effect on its business.

Regulation of financial markets and banking has changed substantially as a result of the global financial crisis and the perception that one of the causes of the financial crisis was attributable in part to the failure of regulatory structures. The Group is facing greater regulation in the jurisdictions in which it operates. The Bank is subject to supervision by the DFSA and Danish regulations regarding, among other things, solvency and capital adequacy requirements, including capital ratios and liquidity rules. The Group is also subject to the supervision of local supervisory authorities in other countries in which the Group operates. The Bank and many of the Group companies are also subject to EU regulations with direct applicability,

such as the General Data Protection Regulation (EU) 2016/679 (“**GDPR**”) (effective as of May 25, 2018) requiring businesses to protect the personal data and privacy of EU citizens for transactions that occur within the EU, and EU directives which are implemented through local laws. In addition, the Group is subject to various laws and regulations in relation to manufacturing, distribution and sales of financial products to different investor groups, including the laws and regulations adopted under MiFID II. A failure by the Group to comply with such laws and regulations may result in sanctions and claims for compensation against the Group, which could have a material adverse effect on the Group’s business and its reputation generally.

Compliance with banking regulations has increased the Group’s capital requirements, exposes it to additional costs and liabilities, and may require it to change how it conducts its business, including the reduction of risk and leverage of certain activities, or otherwise have an adverse impact on its business, the products and services it offers and the value of its assets. For examples of recent regulations which have impacted and are expected to continue to impact the Group, see “—*The Group faces increased capital and liquidity requirements as a result of the Basel III Framework*” below. Various aspects of banking regulations are still under debate internationally, including, among other things, proposals to review standardized and internally modelled approaches for capital requirements for credit, market and operational risk (together with a proposed capital floor based on the revised standardized approaches for financial institutions using internal models) as well as proposals to increase a financial institution’s ability to absorb losses in a situation where it is deemed no longer viable. The Bank is also subject to risks as a result of implementation of the European Banking and Capital Markets Union. The Group has entities both within and outside the eurozone. The Group’s operations can also be adversely impacted by changes in tax laws applicable to the Group and this could have a material adverse effect on the Group’s business, results of operations and financial position.

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. As a result, the Group may become involved in various disputes and legal proceedings in Denmark and other jurisdictions, including litigation and regulatory investigations. The Group’s banking and other operations, including its insurance operations, like those of other financial services companies, have been the subject of regulatory scrutiny from time to time. For example, the Group is subject to applicable AML, sanctions, anti-bribery, anti-corruption and terrorist financing laws. The Bank is in continuous dialogues with the supervisory authorities in the markets where the Group is active. For more information on the investigations and proceedings related to the Bank’s Estonian branch, see “—*The Group mandated an investigation into AML matters at the Bank’s Estonian branch, which has found a significant volume of transactions that are expected to be suspicious and critical deficiencies in governance and controls as well as certain employees that failed to fulfill certain legal obligations,*” “—*Assessment by the DFSA of the Bank’s management and governance in relation to the AML case at its Estonian branch*” and “—*There are various investigations and proceedings related to the Bank’s Estonian branch, which may have a material adverse effect on the Bank*” below.

Disputes and legal proceedings generally are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action or adverse judgments in litigation could result in reputational harm, fines, sanctions or restrictions or limitations on the Group’s operations, any of which could result in a material adverse effect on the Group’s financial condition. In addition, any determination by local regulators that the Group has not acted in compliance with applicable local laws in a particular market, or any failure to develop effective working relationships with local regulators, could have a material adverse effect not only on the Group’s businesses in that market but also on its reputation generally.

As an organization consisting of various financial institutions, most operations in the Group are contingent upon licenses issued by financial regulators in the countries in which such financial institutions operate. Violations of rules and regulations, whether intentional or unintentional, may lead to the withdrawal or limitation of the Group’s licenses. Any breach of these or other regulations could adversely affect the Group’s reputation or financial condition.

The Group mandated an investigation into AML matters at the Bank’s Estonian branch, which has found a significant volume of transactions that are expected to be suspicious and critical deficiencies in governance and controls as well as certain employees that failed to fulfill certain legal obligations.

In September 2017, the Group launched an investigation into the Bank’s Estonian branch on the basis of suspicions that the branch was used to launder billions of Danish Kroner (in various currencies including U.S. dollars, euro and other currencies) in the period from 2007 to 2015. The Group had previously concluded that it was not sufficiently effective in preventing the Bank’s Estonian branch from potentially being used for money laundering in the period from 2007 to 2015 and that this was due to critical deficiencies in governance and controls.

In December 2017, the board of directors of the Bank (the “**Board of Directors**”) mandated the law firm Bruun & Hjejle Advokatpartnerselskab (“**Bruun & Hjejle**”) to lead the investigation, which comprises two parts. The “**Portfolio Investigation**” consists of an examination of the customers in the Bank’s Estonian branch’s non-resident portfolio and their payments and other transactions and trading activities. The Portfolio Investigation also included an investigation of possible collusion between customers and employees and agents (*i.e.*, persons receiving commissions for facilitating customers) of the Bank’s Estonian branch. The Portfolio Investigation is ongoing. In addition, further investigations in

relation to sanctions screening and analysis of trading activities are outstanding. Furthermore, the examination of employees and agents, and potential collusion or other wrongdoing, will continue in connection with discussions with relevant authorities. The Bank has also expanded its investigation to assess the extent of any similar activity in Latvia, Lithuania and Russia. The purpose of the investigation is to report any previously unreported suspicious activity to the authorities and understand the historical activity of non-resident customers to further combat financial crime going forward.

The “**Accountability Investigation**” consists of an analysis of the Bank’s own exposure and legal responsibility as an institution, as well as an assessment as to whether individuals in leading positions at Group level, including the members of the Board of Directors and the Bank’s executive board (the “**Executive Board**”), and also in its Estonian branch failed to comply with legal obligations forming part of their employment or position. Bruun & Hjejle noted in its report that the Accountability Investigation has been completed.

On September 19, 2018, the Group announced the findings of the investigation, which have been published in a detailed report by Bruun & Hjejle on the investigation and its principal findings, and are summarized under “*Description of the Group—Legal and Arbitration Proceedings—The Group’s Investigation into the Bank’s Estonian Branch.*” In respect of the investigation of customers of the Bank’s Estonian branch, the investigation found, *inter alia*, that approximately 15,000 customers (comprised of 10,000 belonging to the Bank’s Estonian branch’s non-resident portfolio and 5,000 customers with non-resident characteristics) had carried out a total of approximately 9.5 million payments with a total flow of payments amounting to approximately EUR 200 billion (the majority of the total amounts being in U.S. dollars and euro), in each case in the period 2007 to 2015, and that of the approximately 6,200 customers analyzed when the report was published, the vast majority had been found to be suspicious and almost all of these customers have been reported to the authorities.

As part of the Accountability Investigation, Bruun & Hjejle assessed that a number of former and current employees, both at the Bank’s Estonian branch and at the Group level, had not fulfilled their legal obligations forming part of their employment with the Group. Based on the findings of the investigation, the Group has taken actions in respect of the employees and managers involved in Estonia and Denmark in the form of, among other things, warnings, dismissals, loss of bonus payments and reporting to the authorities. The majority of these employees and managers are no longer employed by the Group. Thomas F. Borgen announced his resignation as the Bank’s chief executive officer (the “**CEO**”) on September 19, 2018 in connection with the Group’s presentation of the findings of the investigation into the Bank’s Estonian branch. On October 1, 2018, the Group announced that Thomas F. Borgen had been relieved of his duties. Further, the Chairman of the Board of Directors and the Chairman of the Audit Committee were replaced in December 2018 and two further members of the Board of Directors stepped down in connection with the 2019 annual General Meeting. As reported by the Bank in September 2018, eight former employees of the Bank’s Estonian branch had been reported to the police, and a further 42 employees and agents had been reported to the Estonian Office of the Prosecutor General (the “**Estonian FIU**”).

In the third quarter of 2018, the Bank recognized a provision of DKK 1.5 billion based on the estimated gross income from its Estonian branch’s non-resident customer portfolio in the period from 2007 to 2015. The amount is based on the Bank’s decision not to benefit financially from suspicious transactions that took place in the Estonian non-resident customer portfolio in the period from 2007 to 2015. The Board of Directors has decided to donate the gross income to an independent foundation that will be set up to support initiatives aimed at combating international financial crime. If any income from the Estonian non-resident customer portfolio becomes subject to confiscation or disgorgement by relevant authorities prior to such donation, the amount confiscated or disgorged will be deducted from the amount to be donated, but orders of confiscation or disgorgement after the donation may not take the donation into account.

Assessment by the DFSA of the Bank’s management and governance in relation to the AML case at its Estonian branch.

On May 3, 2018, the DFSA published a decision document (the “**May Decision Document**”) regarding the Bank’s management and governance in relation to the AML case at its Estonian branch. The assessment related to whether rules relating to management and controls, and other Danish rules, had been complied with and stated that it had uncovered serious weaknesses in the Group’s governance in a number of areas, and contains criticism of the Group’s governance, internal controls and responses. The DFSA did not assess compliance with rules on measures to prevent money laundering (AML measures) as, pursuant to EU regulation, the Estonian Financial Supervision Authority (the “**Estonian FSA**”) supervises compliance by branches in Estonia with such rules. In the May Decision Document, the DFSA issued eight orders and eight reprimands to the Bank, as further discussed under “*Description of the Group—Legal and Arbitration Proceedings—Assessment by the DFSA of the Bank’s Management and Governance in Relation to the AML Case at its Estonian Branch.*” Among other things, the DFSA ordered the Board of Directors and the Executive Board to reassess the Bank’s and the Group’s solvency need in order to ensure an adequate internal capital coverage of compliance and reputational risks as a result of weaknesses in the Group’s governance. The DFSA initially estimated that a Pillar II add-on should amount to at least DKK 5 billion.

As required by the May Decision Document, the Board of Directors and the Executive Board submitted a written report to the DFSA on June 29, 2018 stating how the Group has ensured compliance with the orders. In its decision document dated

October 4, 2018 (the “**October Decision Document**”), the DFSA found that the Bank did not fully comply with its order in the May Decision Document regarding, *inter alia*, satisfactory documentation of the decision-making basis, discussions at meetings and decisions made, and it required the Board of Directors and Executive Board to account for initiatives taken with a view to generally strengthening the Bank’s governance in relation to decision-making processes, including governance at levels below the Board of Directors and the Executive Board. In respect of the other seven orders in the May Decision Document, the DFSA found that the Bank either had complied with the orders by the end of June 2018 or had initiated suitable initiatives to ensure compliance. Furthermore, the DFSA again ordered the Board of Directors to reassess the Bank’s solvency need as it assessed that the Bank’s compliance and reputational risks were higher than prior to the May Decision Document. In the October Decision Document, the DFSA initially estimated that the Group, as an absolute minimum, should increase the Pillar II add-on to a total of DKK 10 billion, or 1.3 percent of REA as at June 30, 2018. The Board of Directors agreed with the DFSA’s order and has, therefore, reassessed and increased the solvency need by an additional DKK 5 billion, such that the total Pillar II add-on for compliance and reputational risk has been increased to DKK 10 billion. The add-on of DKK 10 billion has been met with CET1 capital. The DFSA noted that the October Decision Document does not contain the DFSA’s assessment of the Group’s investigation into the Bank’s Estonian branch, and that the DFSA has initiated an assessment to establish whether the basis underlying the May Decision Document has changed and may warrant new supervisory actions by the DFSA.

There are various investigations and proceedings related to the Bank’s Estonian branch, which may have a material adverse effect on the Bank.

The Bank is in dialogue with various authorities in connection with the AML matters at the Bank’s Estonian branch. This includes investigations by the DFSA and the Estonian FSA as well as the Danish State Prosecutor for Serious Economic and International Crime (the “**SØIK**”) and the Estonian FIU. The Bank has also received an inquiry from the U.S. Securities and Exchange Commission (the “**SEC**”) in relation to the Estonian branch and requests for information from the U.S. Department of Justice (the “**DOJ**”) in connection with a criminal investigation relating to the Bank’s Estonian branch being conducted by the DOJ. The Bank is cooperating with these and certain other authorities in relation to requests for information related to the AML matters at the Bank’s Estonian branch and the handling of the matter. As part of the continuing dialogue with the authorities in various markets, the Bank has discussed the AML matters at its Estonian branch, including the findings of the Bruun & Hjejle report, and several other authorities have asked questions pertaining to the Bank’s alleged involvement in the so-called “Russian Laundromat” and “Azerbaijan Laundromat” and the findings in the Bruun & Hjejle report.

On November 28, 2018, the Bank announced that it had been preliminarily charged by SØIK with violating the Danish Anti-Money Laundering Act on four counts all relating to the Bank’s Estonian branch in the period from February 1, 2007 to the end of January 2016. Among other things, SØIK alleges that the Bank’s Estonian branch did not have sufficient procedures, controls and risk management systems to effectively prevent, mitigate and manage the risk of money laundering and financing of terrorism, or sufficient know your customer procedures, and that the monitoring of transactions and reporting of suspicious transactions to the authorities was inadequate. The preliminary charges are the result of an investigation initiated by SØIK in August 2018. For additional information, see “*Description of the Group—Legal and Arbitration Proceedings—Various Investigations and Proceedings Related to the Bank’s Estonian Branch.*”

In note 11 “Contingent liabilities” to the Interim Financial Statements, the Bank noted that the timing of completion and the outcome of the investigations regarding the terminated non-resident customer portfolio at the Bank’s Estonian branch by, and subsequent discussions with, the authorities are uncertain, and that it is not yet possible to reliably estimate the timing or amount of potential settlement or fines, if any, which could be material. Accordingly, no provision in respect of any investigation or proceeding related to these matters has been recognized, except for the provision of DKK 1.5 billion discussed under “—*The Group mandated an investigation into AML matters at the Bank’s Estonian branch, which has found a significant volume of transactions that are expected to be suspicious and critical deficiencies in governance and controls as well as certain employees that failed to fulfill certain legal obligations*” above. In its independent auditors’ review report in respect of the Interim Financial Statements, Deloitte drew attention to this statement in note 11 “Contingent liabilities.” See note 11 “Contingent liabilities” to the Interim Financial Statements on pages 52–53 of the Interim Report – First Quarter 2019 and the independent auditors’ review report on page 74 of the Interim Report – First Quarter 2019.

As announced in October 2017, the Bank was placed under investigation by the French court Tribunal de Grande Instance de Paris in relation to suspicions of money laundering concerning transactions carried out by customers of Danske Bank Estonia from 2008 to 2011. The investigation related to transactions in the amount of approximately EUR 15 million that was transferred to France during 2008 to 2011 by former customers at Danske Bank Estonia. The customers were part of the Bank’s Estonian branch’s non-resident portfolio. The transactions are included in the Bank’s ongoing investigation of the situation at its Estonian branch, as discussed above. On January 25, 2018, the French court Tribunal de Grande Instance de Paris changed the status of the Bank in the investigation to that of an assisted witness and no longer placed under formal investigation. On February 7, 2019, the Bank was again placed under formal investigation (“*mise en examen*”) by the investigating judge at the French court Tribunal de Grande Instance de Paris in connection with an investigation into suspicion of money laundering related to certain transactions in the terminated portfolio of non-resident customers of the

Bank's Estonian branch in the period from 2007 to 2014. The investigation covers transactions amounting to around DKK 160 million. In May 2019, the Bank posted bail in the amount of approximately DKK 80 million.

On January 9, 2019, the Bank learned that a class action lawsuit had been filed against the Bank and certain of its officers and former officers and/or directors in the Southern District of New York purportedly on behalf of purchasers of the Bank's American Depositary Receipts representing its ordinary shares. In an amended complaint filed on April 26, 2019, the plaintiffs allege that the defendants violated the Securities Exchange Act of 1934, as amended, by, *inter alia*, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters. The amended complaint seeks unspecified damages on behalf of a putative class of purchasers of the Bank's American Depositary Receipts between January 9, 2014 and February 21, 2019. The Bank intends to defend against these claims. The timing of the completion of the lawsuit and the outcome is uncertain. Further similar claims may be filed.

On March 3, 2019, a court case was initiated against the Bank in the City Court of Copenhagen for approval of a class action led by a newly formed association with the aim to represent former and current shareholders of the Bank in a liability action relating to the Estonian AML matter. The potential quantum of such class action lawsuit is not yet known. On March 14, 2019, 169 separate cases were further initiated simultaneously in the City Court of Copenhagen concerning shareholder claims relating to the Estonian AML matter with claims totaling approximately DKK 3.5 billion. Recent reports in the media have pointed to potential further legal actions being raised against the Bank in connection with the Estonian case, and the Bank has received claim letters for compensation threatening litigation. The timing of completion of any such lawsuits (pending or threatened) and their outcomes are uncertain. The Bank intends to defend itself against the claims.

The consequences of the AML matters at the Bank's Estonian branch are uncertain. The investigations regarding the non-resident customer portfolio at the Bank's Estonian branch and the preliminary criminal charges initiated by SØIK could lead to settlements or fines, which could be material, or other adverse consequences (including without limitation the loss or need to reapply for licenses to engage in certain banking activities or other remedies that may adversely impact the Bank's operations) for the Bank, including as a result of any criminal conviction, as well as for management and employees of the Group. The Group also may face additional investigations and proceedings, or related civil lawsuits, and the Bruun & Hjejle investigation is ongoing, including in respect of sanctions screening, and may result in further adverse findings. In addition, the existing proceedings, investigations and other regulatory actions involve significant costs for the Group, require significant attention from the Group's management and the Board of Directors, entail adverse reputational impacts and attract adverse media and political attention. Any of the foregoing may have a material adverse effect on the Group's business, results of operations, capital position, financial condition and reputation.

The Group faces increased capital and liquidity requirements as a result of the Basel III Framework.

The Basel III framework is implemented through Regulation No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "**CRR**") and Directive (2013/36/EU) of the European Parliament and of the Council (the "**CRD IV Directive**"). The CRR entered into force on January 1, 2014, and the CRD IV Directive was implemented in Denmark in March 2014. Each of the CRR and the CRD IV Directive covers a wide range of prudential requirements for banks across Member States, including capital requirements, stricter and aligned definitions of REA, large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual risk assessment) and other measures such as the combined capital buffer requirements, systemically important financial institution ("**SIFI**") governance and remuneration requirements. As a consequence of the European Banking Authority's (the "**EBA**") outstanding regulatory technical standards, the Group is subject to the risk of possible interpretational changes.

In addition, the CRD IV Directive includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their tier 1 capital as a percentage of their total exposure measure. Until a minimum leverage ratio requirement is implemented in the EU, the regulators may apply such measures as they consider appropriate. In Denmark, the risk of excessive leverage is addressed under "Pillar II."

On November 23, 2016, the European Commission published its proposal for an EU banking reform package (the "**EU Banking Reform**") as part of the finalization of the Basel III framework and its implementation in the EU. The EU Banking Reform package includes proposals to amend the CRR and the CRD IV Directive. The proposed amendments include, *inter alia*, changes to the market risk framework by implementing the fundamental review of the trading book ("**FRTB**"), the counterparty credit risk framework, introduction of a formal minimum leverage ratio requirement and a net stable funding ratio ("**NSFR**") requirement, revisions to the Pillar II framework, transition of IFRS 9 and its impact on capital ratios and revisions to the framework concerning interest rate risk in the banking book ("**IRRBB**"). An agreement on the transition of IFRS 9 and its effect on prudential capital was reached in November 2017 with effect from January 1, 2018. The Group implemented IFRS 9 on January 1, 2018. IFRS 9 is applied retrospectively with the cumulative impact recognized in shareholders' equity as at January 1, 2018. The implementation of IFRS 9 has limited impact on the Group's capital ratios. Measured at March 31, 2019, the remaining fully phased-in impact of IFRS 9 on the CET1 capital ratios was

0.2 percentage points. Provisional agreement on the EU Banking Reform was reached in December 2018 among the European Parliament and the Council of the EU. On April 16, 2019, the European Parliament approved the EU Banking Reform package, including all risk reduction measures. Formal adoption of the legislation is expected in June 2019. The majority of the changes will apply from 2021 although certain changes (for example, those related to own funds and eligible liabilities) are expected to apply from the twentieth day following publication in the Official European Journal. The package is expected to have limited capital and REA impact on the Group.

On December 7, 2017, the Basel Committee on Banking Supervision (the “BCBS”) published revised standards for measuring credit and operational risk, constraints on the use of internal model approaches and the possible implementation of a broad REA floor based on the standardized approaches for measuring credit, market and operational risk. The amendments of the Basel standards may increase the Group’s REA, but it is still too early to assess the impact of these potential changes as the political dialogue on how and when to implement the revised standards in the EU has not yet been initiated. The stipulations of EU legislation are not expected to be fully known until 2020–2021 at the earliest.

See “*The Danish Banking System and Regulation*” for a description of the impact on the Group of the new capital and liquidity requirements.

The Bank may be subject to bail-in under the BRRD, and the exercise of any power under the BRRD could have a material adverse effect on Holders.

Directive (2014/59/EU) of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time (the “BRRD”) is designed to provide authorities designated by Member States with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimizing the impact of an institution’s failure on the economy and financial system. If the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest, the relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the institution’s creditors, including the Holders: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in relating to eligible liabilities – which gives resolution authorities the power to write down or convert to equity all or a part of certain claims of unsecured creditors, including the Holders, and to write-down or convert to equity certain unsecured debt claims (including the Notes) (the “general bail-in tool”), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and applied the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution or, under certain conditions, a group will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorization; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further statutory power to permanently write down (or convert into equity tier 1 and tier 2) capital instruments at the point of non-viability and before any other resolution action is taken (non-viability loss absorption). Any shares issued to holders of such capital instruments upon any such statutory conversion into equity may also be subject to subsequent application of the general bail-in tool, which may result in cancellation or dilution of the shareholding.

Any application of the general bail-in tool and non-viability loss absorption under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings. Accordingly, the impact of such application on Holders will depend on their ranking in accordance with such hierarchy, including any priority given to other creditors such as depositors.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution or, under certain conditions, the group meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, under certain conditions, the group will no longer be viable unless the relevant tier 1 and/or tier 2 capital instruments are written down or converted

or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution or, under certain conditions, the group would no longer be viable.

The BRRD also provides resolution authorities with broader powers to implement other resolution measures with respect to distressed institutions, or under certain conditions, groups, which may include (without limitation) the replacement or substitution of the institution or group as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

With the implementation of the BRRD, European banks are required to have bail in-able resources in order to fulfill the minimum requirement for own funds and eligible liabilities (“**MREL**”). There is no minimum EU-wide level of MREL – each resolution authority is required to make a separate determination of the appropriate MREL requirement for each banking group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. In February 2019, the DFSA published its annual decision to set the MREL for the Group. As expected, the requirement was set to be equivalent to two times the capital requirement including capital buffer requirements. However, as a result of the soon to be adopted revisions to the BRRD, the countercyclical buffer is excluded from the recapitalization amount. Danish mortgage credit institutions are exempt from MREL and are instead subject to a so-called debt buffer requirement of 2 percent of their unweighted loans. Due to this exemption, Realkredit Danmark is not included in the consolidation when determining the MREL for the Group. Furthermore, liabilities and own funds used to fulfill MREL cannot be simultaneously used to fulfill the capital and debt buffer requirements that apply to Realkredit Danmark. The DFSA also requires that all MREL-eligible liabilities and own funds must bear losses before other senior unsecured claims in both resolution and insolvency. Danish SIFIs must fulfill their MREL from July 1, 2019, but in transition to January 1, 2022, they can also include senior preferred liabilities issued before January 1, 2018. The MREL requirement may require Danish SIFIs and other banks to issue own funds instruments or debt eligible for MREL in accordance with the BRRD, the latter of which includes unsecured non-preferred senior debt with residual maturity of at least one year. If an institution does not fulfill the MREL requirement after July 1, 2019, the relevant authority may withdraw its banking license. Also, a comparable concept for loss absorption, Total Loss Absorbing Capacity (“**TLAC**”) has been set for global systemically important institutions (“**G-SII**”). The TLAC requirement also takes effect from 2019. The Group is currently not identified as a G-SII and, thus, not subject to a TLAC requirement.

On May 29, 2018, a law stipulating that, effective from January 1, 2022, the total resolution related requirements for each individual Danish SIFI group would always constitute at least 8 percent of all liabilities, including own funds, was adopted by the Danish Parliament. Consequently, if the sum of MREL for the Bank and the debt buffer requirement for Realkredit Danmark is lower than 8 percent of the Group’s total liabilities, the DFSA is expected to increase the MREL requirement for the Bank. However, based on current projections, the sum of MREL for the Bank and the debt buffer requirement for Realkredit Danmark will exceed the 8 percent backstop measure.

The European Commission’s EU Banking Reform also includes proposals to implement TLAC into EU legislation by review of the BRRD. The review is expected to provide clarity in the regulatory framework surrounding MREL and TLAC, both in terms of the framework for setting banks’ requirements as well as the instruments that can be used to fulfill such requirements. The implementation of the revised BRRD could influence MREL and therefore could impact the required MREL for the Group.

As part of the EU Banking Reform, a new Article 141(a) is proposed to be included in the CRD IV Directive to further clarify, for the purposes of restrictions on distributions, the relationship between the additional own funds requirements, the minimum own funds requirements and the combined buffer requirement (the so called “stacking order”), with Article 141 of the CRD IV Directive to be amended to reflect the stacking order in the calculation of the “maximum distributable amount.” Under this new provision, an institution such as the Issuer may be considered as failing to meet the combined buffer requirement for the purposes of Article 141 of the CRD IV Directive where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the requirement defined in Article 128(6) of the CRD IV Directive (*i.e.*, the combined buffer requirement) as well as each of the minimum own funds requirements and the additional own funds requirements. In addition, a new Article 16(a) is proposed to be included in the BRRD to further clarify the stacking order between the combined buffer and the MREL requirement. Pursuant to this new provision, a resolution authority shall have the power to prohibit an entity from distributing more than the maximum distributable amount for own funds and eligible liabilities (calculated in accordance with the proposed Article 16(a)(4) of the BRRD, the “**M-MDA**”) where the combined buffer requirement and the MREL requirement are not met. The proposed Article 16(a) in its current form envisages a potential nine-month grace period whereby the resolution authority assesses on a monthly basis whether to exercise its powers under the provision, before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions). Furthermore, a new Article 141(b) is proposed to be included in the CRD IV Directive which introduces a restriction on distributions in the case of a failure to meet the leverage ratio buffer, with provision for a new leverage ratio maximum distributable amount (the “**L-MDA**”) to be calculated. The leverage ratio buffer is applicable for global SIFIs and, therefore, the L-MDA does not apply for the Issuer. However, according to the revised CRR, further analysis should be done to determine whether it would be appropriate to apply the leverage ratio buffer requirement to other systemically important institutions (“**O-SIIs**”), which

would include the Issuer. The M-MDA and the L-MDA are both proposed to limit the same distributions as the “maximum distributable amount” and so may limit the aggregate amount of interest payments, reinstatement amounts and redemption amounts on the additional tier 1 capital instruments issued by the Issuer. It is not yet clear how and to what extent the aforementioned proposals will be implemented in Denmark.

The powers set out in the already adopted BRRD impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The BRRD outlines the priority ranking of certain deposits in an insolvency hierarchy, which required changes to the insolvency hierarchy in Denmark. The BRRD establishes a preference in the ordinary insolvency hierarchy, firstly, for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in EEA or non-EEA branches of an EEA bank. These preferred deposits rank ahead of all other unsecured senior creditors of the Bank, including the Holders, in the insolvency hierarchy. Furthermore, the insolvency hierarchy could be changed in the future.

On December 12, 2017, the European Parliament and the Council of the EU adopted Directive 2017/2399/EU amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy. The directive enables banks to issue debt in a new statutory category of unsecured debt that ranks below the most senior debt and other senior liabilities for the purposes of resolution (a so-called “non-preferred senior debt”). On May 29, 2018, the Danish Parliament adopted a law implementing the directive; the law entered into force on July 1, 2018 and introduced a new layer in the creditor hierarchy for financial institutions in the form of non-preferred senior debt. According to the adopted law, the rules will not affect the existing stock of bank debt and will apply to issuances of bank debt denoted as intended to be Non-Preferred Senior Notes from January 1, 2018 or later following the date of application of the law. See also “—*Risks Related to the Non-Preferred Senior Notes—The Non-Preferred Senior Notes rank junior to the Issuer’s other unsubordinated creditors*” below.

The exercise of any power under the BRRD or any suggestion of such exercise could have a material adverse effect on the rights of Holders, the price or value of their investment in any Notes and/or the ability of the Bank to satisfy its obligations under any Notes. Although the BRRD, as implemented, contains certain limited safeguards for creditors in specific circumstances, including in the case of senior creditors (such as the Holders) a safeguard that aims to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings, there can be no assurance that these safeguards will be effective if such powers are exercised. The determination that all or a part of the principal amount of the Notes will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group’s control. The application of the general bail-in tool with respect to the Notes may result in the write-down or cancellation of all, or a portion of, the principal amount of, or outstanding amount payable in respect of, and/or interest on, the Notes and/or the conversion of all, or a portion, of the principal amount of, or outstanding amount payable in respect of, or interest on, the Notes into shares or other securities or other obligations of the Bank or another person, including by means of a variation to the terms of the Notes to give effect to such application of the general bail-in tool. Accordingly, potential investors in the Notes should consider the risk that the general bail-in tool may be applied in such a manner as to result in Holders losing all or a part of the value of their investment in the Notes or receiving a different security than the Notes, which may be worth significantly less than the Notes and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the relevant resolution authority may exercise its authority to apply the general bail-in tool without providing any advance notice to the Holders.

Holders may be subject to write-down or conversion into equity on any application of the general bail-in tool as described above, which may result in Holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Holders, the price or value of their investment in any relevant Notes and/or the ability of the Bank to satisfy its obligations under any relevant Notes.

The Group will have to pay additional amounts under deposit guarantee schemes or resolution funds.

In Denmark and other jurisdictions, deposit guarantee schemes and similar funds (“**Deposit Guarantee Schemes**”) have been implemented from which compensation for deposits would become payable to customers of financial services firms in the event a financial services firm is unable to pay, or unlikely to pay, claims against it. In most jurisdictions in which the Group operates, these Deposit Guarantee Schemes and resolution funds are funded, directly or indirectly, by financial services firms that operate and/or are licensed in the relevant jurisdiction. The future target level of funds to be accumulated in Deposit Guarantee Schemes and resolution funds across different EU countries may exceed the minimum target levels provided for in the BRRD, Directive 2014/49/EC (the “**Revised Deposit Guarantee Schemes Directive**”) and in Regulation 2014/806/EC of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation 1093/2010/EC (the “**SRM**”) (the latter of which will be relevant for Danish credit institutions should Denmark choose to participate in the banking union, which includes the SRM).

Through participation in the Danish Guarantee Fund for Depositors and Investors (the “**Danish Guarantee Fund**”), Danish credit institutions undertake to cover losses incurred on covered deposits held with distressed credit institutions. The Danish

Guarantee Fund's capital must amount to at least 0.8 percent of the covered deposits of all Danish credit institutions by December 31, 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 percent of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage require the consent of the DFSA. If the Danish Guarantee Fund's capital falls below two-thirds of the minimum amount (0.8 percent of covered deposits), the Danish Guarantee Fund must reach the target level again within six years.

The Bank, Realkredit Danmark A/S ("**Realkredit Danmark**") and other Danish financial institutions must make contributions to the Danish resolution fund on the basis of the amount of their respective liabilities (excluding own funds) less covered deposits and risks relative to other financial institutions in Denmark. The assets of the Danish resolution fund must equal at least 1 percent of the covered deposits of all Danish financial institutions by December 31, 2024. The first contributions to the Danish resolution fund were paid in the fourth quarter of 2015. The intention is for losses to be covered by the annual contributions made by the participating financial institutions. Consequently, if the Danish resolution fund does not have sufficient means, extraordinary contributions of up to three times the latest annual contributions may be required.

In addition, the Bank's subsidiaries contribute to national deposit guarantee schemes and resolution funds to the extent required.

Changes in the Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations.

From time to time, the IASB, the EU and/or other regulatory bodies change the accounting and financial reporting standards that govern the preparation of the Group's financial statements. These changes can be difficult to predict and can materially impact how the Group records and reports its results of operations and financial condition. In some cases, the Group could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements.

In May 2017, the IASB issued "*IFRS 17 – Insurance Contracts*" ("**IFRS 17**"). IFRS 17 replaces "*IFRS 4 – Insurance Contracts*" ("**IFRS 4**"), 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 (fulfillment) 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 will be effective from January 1, 2021; however, in November 2018, the IASB proposed to defer the effective date by one year to January 1, 2022. IFRS 17 is yet to be adopted by the EU. The standard may have significant impact on the Group's financial statements due to the new principles for calculating insurance provisions and for the presentation in the income statement and balance sheet. The Group is currently analyzing the anticipated effect on the Group's financial statements.

The IASB, the EU and/or other regulatory bodies may make other changes to accounting and financial reporting standards that govern the preparation of the Group's financial statements. Any such change in the Group's accounting policies or accounting standards could materially affect its reported results of operations and financial condition.

Risks Related to the Notes Generally

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks."

Interest rates and indices that are deemed to be "benchmarks" (such as, in the case of Floating Rate Notes, a Reference Rate), are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences that cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark." The Benchmarks Regulation was published in the Official Journal of the EU on June 29, 2016 and has applied since January 1, 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorized or registered (or, if non-EU based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark," in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark."

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of “benchmarks,” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks:” (i) discourage market participants from continuing to administer or contribute to the “benchmark;” (ii) trigger changes in the rules or methodologies used in the “benchmark;” or (iii) lead to the disappearance of the “benchmark.” Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a “benchmark.”

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark.”

Future discontinuance of certain benchmark rates (for example, LIBOR or EURIBOR) may adversely affect the value of Floating Rate Notes that are linked to or which reference any such benchmark rate.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past or cease to be available, if at all, and may have other consequences that cannot be predicted.

Investors should be aware that, if a benchmark rate were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes that are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions applicable to such Notes. The Conditions provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable.

If the circumstances described in the preceding paragraph occur, Reference Rate Replacement is specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the rate of interest is to be determined (any such Notes “**Relevant Notes**”), such fallback arrangements will include the possibility that:

- (A) the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a Successor Reference Rate or an Alternative Reference Rate (as applicable) determined by the Issuer (following consultation with an Independent Adviser (if applicable)); and
- (B) such Successor Reference Rate or Alternative Reference Rate (as applicable) may be adjusted (if required) by the Issuer (following consultation with an Independent Adviser (if applicable)) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the Original Reference Rate with the relevant Successor Reference Rate or Alternative Reference Rate (as applicable),

in any such case, acting in good faith and in a commercially reasonable manner as described more fully in the Conditions of the Relevant Notes.

In addition, the Issuer (following consultation with an Independent Adviser (if applicable)) may also determine (acting in good faith and in a commercially reasonable manner) that other amendments to the Conditions are necessary in order to follow market practice in relation to the relevant successor rate or alternative rate (as applicable) and to ensure the proper operation of the relevant Successor Reference Rate or Alternative Reference Rate (as applicable).

No consent of the Holders would be required in connection with effecting any relevant Successor Reference Rate or Alternative Reference Rate (as applicable) or any other related adjustments and/or amendments described above.

In certain circumstances, the ultimate fallback for determining the rate of interest for a particular Interest Period or Interest Accrual Period (as applicable) may result in the rate of interest for the last preceding Interest Period or Interest Accrual Period (as applicable) being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page for the purposes of determining the rate of interest in respect of an Interest Period or an Interest Accrual Period (as applicable). In addition, due to the uncertainty concerning the availability of Successor Reference Rates and Alternative Reference Rates, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should note that, in the case of Relevant Notes, the Issuer (following consultation with an Independent Adviser (if applicable)) will have discretion to adjust the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Holder, any such adjustment will be favorable to each Holder.

In addition, potential investors should also note that, in the case of Non-Preferred Senior Notes:

- (i) no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Relevant Notes as MREL/TLAC Eligible Liabilities; and/or
- (ii) no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

In all such circumstances, the ultimate fallback for determining the rate of interest (which is described above) will apply.

The market continues to develop in relation to SOFR as a reference rate.

The Secured Overnight Financing Rate (“**SOFR**”) is published by the Federal Reserve Bank of New York (the “**Federal Reserve**”) and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Federal Reserve notes on its publication page for SOFR that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. Because SOFR is published by the Federal Reserve based on data received from other sources, the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in relevant Notes linked to SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes. The Federal Reserve began to publish SOFR in April 2018. The Federal Reserve has also begun publishing historical indicative SOFR rates going back to 2014. Investors should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR. Also, since SOFR is a relatively new market index, Notes linked to SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of any Notes linked to SOFR may be lower than those of later-issued indexed debt securities as a result.

The Issuer may in the future also issue Notes referencing SOFR that differ materially in terms of interest determination when compared with any previous SOFR referenced Notes issued by it under this Base Prospectus. The development of Weighted Average SOFR as interest reference rates for the Eurobond markets, as well as continued development of SOFR based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SOFR referenced Notes issued under this Base Prospectus from time to time.

Furthermore, interest on Notes, which reference Weighted Average SOFR, is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Weighted Average SOFR to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes.

In addition, the manner of adoption or application of SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR.

Further, if SOFR does not prove to be widely used in securities like the Notes, the trading price of such Notes linked to SOFR may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The Notes may not be a suitable investment for all investors.

Each potential investor of Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference into this Base Prospectus or any applicable supplement to this Base Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the investor's overall portfolio. A potential investor should not invest in Notes that are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Conditions contain provisions that may permit their modification and waiver without the consent of all investors.

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. In the case of Non-Preferred Senior Notes, any modification to the Conditions pursuant to the operation of such provisions is subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*).

In addition, the Issuer may, subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*) in the case of Non-Preferred Senior Notes, make any modification to the Notes of any Series and/or the Conditions of the Notes of any Series that is not prejudicial to the interests of the Holders of such Series without the consent of the Holders of such Series. Any such modification shall be binding on the Holders of such Series.

Changes in law could affect the governing law of the Notes.

The Conditions are governed by, and construed in accordance with, English law, except for Condition 5 (*Status of the Notes*), Condition 10.2 (*Early Redemption Following a Tax Event*), Condition 10.3 (*Early Redemption upon the Occurrence of a MREL/TLAC Disqualification Event*) and Condition 14 (*Enforcement Events*), which will be governed by, and shall be construed in accordance with, Danish law. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or Denmark or administrative practice after the date of this Base Prospectus.

Trading in the Notes could be impacted by denominations involving integral multiples.

In relation to any issue of Notes that have denominations consisting of a minimum Specified Denomination (as defined herein) plus an integral multiple of another smaller amount in excess thereof, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Holder who, as a result of trading Notes in such amounts, holds a Note in an amount that is less than the minimum Specified Denomination in its account with the relevant clearing system, would need to purchase an additional principal amount of Notes such that its holding amounts equal to a minimum Specified Denomination.

The Notes may be subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of Notes. During any period in which the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate it is paying on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes may be redeemed prior to maturity for taxation reasons.

In the event that the Issuer as a result of any change in the laws, regulations or rulings of Denmark or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of any Tranche of Notes or any other date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 12 (*Taxation*), and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may redeem the Notes prior to their maturity.

The Notes may be issued at a substantial discount or premium.

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Notes may be subject to changes in interest rate, which could affect the value of the Notes.

Investment in certain types of Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes.

Holders of the Issuer's covered bonds will have priority over Holders of the Notes upon bankruptcy of the Issuer.

The Issuer has issued covered bonds in accordance with the Danish Financial Business Act. In accordance with Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS") (as implemented into Danish law), as amended and the European Capital Requirements Directives, 2006/48/EC and 2006/49/EC (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time (the "CRD"), the covered bonds have the benefit of priority over a matched pool of assets upon bankruptcy of the Issuer. To the extent that claims in relation to the covered bonds and related derivative contracts, any refinancing bonds issued by the administrator, any short-term loans taken out by the administrator and any senior debt (if any) issued with the benefit of the assets in the cover pool are not met out of the pool of assets or the proceeds arising from it, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer, including obligations under Preferred Senior Notes, and ahead of the obligations under Non-Preferred Senior Notes. For information on creditor hierarchy under the BRRD, see "*Risks Relating to the Legal and Regulatory Environments in which the Group Operates—The Bank may be subject to bail-in under the BRRD, and the exercise of any power under the BRRD could have a material adverse effect on Holders*" above.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to the structure, the market, other additional risk factors discussed above, and other factors that may affect the value of the Notes or the standing of the Issuer. A security credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time. The Issuer may also decide to discontinue its cooperation with a rating agency at any time. In addition, changes in the Issuer's credit ratings may affect the market value of the Notes. Rating agencies also regularly reassess the methodologies they employ to measure the creditworthiness of companies and securities. Any updates to these methodologies could affect the credit ratings assigned by the agencies.

In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Issuer to rate a Tranche of Notes may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to any Notes, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The assignment of an unsolicited rating by a rating agency not hired by the Issuer could adversely affect the market value and liquidity of the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as security for indebtedness and (iii) other restrictions apply

to its purchase or holding of any Notes. Financial institutions should consult their advisers or regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Exchange rates and exchange controls may affect investments in the Notes.

An investment in Foreign Currency Notes (as defined herein) entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the U.S. dollar and the Specified Currency (as defined herein) and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. Such risks generally depend on economic and political events and the supply of and demand for the relevant currencies over which the Issuer has no control. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Foreign Currency Note. Depreciation of the Specified Currency applicable to a Foreign Currency Note against the U.S. dollar would result in a decrease in (i) the U.S. dollar-equivalent yield of such Note, (ii) the U.S. dollar-equivalent value of the principal repayable at maturity of such Note and (iii) generally, in the U.S. dollar-equivalent market value of such Note.

Governments have imposed from time to time exchange controls and may in the future impose or revise exchange controls at or prior to the maturity of a Foreign Currency Note. Such exchange controls could affect exchange rates as well as the availability of a Specified Currency at the time of payment of principal of and any premium and interest on a Foreign Currency Note. Even if there are no exchange controls, it is possible that the Specified Currency for any particular Foreign Currency Note would not be available at the maturity of such Note due to circumstances beyond the control of the Issuer.

Secondary market risk.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Holders should be aware that during the credit crisis, there has been a general lack of liquidity in the secondary market for instruments similar to the Notes. Therefore, investors may not be able to sell their Notes easily or at a price that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the relevant Notes.

Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act.

With respect to (i) Notes issued after the date that is six months after the date the term “foreign passthru payment” is defined in regulations published in the U.S. Federal Register (the “**Grandfather Date**”), or (ii) Notes issued on or before the Grandfather Date that are materially modified after the Grandfather Date, a foreign financial institution (an “**FFI**”) may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations promulgated thereunder (“**FATCA**”) or any applicable intergovernmental agreement (“**IGA**”) between the United States and certain other countries together with implementing legislation and regulation to withhold tax at a rate of 30 percent on all or a portion of payments of interest which are treated as “foreign passthru payments” made on or after the date that is two years after the date the term “foreign passthru payment” is defined in regulations published in the U.S. Federal Register, at the earliest, to an investor or any other financial institution through which payment on the Notes is made that is a non-U.S. financial institution that is not in compliance with FATCA. As at the date of this Base Prospectus, regulations defining the term “foreign passthru payment” have not yet been published. If the Issuer issues further Notes on or after the Grandfather Date pursuant to a reopening of a Series of Notes that was created on or before the Grandfather Date (the “**original Notes**”) and such further Notes are not fungible with the original Notes for U.S. federal income tax purposes, payments on such further Notes may be subject to withholding under FATCA or any applicable IGA between the United States and certain other countries together with implementing legislation and regulation and, should the original Notes and the further Notes be indistinguishable for non-tax purposes, payments on the original Notes may also become subject to withholding under FATCA. The United States has entered into IGAs or reached IGAs in principal with many other jurisdictions, including Denmark, which modify the application of the rules to FFIs in such jurisdictions.

Under the November 19, 2012 Agreement to Improve International Tax Compliance and to Implement FATCA concluded between the governments of the United States and Denmark (the “**Danish IGA**”), an entity classified as an FFI that is treated as resident in Denmark is expected to provide the Danish tax authorities with certain information on U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the U.S. Internal Revenue Service (the “**IRS**”). The Issuer is an FFI and provided it complies with the requirements of the Danish IGA and the Danish legislation

implementing the Danish IGA, it is not expected that it would be subject to FATCA withholding on any payments it receives and it is not expected that it would be required to withhold tax on any payments that it makes under the Notes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Danish IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

The application of FATCA to interest paid on or with respect to the Notes is not currently clear. If an amount in respect of FATCA withholding tax were to be deducted or withheld from interest on the Notes, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax.

Risks Related to the Non-Preferred Senior Notes

The Non-Preferred Senior Notes rank junior to the Issuer's other unsubordinated creditors.

The Issuer may issue Non-Preferred Senior Notes, which will constitute direct, unconditional and unsecured Non-Preferred Senior Liabilities as described in Condition 5.2 (*Status – Non-Preferred Senior Notes*).

The Issuer may issue other obligations or instruments that rank or are expressed to rank senior to the Non-Preferred Senior Notes (including Preferred Senior Notes) or *pari passu* with the Non-Preferred Senior Notes, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer. In the event of a liquidation or bankruptcy of the Issuer, the Issuer will be required to pay its depositors and other unsubordinated creditors of the Issuer that are not creditors in respect of Non-Preferred Senior Liabilities in full before it can make any payments on the Non-Preferred Senior Notes. If this occurs, the Issuer may not have enough assets remaining after these payments are made to pay amounts due under the Non-Preferred Senior Notes. In addition, in the event of a liquidation or bankruptcy of the Issuer, to the extent the Issuer has assets remaining after paying its creditors who rank senior to the Non-Preferred Senior Notes, payments relating to other obligations or instruments of the Issuer that rank or are expressed to rank *pari passu* with the Non-Preferred Senior Notes may, if there are insufficient assets to satisfy the claims of all of the Issuer's *pari passu* creditors, further reduce the assets available to pay amounts due under the Non-Preferred Senior Notes on a liquidation or bankruptcy of the Issuer.

Substitution and variation of Non-Preferred Senior Notes without Holder consent.

Subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*), if the MREL/TLAC Disqualification Event Substitution/Variation Option is specified as being applicable in the relevant Final Terms, and a MREL/TLAC Disqualification Event has occurred and is continuing, or to ensure the effectiveness or enforceability of Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*), the Issuer may substitute all (but not some only) of the Non-Preferred Senior Notes or vary the terms of all (but not some only) of the Non-Preferred Senior Notes, without the requirement for the consent or approval of the Holders of the Non-Preferred Senior Notes, so that they become or remain Qualifying Non-Preferred Senior Notes.

Qualifying Non-Preferred Senior Notes are securities issued or guaranteed by the Issuer that have, *inter alia*, terms that (i) adhere to the specific conditions outlined in the definition of "Qualifying Non-Preferred Senior Notes" and (ii) are not otherwise materially less favorable to the Holders of the Non-Preferred Senior Notes than the terms of the Non-Preferred Senior Notes (provided that the Issuer shall have delivered a certificate to that effect signed by two of its directors to the Fiscal Agent).

In particular, potential investors should note that the Issuer may substitute all (but not some only) of the Non-Preferred Senior Notes or vary the terms of all (but not some only) of the Non-Preferred Senior Notes to ensure the effectiveness and enforceability of Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*). In such circumstances, any change(s) included in the relevant Qualifying Non-Preferred Senior Notes (compared to the terms of the relevant Non-Preferred Senior Notes) for the purposes of ensuring the effectiveness and enforceability of Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*) may be materially less favorable to investors. The relevant substitution or variation (which, as set out above, would not require the consent or approval of the relevant Holders) would not be dependent on the occurrence or continuation of a MREL/TLAC Disqualification Event.

There can be no assurance that, due to the particular circumstances of each Holder, any Qualifying Non-Preferred Senior Notes will be as favorable to each Holder in all respects or that, if applicable or if it were entitled to do so, a particular Holder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Non-Preferred Senior Notes are not materially less favorable to Holders than the terms of the Notes.

Such substitution or modification will be effected without any cost or charge to the Holders of the Non-Preferred Senior Notes, but may have adverse tax consequences for such holders. Further, prior to the making of any such modification or taking any action, or prior to any substitution, variation, modification or amendment in a manner contemplated in Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*), the Issuer shall not be obliged to consider the tax position of individual Holders of the Non-Preferred Senior Notes or to the tax consequences of any such substitution,

variation, modification, amendment or other action for individual Holders. No Holders of the Non-Preferred Senior Notes shall be entitled to claim, whether from the Fiscal Agent, the Issuer, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution, variation, modification, amendment or other action upon individual Holders.

See Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*).

There are no events of default and limited enforcement events in relation to Non-Preferred Senior Notes.

The terms of the Non-Preferred Senior Notes do not provide for any events of default. Holders of the relevant Series of such Notes may not at any time demand repayment or redemption of such Notes, and enforcement rights for any payments are limited to the claim of Holders in a liquidation or bankruptcy of the Issuer. In a liquidation or bankruptcy of the Issuer, a Holder may prove or claim in such proceedings in respect of the relevant Series of such Notes, such claim being for payment of the Outstanding Principal Amount of such Notes at the time of commencement of such liquidation or bankruptcy together with any interest accrued and unpaid on such Notes from (and including) the Interest Payment Date immediately preceding commencement of such liquidation or bankruptcy and any other amounts payable on such Notes under the Conditions.

According to Section 17(2) of Consolidated Act No.11 of January 6, 2014, as amended or replaced from time to time (the “**Danish Bankruptcy Act**”) (in Danish: *konkursloven*), a debtor is insolvent if it cannot meet its obligations as and when they fall due, unless the inability to meet such obligations may be considered to be temporary. However, according to Section 234(2) of the Danish Financial Business Act, notwithstanding Section 17(2) of the Danish Bankruptcy Act, if the Issuer cannot meet its obligations regarding capital raised as hybrid core capital or subordinated loan capital, the Issuer will not be considered insolvent. Accordingly, a Holder of Non-Preferred Senior Notes, pursuant to Condition 14.1 (*No Events of Default*), may not itself file for the liquidation or bankruptcy of the Issuer.

If proceedings with respect to the liquidation or bankruptcy of the Issuer should occur, the Holders of the relevant Series of Non-Preferred Senior Notes would be required to pursue their claims on such Notes in proceedings with respect to the Issuer in Denmark. In addition, to the extent that the Holders are entitled to any recovery with respect to the Notes in any such Danish bankruptcy proceedings, such Holders would be entitled to a recovery in Danish Kroner. In the case of Notes denominated in currencies other than Danish Kroner, such recovery in Danish Kroner would be based on the relevant conversion rate in effect on the date the Issuer entered into such liquidation or bankruptcy proceedings.

The qualification of the Non-Preferred Senior Notes as “eligible liabilities” is subject to uncertainty.

The Non-Preferred Senior Notes are intended to be “eligible liabilities” (or any equivalent or successor term) (“**MREL/TLAC Eligible Liabilities**”), which are available to meet any MREL/TLAC Requirement (however called or defined by then Applicable MREL/TLAC Regulations) of the Issuer and/or the Group. However, there is uncertainty regarding the final substance of the Applicable MREL/TLAC Regulations and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that such Notes will be (or thereafter remain) MREL/TLAC Eligible Liabilities.

If, for any reason, the Non-Preferred Senior Notes are or will be excluded from the MREL/TLAC Eligible Liabilities as a result of:

- (A) the implementation of any Applicable MREL/TLAC Regulations on or after the date of issue of the last Tranche of such Notes; or
- (B) a change in any Applicable MREL/TLAC Regulations becoming effective on or after the date of issue of the last Tranche of such Notes,

then, if the MREL/TLAC Disqualification Event Substitution/Variation Option and/or the MREL/TLAC Disqualification Event Redemption Option is/are specified as being applicable in the relevant Final Terms, a MREL/TLAC Disqualification Event may occur. See “—*Substitution and variation of Non-Preferred Senior Notes without Holder consent*” above and “—*Risks Related to the Notes Generally—The Notes may be subject to optional redemption by the Issuer*” above for the consequences of a MREL/TLAC Disqualification Event (in each case, if applicable).

The Issuer is not currently identified as a G-SII, and, therefore, not subject to TLAC. In the event that the Issuer is identified as a G-SII, the MREL/TLAC Requirements would apply to all Notes to which the call applies irrespective of whether such Notes qualify as MREL.

No right of set-off or counterclaim.

Subject as provided in the Conditions, in respect of Non-Preferred Senior Notes, no Holder who is in the event of the liquidation or bankruptcy of the Issuer indebted to the Issuer, will be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the relevant Notes held by such Holder.

IMPORTANT INFORMATION FOR INVESTORS

Notice to Prospective Investors in the United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold, directly or indirectly, within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S. The Notes may be offered for sale only (i) in the United States, to QIBs within the meaning of, and in reliance on, Rule 144A under the Securities Act or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States, to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. **Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.** See “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

In the United States, this Base Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the Notes described herein and it may not be forwarded or redistributed to any other person.

The Notes have not been recommended or approved by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offense in the United States.

U.K. Restrictions

This Base Prospectus does not constitute an offer of Notes to the public in the U.K. No prospectus has been or will be approved in the U.K. in respect of the Notes. Consequently this document is being distributed in the U.K. only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(51) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Enforcement of Liabilities and Service of Process

Danske Bank A/S is established under the laws of Denmark, with its domicile in Copenhagen. All of the directors and executive officers of the Bank and certain of the persons named herein are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Bank are located outside the United States. As a result, it may not be possible for U.S. investors to effect service of process upon such persons or the Bank or to enforce against them in U.S. courts a judgment obtained in such courts.

Original actions or actions for the enforcement of judgments of U.S. courts relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Denmark. If a party in whose favor the final judgment is rendered brings a new suit in a competent Danish court, the party may submit to the Danish court the final judgment that has been rendered by the U.S. court. Such judgment will only be regarded by a Danish court as evidence of the outcome of the dispute to which the judgment relates, and a Danish court may choose to rehear the dispute *ab initio*.

Neither the Bank, nor any of its respective directors or officers has consented to the jurisdiction of the courts of the United States or any state thereof in connection with any suit brought by an investor in the Notes or named an agent for service of process within the United States upon the Bank or such persons or to enforce, in United States courts, judgments against the Bank or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. Pursuant to the Conditions, the Bank will consent to the jurisdiction of the courts of England and will appoint an agent for service of process in England.

The registered offices of the Bank are located at 2-12 Holmens Kanal, DK-1092 Copenhagen K, Denmark, with telephone number +45 33 44 00 00 and Danish corporate registration number 61126228.

Special Notice Regarding Forward-looking Statements

Certain statements in this Base Prospectus, including certain statements set forth under “*Overview*,” “*Risk Factors*,” “*Operating and Financial Review and Prospects*,” “*Risk Management*,” “*Description of the Group*,” and “*The Danish Banking System and Regulation*,” are based on the beliefs of the Bank, as well as assumptions made by and information currently available to the Bank, and such statements may constitute forward-looking statements. These forward-looking statements (other than statements of historical fact) regarding the Group’s future results of operations, financial condition, cash flows, business strategy, plans and objectives of the Group’s management for future operations can generally be identified by terminology such as “targets,” “believes,” “estimates,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “anticipates,” “would,” “could,” “continues” or similar expressions or the negatives thereof.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- changes in the general economic and business conditions in the markets in which the Group operates, particularly in Denmark and the other countries where the Group operates;
- changes in, or the failure or inability to comply with, regulations (including capital levels, liquidity and leverage ratios);
- changes in internal risk control and in the regulatory capital treatment of the Group’s positions;
- changes in industry trends;
- changes in the competitive environment and competitive pressures in the markets in which the Group operates;
- changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices;
- changes in real property values or asset quality;
- the loss of any significant customers;
- the extent and nature of future developments in the lending market and in other market segments in which the Group operates;
- changes in business strategy or development plans;
- political, governmental and regulatory changes or changes in political or social conditions;
- availability, terms and deployment of capital;
- changes in the Group’s funding and liquidity position;
- changes in the Group’s credit ratings;
- changes in the quality of the Group’s loan portfolio and the Group’s counterparty risk, including credit developments in the small-medium enterprise segment;
- changes in the availability of qualified personnel;
- limitations in the effectiveness of the Group’s internal risk management processes, of its risk measurement, control and modeling systems, and of financial models generally;
- the Group’s ability to maintain or increase market share for its products and services and control expenses;
- management changes and changes to the structure of the Group’s business units;
- the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and
- technological developments.

Additional factors that could cause the Group's actual business, results of operations or financial condition to differ from the forward-looking statements include, but are not limited to, the other factors that the Group has indicated in other parts of this Base Prospectus that could materially adversely affect its business and financial performance.

Should one or more of these factors or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Group's actual results of operations or financial position could differ materially from that described herein as anticipated, believed, estimated or expected. The Bank urges investors to read the sections of this Base Prospectus entitled "*Risk Factors*," "*Operating and Financial Review and Prospects*," "*Description of the Group*" and "*The Danish Banking System and Regulation*" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates.

The Bank does not intend, and does not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to the Bank or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

Certain Defined Terms

The following terms used in this Base Prospectus have the meanings assigned to them below:

"2017 Financial Statements"	the audited consolidated financial statements of the Group as at and for the year ended December 31, 2017, together with comparative figures as at and for the year ended December 31, 2016.
"2018 Financial Statements"	the audited consolidated financial statements of the Group as at and for the year ended December 31, 2018, together with comparative figures as at and for the year ended December 31, 2017.
"ALCO"	the Group's Asset & Liability Committee.
"AML"	anti-money laundering.
"Articles of Association"	the articles of association of the Bank.
"Baltic countries"	Estonia, Latvia and Lithuania.
"Bank," "Danske Bank" or "Issuer"	Danske Bank A/S.
"Basel III"	framework agreement of the Basel Committee on Banking Supervision to amend rules on impairments, capital requirements for mortgage lenders, a maximum leverage ratio, countercyclical capital buffers and minimum liquidity levels, among others.
"Benchmarks Regulation"	Regulation (EU) 2016/1011.
"Board of Directors"	the board of directors of the Bank.
"BRRD"	Directive (2014/59/EU) of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time. The BRRD, including the general bail-in tool and MREL, was implemented into Danish law and entered into force as of June 1, 2015 in the Danish act on restructuring and resolution of certain financial undertakings and the Danish Financial Business Act.
"C&I"	the Corporates & Institutions business unit.
"Central Bank"	the Central Bank of Ireland.
"CET1"	common equity tier 1.
"Clearstream, Luxembourg"	Clearstream Banking S.A.

“Consolidated Financial Statements”	the Interim Financial Statements and the Full-year Financial Statements.
“CRD”	the European Capital Requirements Directives, 2006/48/EC and 2006/49/EC (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time.
“CRD IV Directive”	Directive (2013/36/EU) of the European Parliament and of the Council on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time.
“CRR”	Regulation No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended or replaced from time to time.
“CVA”	credit value adjustment.
“Danica Group”	Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and its subsidiaries.
“Danica Pension”	Danica Pension, the wholly owned subsidiary of the Bank carrying out the insurance activities of the Group. Danica Pension was a separate business unit until 2016, when it became part of the Wealth Management business unit.
“Danish Central Bank”	Danmarks Nationalbank.
“Danish Kroner” or “DKK”	the currency of Denmark.
“Danske Capital”	Danske Capital, a division of the Bank.
“Danske Hypotek”	Danske Hypotek AB (publ).
“Deloitte”	Deloitte Statsautoriseret Revisionspartnerselskab.
“Deposit Guarantee Schemes”	deposit guarantee schemes and similar funds.
“DFSA”	the Danish Financial Supervisory Authority.
“EBA”	the European Banking Authority.
“ECB”	the European Central Bank.
“EEA”	the European Economic Area.
“EU”	the European Union.
“euro” or “EUR”	the currency of the member states of the EU participating in the EU’s Economic and Monetary Union.
“Euroclear”	Euroclear Bank SA/NV.
“Euronext Dublin”	The Irish Stock Exchange plc trading as Euronext Dublin.
“Executive Board”	the executive board of the Bank.
“FICC”	Fixed Income, Currencies and Commodities (part of C&I). FICC became Fixed Income and Currency (“FI&C”) as of May 2, 2018.
“Fitch”	Fitch Ratings Ltd or successors thereto.
“Full-year Financial Statements” ..	the 2017 Financial Statements and the 2018 Financial Statements.
“G-SII”	global systemically important institution.

“General Meeting”	the general meeting of shareholders of the Bank.
“GLRC”	the Group Liquidity Risk Committee.
“Group”	the Bank and its consolidated subsidiaries.
“Group Internal Audit”	the Group’s internal audit department.
“IASB”	the International Accounting Standards Board.
“ICAAP”	the internal capital adequacy assessment process.
“IFRS”	International Financial Reporting Standards issued by the IASB, as adopted by the EU.
“Interim Financial Statements”	the unaudited consolidated interim financial statements of the Group as at and for the three months ended March 31, 2019, together with comparative figures as at and for the three months ended March 31, 2018.
“IRB”	internal ratings-based.
“IRRBB”	interest rate risk in the banking book.
“IT”	information technology.
“LCR”	liquidity coverage ratio.
“MiFID II”	Directive 2014/65/EU.
“Moody’s”	Moody’s Investors Service (Nordics) AB or successors thereto.
“MREL”	the minimum requirement for own funds and eligible liabilities.
“NSFR”	net stable funding ratio.
“Nordic countries” or “Nordic region”	Denmark, Sweden, Norway and Finland.
“NPLs”	non-performing loans.
“ORCO”	the Group’s Operational Risk Committee.
“PD”	probability of default.
“REA”	risk exposure amount.
“Realkredit Danmark”	Realkredit Danmark A/S.
“Regulated Entity”	any entity to which the BRRD (or any other Danish legislation relating to the Danish Statutory Loss Absorption Powers) applies, which includes certain credit institutions, investment firms, and certain of their parent or holding companies.
“Rules of Procedure”	the Group’s Rules of Procedure.
“S&P”	S&P Global Ratings Europe Limited or successors thereto.
“SIFI”	systemically important financial institution.
“Solvency II”	Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time.
“TLAC”	Total Loss Absorbing Capacity.
“U.K.”	the United Kingdom.

“U.S. dollar” or “U.S.\$” the currency of the United States.

“VaR” value-at-risk.

Available Information

For as long as the Program remains valid with the Central Bank, electronic copies of the following documents will be available during usual business hours on any day (except on Saturdays, Sundays and public holidays) at the Bank’s registered office, 2–12 Holmens Kanal, DK–1092 Copenhagen K, Denmark:

- (i) the articles of association of the Bank (the “**Articles of Association**”); and
- (ii) the Program Agreement (as defined in “*Plan of Distribution*”), the Agency Agreement and the Deed of Covenant (each as defined in “*Terms and Conditions of the Notes*”) and the forms of the Global Notes.

For as long as the Program remains valid with the Central Bank, copies of the following documents will be available at www.danskebank.com/investor-relations/debt/us-mtn-programme (the “**U.S. MTN Program Website**”):

- (i) a copy of this Base Prospectus; and
- (ii) any supplements to this Base Prospectus, any future base prospectuses relating to the Program and any supplements to any future base prospectuses relating to the Program.

For as long as the Program remains valid with the Central Bank, copies of the following documents will be available on the website of the Bank at www.danskebank.com:

- (i) the Consolidated Financial Statements incorporated by reference into this Base Prospectus (see “—*Incorporation by Reference*” below for more details); and
- (ii) any other documents incorporated by reference into this Base Prospectus from time to time.

Except as set forth under “—*Incorporation by Reference*” below, no information or documents included on the website of the Bank are part of or shall be incorporated by reference into this Base Prospectus.

Copies of any Final Terms relating to Notes which are admitted to trading on Euronext Dublin’s regulated market will be available at the website of Euronext Dublin at www.ise.ie.

In accordance with Danish company law, the Group’s consolidated annual accounts, including the financial statements and the auditor’s reports, as well as the Articles of Association, are also available at the Danish Business Authority.

The Bank has agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Bank will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any Holder or beneficial owner of such restricted Notes or to any prospective purchaser of such restricted Notes designated by such Holder or beneficial owner, upon the request of such Holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

The Bank is not currently subject to the periodic reporting and other information requirements of the Exchange Act. The Bank is eligible for the exemption from periodic reporting under Rule 12g3-2(b) of the Exchange Act.

Statistical Data

The statistical data included in this Base Prospectus is not intended to comply with Regulation S-K, Industry Guide 3, Statistical Disclosure by Bank Holding Companies under the Securities Act applicable to offerings of securities by bank holding companies that are registered with the U.S. Securities and Exchange Commission.

Market and Industry Information

This Base Prospectus contains information about the market share, market position and industry data for the operating areas of the Group and its reporting segments. Unless otherwise indicated, such information is based on data reported to central banks in each of Denmark, Sweden, Norway, Finland, Ireland and each of the Baltic countries. Such information has been accurately reproduced and, as far as the Bank is aware and is able to ascertain from such information, no facts have been omitted which would render the information provided herein inaccurate or misleading.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Bank has not independently verified

and cannot give any assurance as to the accuracy of market data and industry forecasts contained in this Base Prospectus that were taken or derived from these industry publications.

Presentation of Financial Information

General

Except as discussed below, the historical financial information of the Group presented in this Base Prospectus has been derived from the Consolidated Financial Statements. The Consolidated Financial Statements have been prepared in accordance with IFRS and Danish disclosure requirements for listed financial companies, and are incorporated by reference into this Base Prospectus. The consolidated interim financial statements of the Group as at and for the three months ended March 31, 2019 have been reviewed by Deloitte and the consolidated financial statements of the Group as at and for the years ended December 31, 2018 and 2017 have been audited by Deloitte. The reports of Deloitte on the respective consolidated financial statements are incorporated by reference into this Base Prospectus. Deloitte is a member of “FSR – Danske Revisorer” (Association of State Authorized Public Accountants).

The discussion of the results of operations of the Group and its reporting segments included in “*Risk Factors*,” “*Overview of Consolidated Financial Information and Other Data*,” “*Operating and Financial Review and Prospects*” and “*Description of the Group*” is based on the financial highlights and segment reporting presentation used by the Group when presenting such information. The financial highlights deviate from the figures in the Consolidated Financial Statements as discussed in more detail under “—*Financial Highlights and Segment Reporting*” below.

Certain historical financial information of the Group presented in “*Selected Statistical Data and Other Information*” has been derived from the Group’s regularly maintained accounting records, operating systems and accounting systems. Such historical financial information has not been audited.

Certain financial information set forth in this Base Prospectus has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row in a table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in this Base Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The Group’s financial year ends on December 31, and references in this Base Prospectus to any specific financial year are to the twelve-month period ended December 31 of such year.

Financial information previously published for any financial periods can differ from subsequently published financial information due to the retrospective implementation of subsequent changes in accounting policies and other retrospective adjustments made in accordance with IFRS and Danish disclosure requirements for listed financial companies.

Financial Highlights and Segment Reporting

The discussion of the results of operations of the Group and its reporting segments included in “*Risk Factors*,” “*Overview of Consolidated Financial Information and Other Data*,” “*Operating and Financial Review and Prospects*” and “*Description of the Group*” is based on the financial highlights and segment reporting presentation used by the Group when presenting such information in its annual and interim reports. The presentation in the financial highlights deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as described below.

Three Months Ended March 31, 2019 and 2018

The presentation in the financial highlights as at and for the three months ended March 31, 2019 and 2018 deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as described below.

See note 3(b) to the Interim Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the Group’s consolidated financial statements and the Group’s financial highlights and segment reporting presentation. See also “*Overview of Consolidated Financial Information and Other Data*.”

Sale of Operating Lease Assets where the Group Acts as a Lessor

In the consolidated income statements, gains or losses on the sale of operating lease assets, excluding properties, at the end of the lease agreement are presented on a gross basis. This means that the proceeds from the sale of the assets are recognized under other income, whereas the carrying amount of the lease assets is recognized under operating expenses.

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

FI&C and Capital Markets (Both Part of C&I) and Group Treasury (Part of Other Activities)

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

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

Danica Pension

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

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

Non-core

In the consolidated income statements, income and expense items from the Non-core segment are included in the various income and expense lines, as the segment does not fulfil the requirements in "*IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*" ("**IFRS 5**"), the requirement in IFRS 5 on discontinued operations.

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

The Impact of IFRS 9 in 2018

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

Years Ended December 31, 2018 and 2017

The presentation in the financial highlights as at and for the years ended December 31, 2018 and 2017 deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as described below. See notes 1(d), 2(a) and 3 to the 2018 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the Group's consolidated income statements and the Group's financial highlights and segment reporting presentation. See also "*Overview of Consolidated Financial Information and Other Data*."

Sale of Operating Lease Assets where the Group Acts as a Lessor

In the consolidated income statements, gains or losses on the sale of operating lease assets, excluding properties, at the end of the lease agreement are presented on a gross basis. This means that the proceeds from the sale of the assets are recognized under other income, whereas the carrying amount of the lease assets is recognized under operating expenses.

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

FI&C and Capital Markets (Both Part of C&I) and Group Treasury (Part of Other Activities)

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

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

Danica Pension

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

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

Non-core

In the consolidated income statements and balance sheet, income and expense items and asset and liability items from the Non-core segment are included in the various income statement and balance sheet lines, as the segment does not fulfil the requirements in IFRS 5.

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

The Impact of the IFRS 9 Expected Credit Loss Impairment Model on Loans Granted by Realkredit Danmark

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

Year Ended December 31, 2016

The presentation in the financial highlights as at and for the year ended December 31, 2016 deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as follows:

- For operating leases under which the Group acts as a lessor, the gains or losses on the sale of lease assets at the end of the lease agreement are presented on a net basis under other income in the financial highlights to better reflect the development in the cost base. In the consolidated income statement, gains or losses on the sale of operating lease assets, excluding properties, are recognized on a gross basis (*i.e.*, the revenue from the sale of the assets is recognized under other income and the carrying amount of the lease assets is recognized under expenses).
- In the segment reporting and financial highlights, income contributed by FICC and trading-related income at Capital Markets (both part of C&I) are recognized as net trading income. Income contributed by Equity Finance (also part of C&I, Capital Markets) is presented as net fee income. In the consolidated income statement, such income is presented as net interest income, net fee income, net trading income and other income. Similarly, income at Group Treasury (part of Other Activities) except for income at the internal bank and income on the hold-to-maturity portfolio are presented as net trading income in the financial highlights and segment reporting and as net interest income, net fee income, net trading income and other income in the consolidated income statement. As the distribution of income between the various income line items in the consolidated income statement can vary considerably from year to year, depending on the underlying transactions and market conditions, the presentation in the financial highlights is considered to better reflect income in such areas.
- For the Wealth Management business unit, the presentation of Danica Pension in the financial highlights differs from the presentation in the consolidated income statement. In the financial highlights, the risk allowance and income from the unit-link business are presented as net fee income. The return on assets related to the health and accident business is presented as net trading income. The risk and guarantee result, net income from the health and accident business and income from recharge to customers of certain expenses are presented as other income. All costs, except external investment costs at Danica Pension, are presented under operating expenses. In the consolidated income statement, income and expenses at Danica Pension are consolidated on a line-by-line basis.
- The Non-core segment includes certain customer segments that are no longer considered part of the Group's core business. The profit or loss is, therefore, presented as a separate line item in the financial highlights, profit before tax, Non-core, whereas the individual income and expense items are included in the various income statement items in the consolidated income statement.

See notes 1(c) and 3 to the 2017 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the Group's consolidated income statements and the Group's financial highlights and segment reporting presentation. See also "*Overview of Consolidated Financial Information and Other Data.*"

Restatements and Reclassifications of Financial Highlights and Segment Reporting

Year Ended December 31, 2017

The financial highlights and segment reporting as at and for the year ended December 31, 2017 were restated in the Group's Annual Report 2018 to reflect the following changes:

- The Group has integrated international banking into the business units in order to further ensure a seamless and value-creating experience for the Group's international customers. In this process, the Group has transferred its business activities in Germany, Poland and Russia from C&I to Business Banking as of January 1, 2018.
- Income on derivatives with customers has been split between the business segment to which the customer belongs and FI&C as payment for performing the trade. Historically, this income has been presented as net trading income in FI&C, and as net interest income, net fee income or net trading income, depending on the type of derivative, in all other business segments. Effective from January 1, 2018, the presentation of customer income on derivatives in FI&C has been aligned with the presentation in the other business segments to better reflect the type of income and the fact that the income is customer-driven.

The new business segments structure became effective on May 2, 2018 and has been reflected in the financial reporting from the third quarter of 2018. Comparative information has been restated to reflect the new organization. The main changes from the former reportable business segment structure are:

- Banking DK and Banking Nordic integrate the former Personal Banking and Business Banking units in a country-based structure.
- Germany, Poland and Russia have been transferred from the former Business Banking unit to C&I.

As of April 1, 2018, Baltic customers who do not have business interests in the Nordics were transferred to the Non-core unit. Comparative information has not been restated. Baltic customers who have a business interest in the Nordics have been transferred to C&I.

For additional information, see note 3 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

Following the decision in the first quarter of 2019 to close down the banking activities in the Baltics and Russia, customers in those countries were transferred to the Non-core unit from C&I in the first quarter of 2019. Comparative information was not restated.

Comparability of Financial Information

Financial information that is not restated for the above changes as at and for the years ended December 31, 2017 and all information for 2016 as reported in the Group's Annual Report 2017 is presented under "*Operating and Financial Review and Prospects—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2017 and 2016*" where 2017 financial information is compared to 2016 financial information, as 2016 financial information restated for the above changes is not available. Accordingly, the non-restated financial information as at and for the year ended December 31, 2016 presented in this Base Prospectus is not fully comparable to the financial information as at and for the three months ended March 31, 2019 and 2018 and as at and for the years ended December 31, 2018 and 2017 presented in this Base Prospectus, including under "*Operating and Financial Review and Prospect—Review of Financial Highlights and Consolidated Financial Information for the Three Months Ended and as at March 31, 2019 and 2018*" and "*Operating and Financial Review and Prospects—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2018 and 2017*" as well as to the financial information as at and for the three months ended March 31, 2019 and 2018 and the restated financial information as at and for the year ended December 31, 2017 reported in the Bank's consolidated unaudited interim financial statements as at and for the three months ended March 31, 2019 (the "**Interim Report – First Quarter 2019**") incorporated by reference into this Base Prospectus. The non-restated financial information as at and for the year ended December 31, 2017 should be read together with the restated financial information as at and for the year ended December 31, 2017 reported in the Group's Annual Report 2018.

Changes in Accounting Policies, Restatements and Reclassifications of Consolidated Financial Statements

Three Months Ended March 31, 2019

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

The implementation of IFRS 16 and the change of the accounting policy for calculating the provision for health and accident insurance had an impact on the opening balance sheet at January 1, 2019. The changes decreased shareholders' equity as at January 1, 2019 by DKK 288 million. The income statement for the year ended December 31, 2018 has been restated to reflect changes due to the implementation of amendments to IAS 12 (see "*—Amendment to IAS 12*" below).

The implementation of changes to IFRS standards not mentioned below had no impact on the Group's financial statements.

IFRS 16

IFRS 16 provides revised principles for lessees, and requires lessees to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, there are no changes to the Group's accounting policy for lessor accounting. See note 40 to the 2018 Financial Statements incorporated by reference into this Base Prospectus for a full description of the changes to the significant accounting policies due to the implementation of IFRS 16.

As allowed under the transitional provisions of IFRS 16, the Group uses the cumulative catch-up approach. Accordingly, the Group has not restated comparative information. IFRS 16 has increased both assets and liabilities as at January 1, 2019 by DKK 6,424 million. There has been no implementation impact on shareholders' equity. Right-of-use lease assets and lessee lease liabilities are presented as part of other assets and other liabilities, respectively. Lease liabilities recognized in the balance sheet as at January 1, 2019, are significantly higher than the operating lease commitments disclosed in Group's Annual Report 2018. This is predominantly due to lease terms being significantly longer under IFRS 16, as the Group is reasonably certain to exercise extension options, and therefore lease terms exceed the non-cancellable period. As at

January 1, 2019, the Group's weighted average incremental borrowing rate applied to the lease liabilities was 1.5 percent for right-of-use properties and 1.4 percent for other right-of-use tangible assets.

In the income statement, expenses related to leases will be presented as depreciation expenses (part of operating expenses) and interest expenses. As the interest expenses are calculated on the reducing balance of the lease liabilities while the depreciations are made on a straight-line basis, the costs under IFRS 16 are front-loaded as compared to under IAS 17. Due to this front-loading, net profit before tax decreased by DKK 28 million for the three months ended March 31, 2019, as compared to the net profit under IAS 17.

Amendment to IFRS 9

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

Amendment to IAS 12

The amendment to IAS 12, which is part of the Annual Improvements to IFRS Standards 2015–2017 Cycle, requires the income tax consequences of dividends to be recognized in profit or loss if the transactions that generated distributable profit are recognized in profit or loss, and thus not recognized directly in equity. The Group has implemented the clarification as at January 1, 2019. The distribution of interest on the Group's equity accounted additional tier 1 capital is deductible for tax purposes, and the tax income is recognized in the income statement when the interest is paid. This has decreased tax in the income statement and increased net profit for the three months ended March 31, 2018 and the three months ended March 31, 2019 by DKK 7 million. For the year ended December 31, 2018, the impact is an increase in net profit of DKK 173 million. There is no impact on earnings per share.

Change in the Accounting for Health and Accident Insurance

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

Retrospective application is impracticable without the use of hindsight and due to lack of data. The cumulative impact is recognized as a reduction in shareholders' equity as at January 1, 2019 of DKK 288 million, consisting of an increase in insurance liabilities of DKK 369 million and a decrease in tax liabilities of DKK 81 million. The implementation has decreased net profit for the three months ended March 31, 2019 by DKK 29 million. The effect on earnings per share is insignificant.

Year Ended December 31, 2018

On January 1, 2018, the Group implemented IFRS 9 and "*IFRS 15 – Revenue from Contracts with Customers*" ("**IFRS 15**"). The implementation of IFRS 15 had no impact on shareholders' equity, assets or liabilities. Note 6 to the 2018 Financial Statements includes additional disclosures required by IFRS 15. IFRS 9 is applied retrospectively with the cumulative impact recognized in shareholders' equity as at January 1, 2018. Comparative information for the year ended December 31, 2017 has not been restated.

The key impacts of the implementation of IFRS 9 are:

- The introduction of the new expected credit loss model has increased the allowance account by DKK 2,572 million. Of this, DKK 2,172 million relates to financial instruments at amortized cost (including financial guarantees and loan commitments) and DKK 400 million to loans at fair value (loans granted by Realkredit Danmark). The latter represents the change to the IFRS 13 estimate of the fair value of the credit risk on Realkredit Danmark loans (measured at fair value through profit or loss under IAS 39 and IFRS 9) that from January 1, 2018 is based on the expected credit loss model developed in connection with the Group's implementation of IFRS 9.

- The business model assessment resulted in loans, including reverse transactions, in the Group's trading units (FI&C and Capital Markets of C&I) being measured at fair value through profit or loss instead of as previously at amortized cost. If only the financial assets are measured at fair value through profit or loss, an accounting mismatch exists. Therefore, deposits, including repo transactions, and issued bonds in these business units are designated at fair value through profit or loss instead of as previously at amortized cost. The remeasurement reduced the carrying amount of financial assets by DKK 68 million and financial liabilities by DKK 171 million as at January 1, 2018.
- The effect of DKK 1,967 million, net of tax, reduced shareholders' equity as at January 1, 2018. The impact from expected credit loss impairment on loans at amortized cost and remeasurement due to reclassifications, net of tax, of DKK 1,655 million is recognized as a reduction in shareholders' equity as at January 1, 2018, while the impact on the fair value of the credit risk on loans at fair value, net of tax, of DKK 312 million is recognized as a change in an accounting estimate in the consolidated income statements for the year ended December 31, 2018. However, in the segment reporting and financial highlights, the total impact from IFRS 9, including the impact on loans at fair value, is recognized as a reduction in shareholders' equity as at January 1, 2018.
- The implementation of the expected credit loss ("ECL") impairment model (for loans at amortized cost) will be phased-in in the Group's capital statement from 2018 to 2022 in accordance with EU capital requirements regulation adopted in 2017. This phasing-in of IFRS 9 reduced the CET1 capital ratio as at January 1, 2018 by 0.1 percentage points. The fully phased-in impact will be a reduction of the CET1 capital ratio of 0.2 percentage points.

Further, the disclosure requirements for financial instruments in "*IFRS 7 – Financial Instruments: Disclosure*" and "*IAS 1 – Presentation of Financial Statements*" were amended as part of the IFRS 9 project. The amendments have been implemented in the 2018 Financial Statements.

The Group has also implemented amendments to various standards effective as at January 1, 2018, including amendments to "*IFRS 2 – Share-based Payments*," IAS 28 and "*IAS 40 – Investment Properties*." Further, the Group has implemented "*IFRIC 22 – Foreign Currency Transactions and Advance Considerations*." The implementation of these changes had no impact on the Group's financial statements.

The impact from changes in accounting policies is recognized in shareholders' equity in the opening consolidated balance sheet as at January 1, 2018 and the comparative information has not been restated. The reclassifications of financial instruments between measurement categories in IFRS 9 and the impact from the expected credit loss impairment model are shown separately. The latter excludes the impact on loans granted by Realkredit Danmark. All other changes (*i.e.*, remeasurement from amortized cost to fair value, the tax impact and minor adjustments in Danica Pension related to the accounting for the profit margin (see note 18 to the 2018 Financial Statements)) are presented together. For additional information, see note 2(a) to the 2018 Financial Statements.

Non-IFRS Measures of Financial Performance

The discussion of the results of operations of the Group and its reporting segments included in "*Risk Factors*," "*Overview of Consolidated Financial Information and Other Data*," "*Operating and Financial Review and Prospects*" and "*Description of the Group*" is based on the financial highlights and segment reporting presentation used by the Group when presenting such information in its annual and interim reports. Results of the Group performance have historically been presented on the basis of IFRS financial results with certain deviations as described in more detail under "*Presentation of Financial Information*" above.

Certain of the income statement and balance sheet information and ratios that are presented based on the financial highlights and segment reporting presentation deviate from the corresponding figures in the Consolidated Financial Statements as discussed in more detail under "*Presentation of Financial Information*" above. These measures are non-IFRS financial measures. In addition, the financial highlights are alternative performance measures, as described in the section "Definition of alternative performance measures" in the Group's Interim Report – First Quarter 2019 and Annual Report 2018, incorporated by reference into this Base Prospectus.

A non-IFRS financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. The reconciliations between the non-IFRS financial highlight and segment reporting figures presented by the Group and the IFRS equivalent figures are described in note 3(b) to the Interim Financial Statements and notes 1(d) and 3 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

In addition to information on the Group's results of operations that is based on the financial highlights and segment reporting presentation, this Base Prospectus includes certain other non-IFRS measures. These include the following information which has also been prepared on a financial highlights basis: earnings per share, return on average shareholders' equity, net interest income as percent per annum of loans and deposits and cost/income ratio. See "*Overview*

of Consolidated Financial Information and Other Data” for a description of how these non-IFRS measures are calculated. See also the definitions of alternative performance measures in the section “Definition of alternative performance measures” in the Group’s Interim Report – First Quarter 2019 and Annual Report 2018, incorporated by reference into this Base Prospectus.

Non-IFRS measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies. The non-IFRS measures discussed in this Base Prospectus are used in the internal management of the Group, along with the most directly comparable IFRS financial measures, in evaluating operating performance. The Group’s management believes that these non-IFRS measures, when considered in conjunction with IFRS measures, accurately reflect the Group’s economic performance and enhance investors’ and management’s overall understanding of the Group’s performance. In addition, because the Group has historically reported certain non-IFRS measures to investors, the Bank’s management believes that the inclusion of non-IFRS measures provides consistency in the Group’s financial reporting.

Incorporation by Reference

This Base Prospectus incorporates by reference important information about the Group, which means that:

- (i) the incorporated information is considered part of this Base Prospectus; and
- (ii) the Bank can disclose important information to prospective purchasers of Notes by referring prospective purchasers to documents that include such information.

The following information, which has previously been published and has been submitted to and filed with the Central Bank, shall be deemed to be incorporated into, and form part of, this Base Prospectus:

Information	Source
Definition of alternative performance measures.....	Interim Report – First Quarter 2019 page 29
Income Statement for the Group for the three months ended March 31, 2019	Interim Report – First Quarter 2019 page 31
Statement of Comprehensive Income for the Group for the three months ended March 31, 2019	Interim Report – First Quarter 2019 page 32
Balance Sheet for the Group as at March 31, 2019	Interim Report – First Quarter 2019 page 33
Statement of Capital for the Group for the three months ended March 31, 2019..	Interim Report – First Quarter 2019 pages 34–36
Cash Flow Statement for the Group for the three months ended March 31, 2019.	Interim Report – First Quarter 2019 page 37
Notes to the financial statements for the Group as at and the for three months ended March 31, 2019.....	Interim Report – First Quarter 2019 pages 38–72
Statement by the Management as at and for the three months ended March 31, 2019.....	Interim Report – First Quarter 2019 page 73
Independent Auditors’ Review Report for the Group as at and for the three months ended March 31, 2019	Interim Report – First Quarter 2019 page 74
Definition of alternative performance measures.....	Annual Report 2018 page 65
Income Statement for the Group for the year ended December 31, 2018.....	Annual Report 2018 page 70
Statement of Comprehensive Income for the Group for the year ended December 31, 2018	Annual Report 2018 page 71
Balance Sheet for the Group as at December 31, 2018	Annual Report 2018 page 72
Statement of Capital for the Group for the year ended December 31, 2018.....	Annual Report 2018 pages 73–76
Cash Flow Statement for the Group for the year ended December 31, 2018.....	Annual Report 2018 page 77

Information	Source
Notes to the financial statements for the Group as at and for the year ended December 31, 2018	Annual Report 2018 pages 78–207
Statement by the Management as at and for the year ended December 31, 2018..	Annual Report 2018 page 230
Independent Auditor’s Report for the Group as at and for the year ended December 31, 2018	Annual Report 2018 pages 231–235
Definition of alternative performance measures	Annual Report 2017 page 45
Income Statement for the Group for the year ended December 31, 2017.....	Annual Report 2017 page 48
Statement of Comprehensive Income for the Group for the year ended December 31, 2017	Annual Report 2017 page 49
Balance Sheet for the Group as at December 31, 2017	Annual Report 2017 page 50
Statement of Capital for the Group for the year ended December 31, 2017.....	Annual Report 2017 pages 51–54
Cash Flow Statement for the Group for the year ended December 31, 2017.....	Annual Report 2017 page 55
Notes to the financial statements for the Group as at and for the year ended December 31, 2017	Annual Report 2017 pages 56–165
Statement by the Management as at and for the year ended December 31, 2017..	Annual Report 2017 page 188
Independent Auditor’s Report for the Group as at and for the year ended December 31, 2017	Annual Report 2017 pages 189–193
The section “Terms and Conditions of the Notes” from the Base Prospectus dated May 23, 2018.....	Base Prospectus dated May 23, 2018 pages 190–216
The section “Terms and Conditions of the Notes” from the Base Prospectus dated February 22, 2017	Base Prospectus dated February 22, 2017 pages 163–181
The section “Terms and Conditions of the Notes” from the Base Prospectus dated February 26, 2016.....	Base Prospectus dated February 26, 2016 pages 152–170
<p>The Interim Report – First Quarter 2019 is incorporated in, and forms part of, this Base Prospectus, excluding the third paragraph of the “Executive summary” on page 5 starting with “Based on this slow start to the year...” and the section “Outlook for 2019” of the “Executive summary” on page 7. The Interim Report – First Quarter 2019, which includes information incorporated by reference into this Base Prospectus relating to the three months ended and as at March 31, 2019, can be viewed online at https://danskebank.com/-/media/danske-bank-com/file-cloud/2019/4/interim-report---first-quarter-2019.pdf.</p>	
<p>The Annual Report 2018, which includes information incorporated by reference into this Base Prospectus relating to the year ended and as at December 31, 2018 as described in the above cross reference list, can be viewed online at https://danskebank.com/-/media/danske-bank-com/file-cloud/2019/2/annual-report-2018.pdf.</p>	
<p>The Annual Report 2017, which includes information incorporated by reference into this Base Prospectus relating to the year ended and as at December 31, 2017 as described in the above cross reference list, can be viewed online at www.danskebank.com/-/media/danske-bank-com/file-cloud/2018/2/annual-report-2017.pdf.</p>	
<p>The Base Prospectus dated May 23, 2018 relating to the Program, which includes information incorporated by reference into this Base Prospectus relating to the previous Terms and Conditions of the Notes as described in the above cross reference list, can be viewed online at https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/funding-programmes/us-mtn-programme/danske-bank-us-mtn--base-prospectus-2018-final-.la=en.pdf.</p>	
<p>The Base Prospectus dated February 22, 2017 relating to the Program, which includes information incorporated by reference into this Base Prospectus relating to the previous Terms and Conditions of the Notes as described in the above cross reference list, can be viewed online at https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/funding-programmes/us-mtn-programme/us-mtn-programme-22-february-2017---base-prospectus-.la=en.pdf.</p>	
<p>The Base Prospectus dated February 26, 2016 relating to the Program, which includes information incorporated by reference into this Base Prospectus relating to the previous Terms and Conditions of the Notes as described in the</p>	

above cross reference list, can be viewed online at https://www.danskebank.com/da-dk/ir/gaeld/US-MTN-program/Documents/Danske%20Bank%20US%20MTN%20Base%20Prospectus_February%202016.pdf.

The Base Prospectus dated September 4, 2015 relating to the Program, which includes information incorporated by reference into this Base Prospectus relating to the previous Terms and Conditions of the Notes as described in the above cross reference list, can be viewed online at https://www.danskebank.com/da-dk/ir/gaeld/Documents/Prospekter/Danske_Bank_US_MTN_Program_2015_Update_Base_Prospectus.pdf.

Where only certain parts of a document are incorporated by reference into this Base Prospectus, the non-incorporated parts are either not relevant to investors or are covered elsewhere in this Base Prospectus.

In addition, in relation to each issue of Notes, the relevant Final Terms shall be deemed to form a part of, and should be read together with, this Base Prospectus. Should any of the documents incorporated by reference into this Base Prospectus themselves incorporate by reference further information, such information does not form a part of this Base Prospectus.

Any statement contained or incorporated by reference into this Base Prospectus, including any relevant Final Terms, will be deemed to be modified or superseded for purpose of this Base Prospectus, including any relevant Final Terms, to the extent that a statement contained in a document that is incorporated by reference into this Base Prospectus through a supplement to the Base Prospectus and posted on the Group's U.S. MTN Program Website or investor relations website at www.danskebank.com/investor-relations/ modifies or supersedes that statement (including as a result of a more recently incorporated document). Any statement that is modified or superseded in this manner will no longer be a part of this Base Prospectus or any relevant Final Terms, except as modified or superseded.

The documents incorporated by reference will not be distributed to the Holders, but will be available to Holders upon request. Requests for copies of any incorporated documents should be addressed to Danske Bank's Investor Relations, 2–12 Holmens Kanal, DK–1092 Copenhagen K, Denmark.

All references to this Base Prospectus in this section, “*Incorporation by Reference*,” mean this Base Prospectus as it may be amended or supplemented from time to time.

Exchange Rates

The following tables set forth, for the periods and dates indicated, the average, high, low and period-end exchange rates, based on the reference rates as published by the Danish Central Bank for the Danish Kroner in relation to the euro and the U.S. dollar. The average rate means the average of the exchange rates on the last day of each month during the applicable period. Fluctuations in the exchange rates between the Danish Kroner and the currencies set forth below in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of the financial statements and other financial information presented in this Base Prospectus.

	Reference rates of Danish Kroner per euro			
	Average	High	Low	Period-end
2013	7.458	7.464	7.452	7.460
2014	7.455	7.467	7.437	7.444
2015	7.459	7.472	7.435	7.463
2016	7.445	7.465	7.434	7.434
2017	7.439	7.446	7.433	7.445
2018	7.453	7.467	7.444	7.467
2019 (until June 11)	7.465	7.470	7.460	7.469

Source: Danish Central Bank.

	Reference rates of Danish Kroner per U.S. dollar			
	Average	High	Low	Period-end
2013	5.616	5.837	5.400	5.413
2014	5.619	6.121	5.349	6.121
2015	6.727	7.081	6.181	6.830
2016	6.733	7.173	6.433	7.053
2017	6.595	7.159	6.068	6.208
2018	6.317	6.519	6.170	6.519
2019 (until June 11)	6.606	6.713	6.472	6.598

Source: Danish Central Bank.

The above rates are provided solely for the convenience of the reader. No representation is made that the Danish Kroner could have been converted into euro or U.S. dollar at the rates shown or at any other rate for such periods or at such dates.

CAPITALIZATION

The following table sets forth, as at March 31, 2019, the Bank's consolidated capitalization and indebtedness:

	As at March 31, 2019 (DKK in millions)
Due to credit institutions and central banks	141,753
Deposits	1,163,798
Bonds issued by Realkredit Danmark	751,185
Other issued bonds ⁽¹⁾	<u>367,794</u>
Total senior funding	2,424,530
Hereof secured funding ⁽²⁾	1,207,473
Subordinated capital	<u>28,891</u>
Total debt and subordinated capital	2,453,421
Share capital	8,960
Foreign currency translation reserve	(976)
Reserve for bonds at fair value through other comprehensive income	192
Retained earnings	135,981
Proposed dividends	—
Shareholders of Danske Bank A/S	<u>144,156</u>
Additional tier 1 capital holders	<u>14,421</u>
Total equity	<u>158,577</u>
Total senior funding, subordinated capital and equity	<u>2,611,998</u>

- (1) Other issued bonds consists of covered bonds of DKK 201,844 million, preferred senior bonds of DKK 85,197 million, non-preferred senior bonds of DKK 63,206 million and commercial paper and certificates of deposits of DKK 17,547 million.
- (2) Hereof secured funding consists of bonds issued by Realkredit Danmark of DKK 751,185 million, covered bonds of DKK 201,844 million and repo transactions of DKK 254,444 million.

The table above should be read in conjunction with the financial statements incorporated by reference into this Base Prospectus.

Except as set forth below, there have been no material changes affecting the Bank's consolidated capitalization and indebtedness between March 31, 2019 and the date of this Base Prospectus.

On March 18, 2019, the annual general meeting of shareholders of the Bank (the "**General Meeting**") adopted the proposal to reduce the Bank's share capital by DKK 337,690,000 nominally by cancelling 33,769,000 shares from the Bank's holding of own shares. The reduction of the share capital has been carried out and registered on April 29, 2019. After the reduction, the Bank's share capital amounts to DKK 8,621,846,210 nominally, corresponding to 862,184,621 shares of DKK 10 each.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Bank to meet part of its general financing requirements.

OVERVIEW OF CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The consolidated income statement and balance sheet data presented below have been derived from the Consolidated Financial Statements. The Consolidated Financial Statements have been prepared in accordance with IFRS and Danish disclosure requirements for listed financial companies, and are incorporated by reference into this Base Prospectus. The consolidated interim financial statements of the Group as at and for the three months ended March 31, 2019 have been reviewed by Deloitte and the consolidated financial statements of the Group as at and for the years ended December 31, 2018 and 2017 have been audited by Deloitte. The reports of Deloitte on the respective consolidated financial statements are incorporated by reference into this Base Prospectus.

The following information is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the tables below deviate from the corresponding figures in the Group's consolidated financial statements as discussed in more detail under "*Important Information for Investors—Presentation of Financial Information.*" See note 3 to the Interim Financial Statements, notes 1(d) and 3 to the 2018 Financial Statements and notes 1(c) and 3 to the 2017 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

The information below should be read together with the Consolidated Financial Statements incorporated by reference into this Base Prospectus and the sections "*Important Information for Investors—Presentation of Financial Information,*" "*Important Information for Investors—Non-IFRS Measures of Financial Performance*" and "*Operating and Financial Review and Prospects.*"

	For the three months ended March 31,		For the year ended December 31,		
	2019	2018 (restated) ⁽¹⁾	2018	2017 (restated) ⁽²⁾	2016 (not restated) ⁽²⁾
(DKK in millions)					
INCOME STATEMENT DATA					
Net interest income*	5,520	5,946	23,571	23,806	22,028
Net fee income*	3,869	3,762	15,402	15,664	14,183
Net trading income*	1,299	1,435	4,676	7,087	8,607
Other income*	115	309	716	1,591	3,140
Total income*	10,802	11,452	44,365	48,149	47,959
Operating expenses*	(6,145)	(5,612)	(25,011)	(22,722)	(22,642)
Profit before loan impairment charges*	4,657	5,841	19,354	25,427	25,317
Loan impairment charges*	(357)	330	650	873	3
Profit before tax, core*	4,300	6,171	20,004	26,300	25,320
Profit before tax, Non-core*	(288)	32	(282)	(12)	37
Profit before tax*	4,012	6,202	19,722	26,288	25,357
Tax*	(1,024)	(1,322)	(4,721) ⁽¹⁾	(5,388)	(5,500)
Net profit for the period*	2,988	4,880	15,001 ⁽¹⁾	20,900	19,858
Attributable to additional tier 1 etc.	194	194	781	786	663

	As at March 31, 2019	As at December 31,		
		2018	2017	2016
		(DKK in millions)		
BALANCE SHEET DATA				
Assets				
Due from credit institutions and central banks*	171,169	169,237	277,631	200,544
Repo loans*	319,906	316,362	228,538	244,474
Loans*	1,793,049	1,769,438	1,723,025	1,689,155
Trading portfolio assets*	468,414	415,811	449,292	509,678
Investment securities.....	264,909	276,424	324,618	343,337
Assets under insurance contracts	424,824	377,369	296,867	285,398
Total assets in Non-core*	15,319	14,346	4,886	19,039
Other assets*	<u>257,324</u>	<u>239,480</u>	<u>234,672</u>	<u>192,046</u>
Total assets	<u>3,714,914</u>	<u>3,578,467</u>	<u>3,539,528</u>	<u>3,483,670</u>
Liabilities				
Due to credit institutions and central banks*	141,753	148,095	155,528	155,085
Repo deposits*	254,444	262,181	220,371	199,724
Deposits*	909,354	894,495	911,852	859,435
Bonds issued by Realkredit Danmark*	751,185	741,092	758,375	726,732
Other issued bonds*	367,794	330,477	405,080	392,512
Trading portfolio liabilities*	423,324	390,222	400,596	478,301
Liabilities under insurance contracts.....	458,521	417,279	322,726	314,977
Total liabilities in Non-core*	5,596	4,014	3,094	2,816
Other liabilities*	215,474	204,243	164,531	149,641
Subordinated debt	28,891	23,092	29,120	37,831
Additional tier 1 etc.	14,421	14,300	14,339	14,343
Shareholders' equity	<u>144,156</u>	<u>148,976</u>	<u>153,916</u>	<u>152,272</u>
Total liabilities and equity	<u>3,714,914</u>	<u>3,578,467</u>	<u>3,539,528</u>	<u>3,483,670</u>

	As at and for the three months ended March 31,		As at and for the year ended December 31,		
	2019	2018	2018	2017	2016
(DKK in millions)					(not restated) ⁽²⁾
Ratios and Key Figures					
Earnings per share, ⁽³⁾ DKK	3.3	5.3	16.5	22.2	20.2
Return on average shareholders' equity, ⁽⁴⁾ percent	7.7	12.6	9.8	13.6	13.1
Net interest income as percent per annum of loans and deposits ⁽⁵⁾	0.83	0.89	0.88	0.89	0.86
Cost/income ratio, ⁽⁶⁾ percent	56.9	49.0	56.4	47.2	47.2
Total capital ratio, ⁽⁷⁾ percent	21.8	21.4	21.3	22.6	21.8
Common equity tier 1 capital ratio, ⁽⁸⁾ percent	16.7	16.4	17.0	17.6	16.3
Full-time-equivalent staff (end of period)	20,978	19,709	20,683	19,768	19,303

* The tables above are based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk deviate from the corresponding figures in the Consolidated Financial Statements as discussed in more detail under "Important Information for Investors—Presentation of Financial Information." See note 3 to the Interim Financial Statements, notes 1(d), 2(a) and 3 to the 2018 Financial Statements and notes 1(c) and 3 to the 2017 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

- (1) As discussed in more detail under "Important Information for Investors—Presentation of Financial Information—Changes in Accounting Policies, Restatements and Reclassifications of Consolidated Financial Statements—Three Months Ended March 31, 2019," the Group has restated the comparative financial highlights as at and for the three months ended March 31, 2018 and as at and for the year ended December 31, 2018 in the Group's Interim Financial Statements. The above tables reflect the restated figures as at and for the three months ended March 31, 2018, but includes figures as at and for the years ended December 31, 2018, 2017 and 2016 that have not been restated for these changes and, therefore, are not directly comparable in all respects with the information presented as at and for the three months ended March 31, 2019 and 2018. In the Group's Interim Financial Statements, the restated figure for Tax is DKK 4,548 million and DKK 15,174 million for Net profit for the period for the year ended December 31, 2018.
- (2) As discussed in more detail under "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2017," the Group has restated the comparative financial highlights as at and for the year ended December 31, 2017 in the Group's Annual Report 2018. The above tables reflect the restated figures as at and for the year ended December 31, 2017, but includes figures as at and for the year ended December 31, 2016 that have not

been restated and, therefore, are not directly comparable in all respects with the information presented as at and for the years ended December 31, 2018 and 2017.

- (3) Net profit for the period* (annualized for the three months ended March 31, 2019 and 2018) divided by the average number of shares outstanding during the year. Net profit for the period* is stated after the deduction of interest net of tax on equity-accounted additional tier 1 capital.
- (4) Net profit for the period* (annualized for the three months ended March 31, 2019 and 2018) divided by quarterly average shareholders' equity. Net profit for the period* 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 194 million (including tax thereon) for the first three months of 2019, DKK 194 million for the first three months of 2018, DKK 784 million for 2018, DKK 786 million for 2017 and DKK 663 million for 2016, and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests equal to a reduction in the quarterly average of equity of DKK 14,361 million for the first three months of 2019, DKK 14,401 million for the first three months of 2018, DKK 18,396 million for 2018, DKK 17,748 million for 2017 and DKK 15,935 million for 2016.
- (5) Net interest income* divided by the daily average of loans* and deposits*.
- (6) Operating expenses* divided by total income*.
- (7) Total capital divided by the total REA. Calculated in accordance with the CRR (as defined herein), taking transitional rules into account as stipulated by the DFSA.
- (8) Common equity tier 1 capital divided by the total REA. Calculated in accordance with the CRR, taking transitional rules into account as stipulated by the DFSA.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Except for the discussion of results of operations of the Group and its reporting segments, which is based on the financial highlights and segment reporting presentation used by the Group as discussed below, the following discussion is primarily based on and should be read in conjunction with the Consolidated Financial Statements incorporated by reference into this Base Prospectus. In particular, the discussion below covers the financial periods ended December 31, 2016, 2017 and 2018, and readers should refer to the Interim Report – First Quarter 2019 as incorporated by reference into this Base Prospectus for information relating to the three months ended and as at March 31, 2019 and 2018. The Consolidated Financial Statements have been prepared in accordance with IFRS and Danish disclosure requirements for listed financial companies. The following discussion of the results of operations of the Group and its reporting segments is based on the financial highlights and segment reporting presentation used by the Group when presenting such information. The Group's financial highlights deviate from the corresponding figures in the Consolidated Financial Statements as discussed in more detail under "Important Information for Investors—Presentation of Financial Information."

This section contains forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. See "Important Information for Investors—Special Notice Regarding Forward-looking Statements" and "Risk Factors."

Overview

The Group is the leading financial service provider in Denmark (source: the DFSA) measured by total working capital as at September 30, 2018, and one of the largest in the Nordic region measured by total assets as at March 31, 2019. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Bank is the largest bank in Denmark (source: the DFSA), is one of the larger banks in Finland and Northern Ireland and has challenger positions in Sweden and Norway. As at March 31, 2019, the Group's total assets amounted to DKK 3,715 billion and the Group employed 20,978 full-time equivalent employees. As at the same date, the Group had approximately 3.3 million customers and approximately 2.2 million customers used the Group's online services. The Group had 234 branches as at March 31, 2019.

The Bank is the parent company of the Group. Danske Bank is a Nordic bank with bridges to the world, and its core markets are Denmark, Sweden, Norway and Finland. In these countries, it serves all types of customers, from retail and commercial customers to large corporate and institutional customers. It also operates in Northern Ireland, where it serves both retail and commercial customers. The Group has additional offices in several other European countries including a subsidiary in Luxembourg and branch offices in Poland, Germany and the U.K., where its main offerings are solutions for Nordic and local businesses as well as private banking clients. The Group also conducts broker-dealer activities in the United States. See "—Recent Developments—Strategic Business Review" below for an update on the Baltics and Russia.

Primary Factors Affecting the Group's Results of Operations

The Group's business, results of operations and financial position have been affected, and may continue to be affected, by various factors, the most significant of which are described below. The impact of these and other potential factors may vary significantly in the future.

Macroeconomic Environment

The Group derives a substantial majority of its income from its operations in Denmark, Sweden, Norway and Finland. Accordingly, the Group's business, results of operations and financial position depend upon the economic conditions prevailing in these primary markets, in particular economic growth and the general level of interest rates. The Group's operations are also affected by the level of competition in these primary markets, particularly from other major banking groups and specialist providers, including mortgage lenders. Through its activities, the Group is also exposed to the economic conditions in Northern Ireland, the Baltic countries and, to a lesser extent, Ireland. Although the exposure to these countries is relatively small, lower demand and the financial and economic crisis in these markets have adversely affected, and could in the future adversely affect, the business, results of operations and financial position of the Group.

In 2016, the economic recovery in Europe continued. The key driver of the recovery was private consumption supported by low oil prices and very low interest rates but growth in investments has also been a contributing factor. Economic activity has been quite resilient to the political uncertainty across countries. The economic upturn in the United States slowed down in the first half of 2016 but the growth rate rebounded in the third and fourth quarters. Private consumption has been the main growth driver. A combination of a tightening U.S. labor market, higher GDP growth, higher wage growth and an increase in core inflation caused the U.S. Federal Reserve to increase the federal funds target rate for the second time since the financial crisis at the Federal Open Market Committee's December 2016 meeting. The Chinese economy recovered in 2016. The construction sector rebounded due to robust home sales and a marked reduction in the inventory of houses. The government boosted infrastructure spending and added to the lift from the construction sector. Although European stock prices fell a lot in the beginning of the year, European stocks ended higher in 2016 after a very strong

finish. Stock market volatility increased for a few days around the Brexit vote, but markets quickly stabilized. However, a very large depreciation of the British pound sterling was experienced in the wake of Brexit. The U.S. presidential election did not in itself cause significant volatility in the markets.

2016 was the fourth consecutive year of recovery in the Danish economy. The recovery has been characterized by relatively moderate economic growth and robust employment growth. The economy is supported by low interest rates and low oil prices. The continued increasing housing prices in recent years also seems to be supportive, as housing investments have increased significantly in 2016. The current account surplus decreased in 2016 after a record high in 2015 due largely to the significant decrease in shipping rates. This negative impact to the shipping sector has, however, been lessened by the strengthening of the U.S. dollar as shipping income is typically denominated in U.S. dollars. In Sweden, demand growth has remained solid in 2016, although growth has slowed slightly following a strong 2015. The slowdown is mainly due to lower growth in private consumption and exports. House and apartment prices have increased in 2016 compared to 2015, but prices seem to be stabilizing. In Norway, economic growth seems to be slowly increasing after the large decrease in oil prices negatively affected the economy. High homebuilding activity and expansionary fiscal policy are supporting growth, while private demand remains weak along with mainland exports. The latter effect is largely a result of a significant decrease in exports from oil-related mainland firms. Growth in the Finnish economy has increased significantly in 2016, mainly due to strong private demand and progress in the construction sector. Exports, on the other hand, are still weak. The economic recovery in Ireland and Northern Ireland continued.

In 2017, the economic expansion in Europe continued. The key drivers of the expansion were consumption and net exports. The investment environment continued to be favorable supported by the low interest rates. Economic activity continued to be resilient to the political uncertainty across countries. The economic upturn in the United States continued and increased markedly in the second and third quarters of 2017 but the growth rate was slightly lower in the fourth quarter. Private consumption was the main growth driver. A combination of a tightening U.S. labor market, strong GDP growth and slightly higher wage growth caused the U.S. Federal Reserve to increase the federal funds target rate three times, leaving the upper range of the Federal Open Market Committee's target band at 1.5 percent at the end of 2017. The Chinese economy experienced solid growth of approximately 6.8 percent during 2016 and 2017 driven by a recovery in housing and robust export growth alongside decent growth in private consumption and infrastructure investment. Investments in technology have also been increasing during this time. Financial market volatility was generally lower in 2017 compared to previous years. European stock markets started rising markedly in late 2016, a trend which continued into 2017, although some setbacks led to decreases during parts of the second and third quarters of 2017.

The economic recovery continued across the Nordic countries in 2017. In Denmark, it was driven mainly by strong employment growth, whereas exports and private consumption were weaker than expected. Sweden continued to thrive off solid private consumption and strong exports and investments, particularly in housing. In Norway, growth picked up through 2017 as headwinds from oil investments reversed and private consumption remained strong. In Finland, the government pursued a policy of internal devaluation that culminated in the so-called competitiveness pact, formed together with labor organizations. As a result, the Finnish economy performed well in 2017. Private consumption was strong, but the main drivers of growth were private investment and exports as export industries benefited from growth in the eurozone and improved domestic price competitiveness. During 2017, house prices began to decline first in Norway and then in Sweden after several years of rapid growth. Especially in Sweden, the price decreases were sharp in 2017. In the beginning of 2017, there was an increase in European yields, which should be seen in relation to the increased inflation in December 2016.

In 2018, the growth in the eurozone was weaker, especially in the second half of the year. Among the principal causes were a weakening in the Chinese economy following economic policy tightening in 2017 and negative impact from the trade tensions with the United States. Despite lower GDP growth, eurozone unemployment continued to decline. The ECB maintained its negative interest rates but gradually ended net purchases under its asset purchase program. GDP growth in the United States accelerated to 2.9 percent, supported by continued strong growth in personal spending and a significant acceleration in non-residential investment and government consumption. The strong economy combined with evidence of higher inflation and wage growth caused the U.S. Federal Reserve to increase the federal funds target rate four times by a total of one percentage point. These rate increases contributed to significant financial distress in some countries with liabilities denoted in U.S. dollars, notably Turkey and Argentina. During 2018, there was significant political uncertainty, especially regarding the trade tensions between the United States and China and other countries, and lack of clarity regarding the terms and timing of Brexit. It is likely that these uncertainties weighed on both economic growth and financial market sentiment.

The recovery in Denmark continued unabated in 2018 despite weaker growth in the eurozone, as witnessed by continued strong job growth. However, GDP growth weakened, partially due to an unusually warm and dry summer leading to a poor harvest. The recovery also continued in Sweden, but with signs of weakening within the construction sector as a result of a stagnating apartment market. The Swedish central bank maintained its main interest rate at negative 0.5, but signaled its intention to increase it by 25 basis points in January 2019. The recovery also continued in Norway where investments in the energy sector started to increase, and oil companies signaled intentions to increase such investments significantly going forward. However, there was a decline in housing investment. The Finnish economy was not able to maintain its relatively

high growth rate of previous years, but was nevertheless still in a recovery phase. The deficit on public finances was reduced, but the current account deficit widened.

Interest Rates

The following table sets forth the annual averages of three-month interbank interest rates in Denmark, Sweden, Norway and Finland and in the eurozone for the years indicated:

	For the year ended December 31,		
	2018	2017	2016
	(percent)		
Denmark	(0.3)	(0.3)	(0.2)
Sweden.....	(0.4)	(0.5)	(0.5)
Norway	1.1	0.9	1.1
Finland (eurozone).....	(0.3)	(0.3)	(0.3)

Source: Macrobond Financial, Danske Bank Research.

The Group earns interest from loans and other assets and pays interest to its depositors and other creditors. The Group's results of operations are, therefore, dependent to a great extent on the Group's net interest income. Net interest income represented 51.1 percent of the Group's total income in the first three months of 2019, as compared to 51.9 percent for the first three months of 2018. Net interest income represented 53.1 percent of the Group's total income in 2018, as compared to 49.4 percent in 2017 and 45.9 percent in 2016. The Group's net interest margin, which is the difference between the yield on its interest-bearing assets and the cost of its interest-bearing liabilities, varies according to prevailing interest rates and is a significant factor in determining the profitability of the Group. Reductions in interest rates or compression of the interest rate spread may result in a decrease in the amount of net interest income generated by the Group and its net interest margin. For a discussion of developments in interest rates, see "*Risk Factors—Risks Related to the Markets in which the Group Operates.*"

The Group's net interest income is driven by a combination of lending and deposit volumes and margins. The deposit margin is generally more sensitive to decreases in interest rates than lending margin because in periods of interest rates approaching zero or becoming negative, the rates payable on some customer deposits cannot decrease below zero, which limits the ability to manage deposit margins. The Group's net interest income totaled DKK 23,571 million in 2018, DKK 23,806 million in 2017 and DKK 22,028 million in 2016. The decrease in net interest income in 2018 as compared to 2017 was due to a decrease in lending margins due to developments in market rates, currency effects, higher capital costs as a result of the issuance of additional tier 1 capital at the end of the second quarter of 2018 and of non-preferred senior debt during the second and third quarters of 2018. The transfer of Baltic customers to the Non-core unit also reduced net interest income. The decrease was partially offset by growth in lending and deposit volumes, increased deposit margins as a result of developments in market rates, and lower liquidity costs. In 2016, net interest income increased driven by volume growth and lower funding costs.

Loan Impairment Charges

The Group's results of operations are affected by the level of impairment charges. The Group's loan impairment charges amounted to a reversal of DKK 650 million in 2018, a reversal of DKK 873 million in 2017 and a reversal of DKK 3 million in 2016.

Loan impairment charges remained low in 2018 due to credit quality remaining solid, supported by stable macroeconomic conditions. The reversal of loan impairment charges increased in 2017 as compared to 2016 due to solid credit quality driven by higher property prices in most geographical areas, and improving macroeconomic conditions.

Impairment on Goodwill and Customer Relations

Under IFRS, goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost of the undertaking and the fair value of its net assets, including contingent liabilities, at the time of acquisition. Goodwill is allocated to cash-generating units at the level at which management monitors the investment. Goodwill is not amortized; instead, each cash-generating unit is tested for impairment once a year, or more frequently if indications of impairment exist. Goodwill is written down to its recoverable amount through profit and loss if the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected from the unit. Goodwill on associates is recognized under holdings in associates. Impairment of goodwill does not have an impact on the Group's capital ratios as goodwill is excluded from the calculations.

The Group did not recognize any goodwill impairment charges in 2018, 2017 or 2016. As at December 31, 2018, the Group's total goodwill amounted to DKK 7.8 billion, or 0.2 percent, of the Group's total assets.

Reporting Segments

As of May 2, 2018, the Group has five business units (Banking DK, Banking Nordic, C&I, Wealth Management and Northern Ireland), a Non-core unit and Other Activities, and these constitute the Group's reportable segments. Banking DK and Banking Nordic integrate the former Personal Banking and Business Banking business units in a country-based structure. C&I is the wholesale banking division of the Group and the Group's business activities in Germany and Poland have been transferred from the former Business Banking business unit to C&I. The Wealth Management business unit includes Danica Pension, Danske Invest, Asset Management and Private Banking. Other Activities encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and interest on additional tier 1 capital. The new structure has been reflected in the Group's financial reporting since the interim report for the nine months ended September 30, 2018. Comparative information has been restated to reflect the new structure.

From January 1, 2016 until May 2, 2018, the Group had five business units (Personal Banking, Business Banking, C&I, Wealth Management and Northern Ireland), a Non-core unit and Other Activities, and these constituted the Group's reportable segments. Other Activities encompassed Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and interest on additional tier 1 capital. See note 3 to the 2017 Financial Statements incorporated by reference into this Base Prospectus.

Recent Developments

Updates Regarding Anti-Money Laundering Investigations Relating to the Bank's Estonian Branch

Certain recent developments relating to the AML matters at the Bank's Estonian branch and related investigations are discussed under "*Description of the Group—Legal and Arbitration Proceedings.*" See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Group Operates—The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business. The Group is subject to a variety of ongoing investigations and litigation in connection with the AML matters at the Bank's Estonian branch, which could have a material adverse effect on the Bank.*"

Appointment of Chris Vogelzang as the new CEO

On May 10, 2019, the Group announced that it had appointed Chris Vogelzang as the new CEO and a member of the Executive Board from June 1, 2019. Jesper Nielsen, who was the interim CEO from October 1, 2018 to June 1, 2019 continues as Head of Banking DK and member of the Executive Board. See "*Organization and Management—Bank's Executive Board.*"

Sale of Danica Pension Sweden

On December 11, 2018, the Group announced the sale of Danica Pension Försikringsaktiebolag (publ) (Danica Pension Sweden). The sale was completed on May 2, 2019.

Strategic Business Review

On February 19, 2019, the Bank announced the closing of all of its banking activities in the Baltics and Russia. The Estonian Financial Supervisory Authority ordered on February 19, 2019 the Bank to cease all banking operations in Estonia within eight months. In Latvia, Lithuania and Russia, the Bank's decision to close its operations follows from the Bank's strategy of focusing on its Nordic core markets. All banking activities in the Baltics and Russia have been transferred to the Non-core unit. The strategic business review resulted in a value adjustment of the Non-core portfolio in the first quarter of 2019.

Credit Ratings

As at the date of this Base Prospectus, the Bank's credit ratings are as follows:

	Long-term	Short-term
S&P Issuer credit rating	A	A-1
Fitch Issuer default rating	A	F1
Moody's Issuer rating	A2	P-1

A credit or financial strength rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating. There is no guarantee that any rating of the Bank assigned by any such rating agency will be maintained following the date of this Base Prospectus, and the Bank may seek to obtain ratings of the Bank from other rating agencies. Up-to-date information should always be sought by direct reference to the relevant rating agency. Each of S&P, Fitch and Moody's is established in the EU and is registered under the CRA Regulation and is included in the list of credit rating

agencies registered in accordance with the CRA Regulation as of the date of this Base Prospectus. This list is available on the ESMA website at www.esma.europa.eu/supervision/credit-rating-agencies/risk (list last updated on March 18, 2019).

Significant Accounting Estimates

General

The Group prepares its consolidated financial statements in accordance with IFRS and Danish disclosure requirements for listed financial companies. Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The estimates and assumptions that are deemed critical to the consolidated financial statements are:

- the measurement of expected credit losses on loans, financial guarantees and loan commitments, and bonds measured at amortized cost;
- the fair value measurement of financial instruments;
- the measurement of goodwill;
- the measurement of liabilities under insurance contracts; and
- the recognition of deferred tax assets and liabilities.

The estimates and assumptions are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values. A detailed description of the accounting policies that the Group uses in preparation of its consolidated financial statements is set forth in the notes to the Interim Financial Statements, including note 2 on changes and forthcoming changes to accounting policies and presentation and the implementation of IFRS 16, incorporated by reference into this Base Prospectus.

Measurement of Expected Credit Losses on Loans, Financial Guarantees and Loan Commitments, and Debt Instruments Measured at Amortized Cost

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

The expected credit loss is calculated for all individual facilities as a function of probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") and incorporates forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's 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 base-case scenario enters with a probability of 70 percent as at March 31, 2019 (December 31, 2018: 70 percent), the upside scenario with a probability of 15 percent as at March 31, 2019 (December 31, 2018: 15 percent) and the downside scenario with a probability of 15 percent as at March 31, 2019 (December 31, 2018: 15 percent). Based on these assessments, the allowance account as at March 31, 2019 amounted to DKK 21.2 billion as at March 31, 2019 (December 31, 2018: DKK 21.2 billion). The allowance account would increase DKK 3.4 billion as at March 31, 2019 (December 31, 2018: DKK 3.4 billion), if the downside scenario was assigned a probability of 100 percent. If instead the upside scenario was assigned a probability of 100 percent, the allowance account would decrease DKK 0.6 billion as at March 31, 2019 (December 31, 2018: DKK 0.6 billion). However, it shall be noted that the expected credit losses in the individual scenarios does not represent ECL forecasts.

According to the Group's definition of a significant increase in credit risk (*i.e.*, when a loan is transferred from stage 1 to stage 2) facilities with an initial PD below 1 percent are transferred to stage 2 if the facility's 12-month PD has increased by at least 0.5 percentage points and the facility's lifetime PD has doubled since origination. If instead an increase in the facility's 12-month PD by at least 0.25 percentage points combined with a doubling of lifetime PD was considered a significant increase in credit risk, the allowance account would increase by DKK 0.1 billion as at March 31, 2019 (December 31, 2018: DKK 0.1 billion).

The Group applies post-model adjustments of DKK 4.6 billion as at March 31, 2019 (December 31, 2018: DKK 4.5 billion). Around half of all the adjustments relate to high-risk industries such as agriculture and oil and gas

industries, where the Group has no specific expected credit loss models in place, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Furthermore, adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen where the macroeconomic forecasts used in the models are based on the Danish property market as a whole and adjustments are, therefore, made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses. See note 15 and the risk management notes to the 2018 Financial Statements incorporated by reference into this Base Prospectus for additional information about expected credit losses. As at March 31, 2019, loans accounted for approximately 56 percent of total assets (December 31, 2018: 57 percent).

Fair Value Measurement of Financial Instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50 basis points as at March 31, 2019 would have caused the fair value of the bonds to decrease DKK 130 million (December 31, 2018: DKK 110 million). The Group makes fair value adjustments to cover changes in counterparty risk (credit value adjustment (“CVA”)) and debt value adjustment (“DVA”)) and to cover expected funding costs (funding value adjustment (“FVA”)) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognized at mid-market prices, and model risk on level 3 derivatives. As at March 31, 2019, the adjustments totaled DKK 1.3 billion (December 31, 2018: DKK 1.1 billion), including the adjustment for credit risk on derivatives that are credit impaired. For additional information, see note 31 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

Measurement of Goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition. As at March 31, 2019, goodwill amounted to DKK 7.8 billion (December 31, 2018: DKK 7.8 billion). The carrying amount of goodwill as at March 31, 2019 in Wealth Management amounted to DKK 4.2 billion (December 31, 2018: DKK 4.2 billion), of which DKK 2.4 billion relates to the Group’s acquisition of SEB Pension Danmark (as defined in “*Description of the Group—The Group’s History and Development*”) and DKK 1.8 billion relates to Danske Capital’s activities in Finland. The excess value (the amount by which the cash-generating unit’s recoverable amount exceeds the carrying amount) in the latest annual impairment test for Wealth Management (Danske Capital) and Wealth Management (Danica Pension), which was performed in the fourth quarter of 2018, amounted to DKK 1.3 billion and DKK 0.3 billion, respectively. See note 19 to the 2018 Financial Statements incorporated by reference into this Base Prospectus for additional information about impairment testing and sensitivity to changes in assumptions. The remaining amount of goodwill relates to C&I, for which the excess value in the latest test is significant. It has been assessed that no indication of impairment exists as at March 31, 2019.

Measurement of Liabilities under Insurance Contracts

Measurement of liabilities under insurance contracts is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates, and on the discount rate. Assumptions about future mortality rates are based on the DFSA’s benchmark, while other assumptions are based on data from the Group’s own portfolio of insurance contracts. For more information on the accounting for insurance liabilities and sensitivity to changes in assumptions, see notes 2(a) and 18 and the risk management notes to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

Recognition of Deferred Tax Assets and Liabilities

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognized to the extent that such losses can be offset against tax on expected future profit over the next five years. As at March 31, 2019, deferred tax assets from recognized tax loss carry-forwards amounted to DKK 0.3 billion (December 31, 2018: DKK 0.3 billion). The tax base of unrecognized tax loss carry-forwards, relating primarily to the Group’s banking operations in Ireland, amounted to DKK 2.9 billion as at March 31, 2019 (December 31, 2018: DKK 2.9 billion). The full deferred tax liability arising from international joint taxation was recognized and amounted to DKK 5.8 billion as at March 31, 2019 (December 31, 2018: DKK 5.8 billion). For more information about deferred tax, see note 21 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

Overview of Classification and Measurement Basis for Financial Instruments and Insurance Contracts

General

Financial instruments accounted for more than 98 percent of the Group's total assets and liabilities as at December 31, 2018. A portion of financial assets relates to investments made under insurance contracts. The following sections provide a general description of the classification and measurement of financial instruments and obligations under insurance contracts.

Financial Instruments – General

The Group recognizes financial assets and liabilities when it becomes a party to the terms of the contract. A financial asset, or a portion of a financial asset, is derecognized if the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, leading to substantially all the risks and rewards of the asset or significant risks and rewards being transferred. Financial liabilities are derecognized when the liability has been settled, has expired or has been extinguished.

Regular way purchases and sales of financial instruments are recognized and derecognized at the settlement date. Fair value adjustments of unsettled financial instruments are recognized from the trade date to the settlement date if the financial asset is classified at fair value through profit or loss or through other comprehensive income.

On January 1, 2018, the Group implemented IFRS 9. In accordance with the transitional requirements of IFRS 9, comparative figures are not restated as retrospective application of the impairment requirements is not possible without the use of hindsight. For further information on the general classification and measurement of financial instruments under IAS 39 (the basis for financial statements for 2017 and prior periods), see note 1(b) to the 2017 Financial Statements incorporated by reference into this Base Prospectus.

The sections below explain the general classification and measurement of the Group's financial instruments subsequent to the implementation of IFRS 9 as at January 1, 2018.

Classification and Measurement of Financial Assets and Financial Liabilities Under IFRS 9 – General

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on their contractual cash flow characteristics (including embedded derivatives, if any) are grouped into one of the following measurement categories:

- amortized cost (“**AMC**”);
- fair value through other comprehensive income (“**FVOCI**”); and
- fair value through profit or loss (“**FVPL**”).

Financial assets are measured at AMC if they are held within a business model for the purpose of collecting contractual cash flows (hold to collect) and if cash flows are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at FVOCI if they are held within a business model for the purpose of both collecting contractual cash flows and selling (hold to collect and sell) and if cash flows are solely payments of principal and interest on the principal amount outstanding. FVOCI results in the assets being recognized at fair value in the balance sheet and at AMC in the income statement. Gains and losses, except for expected credit losses and foreign exchanges gains and losses, are therefore recognized in other comprehensive income until the financial asset is derecognized. When the financial asset is derecognized the cumulative gains and losses previously recognized in other comprehensive income are reclassified to the income statement.

All other financial assets are mandatorily measured at FVPL including financial assets held within other business models, such as financial assets managed at fair value or held for trading and financial assets with contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.

Generally, financial liabilities are measured at amortized cost and when relevant with bifurcation of embedded derivatives not closely related to the host contract. Financial liabilities measured at fair value comprise the trading portfolio (derivatives and obligations to repurchase securities) and liabilities designated at fair value through profit or loss under the fair value option. Value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are recognized in other comprehensive income unless this leads to an accounting mismatch.

The Business Model Assessment

The business model assessment in the Group has been applied separately for each business unit represented by the Group's reportable segments, and it is based on observable factors for the different portfolios, such as (i) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Executive Board and the Board of Directors, (ii) the risks that affect the performance of the business model and the way such risks are managed and (iii) past and expected frequency, value and timing of sales from the portfolio.

In general, the business model assessment of the Group can be summarized as follows:

- The Group's banking units, comprising Banking DK, Banking Nordic, General Banking at C&I, Private Banking at Wealth Management and Northern Ireland, have a "hold to collect" business model. The financial assets consist primarily of loans. The management and reporting of performance are based on collecting the contractual cash flows, and loans are only very infrequently sold.
- The trading units at C&I (FI&C and Capital Markets) and the financial assets related to the Group's insurance activities have a business model that is neither "hold to collect" nor "hold to collect and sell" and the financial assets are mandatorily recognized at FVPL. The assets consist of bonds, shares, repo transactions and short-term loans. Some of the financial assets are included in portfolios with a trading pattern that falls under the definition of "held for trading" while other portfolios are managed and their performance reported on a fair value basis.
- Group Treasury has portfolios of bonds within the "hold to collect" business model, the "hold to collect and sell" business models and the "other" business model.
- The remaining portfolio of Non-core is "hold to collect". The financial assets consist primarily of loans.

The SPPI (Solely Payment of Principal and Interest on the Principal Amount Outstanding) Test

The second step in the classification of the financial assets in portfolios being "hold to collect" and "hold to collect and sell" relates to the assessment of whether the contractual cash flows are consistent with the solely payment of principal and interest on the principal amount outstanding ("SPPI") test. The principal amount reflects the fair value at initial recognition less any subsequent changes, for example, due to repayment. The interest must represent only consideration for the time value of money, credit risk, other basic lending risks and a margin consistent with basic lending features. If the cash flows introduce more than de minimis exposure to risk or volatility that is not consistent with basic lending features, the financial asset is mandatorily recognized at FVPL.

In general, the Group's portfolios of financial assets that are "hold to collect" or "hold to collect and sell" (loans and bonds) have contractual cash flows that are consistent with the SPPI test, *i.e.*, they have basic lending features.

However, loans granted under Danish mortgage finance laws are funded by issuing listed mortgage bonds with matching terms. Such loans are granted by the Realkredit Danmark subsidiary only. Borrowers may repay such loans by delivering the underlying bonds. This represents an option to prepay at fair value that can be both above and below the principal amount plus accrued interest. Therefore, this prepayment option is not consistent with the SPPI test, and the loans are mandatorily recognized at FVPL. In October 2017, IFRS 9 was amended to allow for prepayment features with negative compensation. The amended IFRS 9 does not change this assessment since changes in the fair value of the underlying bonds include other elements than the effect of changes in the relevant benchmark interest rate.

All equity instruments have contractual cash flows that do not pass the SPPI test. All such holdings are recognized at FVPL since the Group has decided not to use the option to designate equity instruments at FVOCI.

Financial Liabilities

Financial liabilities are generally measured at amortized cost and when relevant with bifurcation of embedded derivatives not closely related to the host contract. Financial liabilities measured at fair value comprise derivatives, the trading portfolio and liabilities designated at FVPL under the fair value option. Value adjustments relating to the inherent own credit risk of financial liabilities designated at fair value are, however, recognized in other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 allows the designation of financial liabilities at FVPL when doing so results in more relevant information, because either (i) it eliminates or significantly reduces an accounting mismatch that would otherwise arise, or (ii) is part of a portfolio of financial instruments that are managed and their performance reported on a fair value basis to management.

The Group designates the following financial liabilities at FVPL:

- *Mortgage bonds issued by Realkredit Danmark.* The bonds fund the loans granted by Realkredit Danmark, *i.e.*, loans that due to the SPPI test are mandatorily recognized at FVPL. The fair value of the loans is based on the fair

value of the issued bonds (the loans and the issued bonds that are funding the loans have matching contractual terms) adjusted for changes in the fair value of the credit risk of borrowers. To eliminate the accounting mismatch that exists if the loans are measured at FVPL and the issued bonds at AMC, the issued bonds are designated at FVPL, and fair value changes of the issued bonds (including fair value changes related to own credit risk) are offset by the fair value changes of the loans. Hence, changes in the fair value attributable to the Group's own credit risk on the issued bonds are also recognized in the income statement since an accounting mismatch would otherwise arise.

- *Financial liabilities in FI&C and Capital Markets at C&I.* These financial liabilities are part of a portfolio of financial assets and liabilities that is managed and performance reported to the Management on a fair value basis. The financial liabilities consist of repo transactions, deposits and commercial papers. Changes, if any, in the fair value attributable to the Group's own credit risk is, however, recognized in other comprehensive income.

Hedge Accounting

The Group uses derivatives to hedge the interest rate risk on some fixed-rate assets and fixed-rate liabilities measured at amortized cost and on some bonds measured at fair value through other comprehensive income. Hedged risks that meet the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged assets and liabilities is measured at fair value through profit or loss. As at December 31, 2018, hedging derivatives measured at fair value accounted for approximately 0.2 percent of total assets and approximately 0.05 percent of total liabilities (December 31, 2017: 0.2 percent and 0.03 percent, respectively). For further information on hedge accounting, see note 12 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

Insurance Activities – General

The Group issues life insurance policies, which are divided into insurance and investment contracts. Insurance contracts are contracts that entail significant insurance risk or entitle policyholders to bonuses. Investment contracts are contracts that entail no significant insurance risk and comprise unit-linked contracts under which the investment risk lies with the policyholder.

Insurance Contracts

Insurance contracts comprise both an investment element and an insurance element, which are recognized as aggregate figures.

IFRS 4 includes an option to continue the accounting treatment of insurance contracts under local generally accepted accounting principles ("GAAP"). The Group's life insurance provisions are therefore recognized at their present value in accordance with the DFSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds. The life insurance provisions are presented under liabilities under insurance contracts.

Assets earmarked for insurance contracts are recognized under assets under insurance contracts if most of the return on the assets accrues to the policyholders. Most of these assets are measured at fair value.

Investment Contracts

Investment contracts are recognized as financial liabilities, and, consequently, contributions and benefits under such contracts are recognized directly in the balance sheet. Deposits are measured at the value of the savings under deposits under pooled schemes and unit-linked investment contracts.

Savings under unit-linked investment contracts are measured at fair value under assets under pooled schemes and unit-linked investment contracts. The return on the assets and the crediting of the amounts to policyholders' accounts are recognized under net trading income.

Assets Funded by Shareholders' Equity

The separate pool of assets equal to shareholders' equity is recognized at fair value and consolidated with other similar assets.

Income from Insurance Business

Insurance activities are consolidated in the various income statement items. Insurance premiums are recognized under net premiums. Net insurance benefits in the income statement consists of benefits disbursed under insurance contracts and the annual change in insurance obligations not deriving from additional provisions for benefit guarantees and changes to the collective bonus potential. The return on earmarked assets is allocated to the relevant items in the income statement. The return to policyholders is recognized under net trading income as are changes to additional provisions for benefit

guarantees. For more information, see note 5 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

The sources of the Group's net income from insurance business comprise the return on assets funded by Danica Pension's shareholders' equity, income from unit-linked business and health and accident business, and income from conventional life insurance business, the so-called risk allowance.

The risk allowance is determined in accordance with the DFSA's Executive Order on the Contribution Principle. The contribution principle regulates how earnings are allocated between policyholders and the life insurance company's shareholders' equity and defines the maximum payment to shareholders' equity (the risk allowance). The contribution principle was changed on January 1, 2016. If the contribution rules do not allow recognition of the full risk allowance in a given period, the amount that cannot be recognized can no longer be recovered in subsequent periods through the use of a shadow account. The risk allowance included in the shadow account at December 31, 2015 may be recovered over a five-year period following 2015.

Insurance contracts guarantee a certain long-term return on policyholders' funds. If the technical basis exceeds the interest accrual to policyholders and the risk allowance, the difference is allocated to the bonus potential. The bonus potential serves as a risk buffer. If the technical basis is insufficient to cover the risk allowance, the shortfall can be covered by the bonus potential. If the bonus potential is insufficient to cover the shortfall, the difference can be covered by the individual bonus potentials or the profit margin; otherwise, the risk allowance that cannot be recognized will be lost. If the technical basis is insufficient to cover the interest accrual to policyholders, the shortfall is covered by the bonus potentials or the profit margin. Any remaining shortfall is paid by the Group in the form of an outlay. If the Group has made such an outlay, the outlay may be recovered the following year.

Recent Accounting Pronouncements

The IASB has issued two new IFRSs and a number of amendments to standards, some of which have not yet come into force. The Group has not early adopted any of these changes. The changes that are likely to affect the Group's future financial reporting are discussed below. For more information, see note 2 to the Interim Financial Statements and note 2(b) to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

Amendment to IFRS 9 (Prepayment Options with Negative Compensation)

In October 2017, IASB issued an amendment to IFRS 9. The amendment relates to the SPPI test in IFRS 9, and the requirement that a prepayment option will only be consistent with 'basic lending features' if the prepayment amount represents the principal amount outstanding plus accrued interest and may include a reasonable additional compensation for early termination (*i.e.*, the party exercising the option cannot receive a compensation for the early termination). The word 'additional' is deleted. Subsequent to the amendment, a compensation that reflects changes in the relevant benchmark interest rate will be consistent with the SPPI test, regardless of whether the compensation is positive or negative.

The amendment has been effective from January 1, 2019, at which date the Group implemented the standard. The prepayment option included in loans granted by Realkredit Danmark continues to be inconsistent with the SPPI test, thus no significant impact from the implementation of the amendment is expected.

IFRS 16

In January 2016, the IASB issued IFRS 16, which replaced IAS 17. IFRS 16 only implies insignificant changes to the accounting for lessors. For lessees, the accounting will change significantly, as all leases (except short-term leases and small asset leases) will be recognized in the balance sheet as a right-of-use asset. Initially, the lease liability and the right-of-use asset is measured at the present value of future lease payments (defined as economically unavoidable payments). The right-of-use asset is subsequently depreciated in a way similar to depreciation of other assets, such as tangible assets (*i.e.*, typically on a straight-line basis over the lease term).

IFRS 16 has been effective from January 1, 2019, at which date the Group implemented the standard. The implementation of IFRS 16 had no impact on shareholders' equity as at January 1, 2019. Note 40 to the 2018 Financial Statements incorporated by reference into this Base Prospectus shows the expected impact from the application of IFRS 16 as at January 1, 2019, including changes to the Group's accounting policies.

IFRS 17

In May 2017, the IASB issued IFRS 17. IFRS 17 replaces IFRS 4, 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 that includes, for example, principles for the measurement of insurance contracts at a current (fulfillment) 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.

The standard will be effective from January 1, 2021. However, in November 2018, the IASB proposed to defer the effective date by one year to January 1, 2022. IFRS 17 has not yet been adopted by the EU. The standard may have a significant impact on the financial statements due to the new principles for calculating insurance provisions and for the presentation in the income statement and balance sheet. The Group is currently analyzing the impact on the Group's financial statements.

Amendment to IAS 12 (Annual Improvements to IFRS Standards 2015–2017 Cycle)

In December 2017, the IASB issued amendments to four standards (IFRS 3, IFRS 11, IAS 12 and IAS 23) as part of its Annual Improvements to IFRS Standards 2015–2017 cycle. The amendment to IAS 12 implies that income tax consequences of dividends are to be recognized in profit or loss if the transactions that generated distributable profit are recognized in profit or loss.

The amendment to IAS 12 has been effective from January 1, 2019, at which date the Group implemented the amendment. The distribution of interest on the Group's equity accounted additional tier 1 capital is deductible for tax purposes, and the tax income of DKK 172 million in 2018 was recognized in the income statement when the interest is paid instead of directly in equity when the interest is distributed to the capital holders. Comparative information has been restated.

Description of Consolidated Financial Information

The discussion of the results of operations of the Group and its reporting segments included in this section, “*Operating and Financial Review and Prospects*,” is primarily based on the financial highlights and segment reporting presentation used by the Group when presenting such information in its annual and interim reports. The presentation in the financial highlights deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as described under “*Important Information for Investors—Presentation of Financial Information*.” The other financial information presented in this section is based on and should be read in conjunction with the Consolidated Financial Statements incorporated by reference into this Base Prospectus. The Consolidated Financial Statements have been prepared in accordance with IFRS and Danish disclosure requirements for listed financial companies.

For additional information on the Group's consolidated financial information presented in this section, see “*Important Information for Investors—Presentation of Financial Information*.”

Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2018 and 2017

Income Statement

The Group

The following table sets forth a summary of the Group's results of operations (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
		(restated)⁽¹⁾
	(DKK in millions)	
Net interest income*	23,571	23,806
Net fee income*	15,402	15,664
Net trading income*	4,676	7,087
Other income*	716	1,591
Total income*	44,365	48,149
Operating expenses*	(25,011)	(22,722)
Profit before loan impairment charges*	19,354	25,427
Loan impairment charges*	650	873
Profit before tax, core*	20,004	26,300
Profit before tax, Non-core*	(282)	(12)
Profit before tax*	19,722	26,288
Tax*	(4,721) ⁽²⁾	(5,388)
Net profit for the year	15,001 ⁽²⁾	20,900
Attributable to additional tier 1 etc.	781	786

* The table above is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the table above deviate from the corresponding figures in the Consolidated Financial Statements due to reclassification of certain items as discussed in more detail under “*Important Information for Investors—Presentation of Financial Information*.” See notes 1(d), 2(a) and 3 to the 2018 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

(1) As discussed in more detail under “*Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2017*,” the Group has restated the comparative

financial highlights as at and for the year ended December 31, 2017 in the Group's Annual Report 2018. The above table reflects the restated figures for the year ended December 31, 2017.

- (2) As discussed in more detail under “Important Information for Investors—Presentation of Financial Information—Changes in Accounting Policies, Restatements and Reclassifications of Consolidated Financial Statements—Three Months Ended March 31, 2019,” the Group has restated the comparative financial highlights as at and for the year ended December 31, 2018 in the Group's Interim Financial Statements. The above table includes figures for the years ended December 31, 2018 and 2017 that have not been restated for these changes. In the Group's Interim Financial Statements, the restated figure for Tax is DKK 4,548 million and DKK 15,174 million for Net profit for the period for the year ended December 31, 2018.

The following table sets forth the Group's profit before tax by business unit (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Banking DK.....	7,340	7,780
Banking Nordic.....	5,642	5,196
C&I.....	4,322	6,515
Wealth Management.....	3,183	4,579
Northern Ireland.....	744	1,251
Non-core.....	(282)	(12)
Other Activities ⁽¹⁾	(1,227)	979
Total Group.....	<u>19,722</u>	<u>26,288</u>

(1) Profit before tax for Other Activities includes Group eliminations.

Total Income

The Group's total income for the year ended December 31, 2018 amounted to DKK 44,365 million, a decrease of DKK 3,784 million, or 7.9 percent, as compared to DKK 48,149 million for the year ended December 31, 2017.

The Group's net interest income for the year ended December 31, 2018 amounted to DKK 23,571 million, a decrease of DKK 235 million, or 1.0 percent, as compared to DKK 23,806 million for the year ended December 31, 2017. The decrease was mainly due to adverse currency effects in Sweden and Norway as well as some margin pressure.

The Group's loans as at December 31, 2018 amounted to DKK 1,769,438 million, an increase of DKK 46,413 million, or 2.7 percent, as compared to DKK 1,723,025 million as at December 31, 2017. The increase was due to increased lending in almost all markets and across all geographies.

The Group's deposits as at December 31, 2018 amounted to DKK 894,495 million, a decrease of DKK 17,357 million, or 1.9 percent, as compared to DKK 911,852 million as at December 31, 2017. The decrease was mainly due to a decrease in deposits at C&I, partially due to the transfer of the Baltic customers to the Non-core unit.

The Group's net fee income for the year ended December 31, 2018 amounted to DKK 15,402 million, a decrease of DKK 262 million, or 1.7 percent, as compared to DKK 15,664 million for the year ended December 31, 2017. The decrease was mainly due to a decline in capital markets related activity, which was partially offset by higher net fee income following the acquisition of SEB Pension Danmark.

The Group's net trading income for the year ended December 31, 2018 amounted to DKK 4,676 million, a decrease of DKK 2,411 million, or 34.0 percent, as compared to DKK 7,087 million for the year ended December 31, 2017. The decrease was mainly due to challenging market conditions throughout 2018. In particular, net trading income from C&I (FI&C and Capital Markets) and Wealth Management decreased. At FI&C, net trading income was negatively affected by difficult market conditions resulting in lower income on customer transactions and lower net trading income in credit markets due to challenging secondary market conditions. At Wealth Management, net trading income was negatively affected by a lower investment result in the health and accident business.

The Group's other income for the year ended December 31, 2018 amounted to DKK 716 million, a decrease of DKK 875 million, or 55.0 percent, as compared to DKK 1,591 million for the year ended December 31, 2017. The decrease was mainly due to the sale of Eiendomsmedler Krogsveen AS (“Krogsveen”), a Norwegian real estate agency chain, in the first quarter of 2018 and a lower risk result in the health and accident business of Wealth Management.

Expenses

The Group's operating expenses for the year ended December 31, 2018 amounted to DKK 25,011 million, an increase of DKK 2,289 million, or 10.1 percent, as compared to DKK 22,722 million for the year ended December 31, 2017. The increase was mainly due to the DKK 1.5 billion donation of the estimated gross income from the non-resident portfolio in Estonia in the period from 2007 to 2015 and higher costs related primarily to compliance, the integration of SEB Pension

Danmark and digital transformation. Operating expenses were partially offset by lower activity-related costs and efficiency measures. In 2017, operating expenses benefited from a one-off gain relating to the amended pension liability in Northern Ireland.

Loan Impairment Charges

The Group's loan impairment charges for the year ended December 31, 2018 amounted to a reversal of DKK 650 million, a decrease in reversals of DKK 223 million, or 25.5 percent, as compared to a reversal of DKK 873 million for the year ended December 31, 2017. The decrease in reversals of loan impairments was mainly due to lower reversals in Denmark and Northern Ireland, which was partially offset by higher reversals in Norway, Sweden and Finland. At Banking DK, reversals in 2018 primarily reflected improved credit quality for retail and commercial customers, except for agricultural customers. Reversals related to legacy non-performing loans for which restructurings during 2018 had a positive outcome allowing impairment reversals. In general, credit quality improved in the Banking Nordic portfolio. At C&I, there were net impairments due to restructurings in relation to single-name exposures in the oil and gas industry. In Northern Ireland, a low amount of impairment charges related to a few cases in the first quarter of 2018.

Profit Before Tax, Non-core

The Group's loss before tax, Non-core amounted to DKK 282 million for the year ended December 31, 2018, an increase of DKK 270 million as compared to DKK 12 million for the year ended December 31, 2017. The increase was mainly due to fewer loan impairment reversals.

Profit Before Tax

The Group's profit before tax for the year ended December 31, 2018 amounted to DKK 19,722 million, a decrease of DKK 6,566 million, or 25.0 percent, as compared to DKK 26,288 million for the year ended December 31, 2017.

Tax

The Group's total tax charge for the year ended December 31, 2018 amounted to DKK 4,721 million, a decrease of DKK 667 million, or 12.4 percent, as compared to DKK 5,388 million for the year ended December 31, 2017. The decrease was mainly due to higher operating expenses, including DKK 1.5 billion relating to the donation of the estimated gross income from the non-resident portfolio in Estonia in the period from 2007 to 2015.

Net Profit for the Year

The Group's net profit for the year ended December 31, 2018 amounted to DKK 15,001 million, a decrease of DKK 5,899 million, or 28.2 percent, as compared to DKK 20,900 million for the year ended December 31, 2017.

Banking DK

The following table sets forth a summary of the results of operations of Banking DK (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Net interest income	8,955	8,906
Net fee income	3,400	3,417
Net trading income	852	874
Other income	234	264
Total income	13,442	13,461
Operating expenses	(6,860)	(6,745)
Profit before loan impairment charges	6,582	6,715
Loan impairment charges	758	1,065
Profit before tax	<u>7,340</u>	<u>7,780</u>

The following table sets forth information on Banking DK's LTV ratio, home loans as at the dates indicated:

	As at December 31,			
	2018		2017	
	Average LTV (percent)	Net credit exposure ⁽¹⁾ (DKK in billions)	Average LTV (percent)	Net credit exposure ⁽¹⁾ (DKK in billions)
Retail.....	61.8	468	64.2	465
Total.....	61.8	468	64.2	465

(1) Net credit exposure includes loans, guarantees and irrevocable loan commitments. The exposure is measured net of allowance account.

Profit Before Tax

Banking DK's profit before tax for the year ended December 31, 2018 amounted to DKK 7,340 million, a decrease of DKK 440 million, or 5.7 percent, as compared to DKK 7,780 million for the year ended December 31, 2017. The decrease was mainly due to a decline in net impairment reversals, reflecting a reduced allowance account balance and a management overlay on impairment charges to cover the effects of the summer drought, which adversely affected the agriculture sector.

Total Income

Banking DK's total income for the year ended December 31, 2018 amounted to DKK 13,442 million, a decrease of DKK 19 million, or 0.1 percent, as compared to DKK 13,461 million for the year ended December 31, 2017.

Banking DK's net interest income for the year ended December 31, 2018 amounted to DKK 8,955 million, an increase of DKK 49 million, or 0.6 percent, as compared to DKK 8,906 million for the year ended December 31, 2017. The increase was mainly due to strong mortgage activity, which was partially offset by margin pressure from competition and the continuation of negative interest rates.

Banking DK's loans, excluding reverse transactions before impairments, as at December 31, 2018 amounted to DKK 878,689 million, an increase of DKK 8,949 million, or 1.0 percent, as compared to DKK 869,740 million as at December 31, 2017. The increase was mainly due to an increase in the mortgage loan portfolio, supported by the favorable development in the housing market.

Banking DK's deposits, excluding repo deposits, as at December 31, 2018 amounted to DKK 282,640 million, an increase of DKK 4,566 million, or 1.6 percent, as compared to DKK 278,074 million as at December 31, 2017. The increase was mainly due to an increase in retail deposits.

Banking DK's net fee income for the year ended December 31, 2018 amounted to DKK 3,400 million, a decrease of DKK 17 million, or 0.5 percent, as compared to DKK 3,417 million for the year ended December 31, 2017. The decrease was mainly due to marginally lower activity related net fee income.

Banking DK's net trading income for the year ended December 31, 2018 amounted to DKK 852 million, a decrease of DKK 22 million, or 2.5 percent, as compared to DKK 874 million for the year ended December 31, 2017. The decrease was mainly due to lower refinancing and remortgaging activity at Realkredit Danmark.

Banking DK's other income for the year ended December 31, 2018 amounted to DKK 234 million, a decrease of DKK 30 million, or 11.4 percent, as compared to DKK 264 million for the year ended December 31, 2017.

Expenses

Banking DK's operating expenses for the year ended December 31, 2018 amounted to DKK 6,860 million, an increase of DKK 115 million, or 1.7 percent, as compared to DKK 6,745 million for the year ended December 31, 2017. The increase was mainly due to increased costs related to regulatory compliance.

Loan Impairment Charges

Banking DK's loan impairment charges for the year ended December 31, 2018 amounted to a net reversal of DKK 758 million, a decrease in net reversals of DKK 307 million, or 28.8 percent, as compared to a net reversal of DKK 1,065 million for the year ended December 31, 2017. The decrease was mainly due to a strong and stable credit quality portfolio and increasing collateral values.

Banking Nordic

The following table sets forth a summary of the results of operations of Banking Nordic (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Net interest income	7,957	7,572
Net fee income	1,605	1,700
Net trading income	302	300
Other income ⁽¹⁾	648	1,047
Total income	10,512	10,619
Operating expenses	(5,029)	(5,202)
Profit before loan impairment charges	5,483	5,417
Loan impairment charges	159	(221)
Profit before tax	<u>5,642</u>	<u>5,196</u>

(1) Operational leases are presented on a net basis under other income.

The following table sets forth information on Banking Nordic's LTV ratio, home loans as at the dates indicated:

	As at December 31,			
	2018		2017	
	Average LTV (percent)	Net credit exposure ⁽¹⁾ (DKK in billions)	Average LTV (percent)	Net credit exposure ⁽¹⁾ (DKK in billions)
Retail Sweden	65.0	87	60.6	80
Retail Norway	62.0	97	62.8	93
Retail Finland	<u>61.1</u>	<u>84</u>	<u>61.2</u>	<u>85</u>
Total	<u>62.7</u>	<u>268</u>	<u>61.6</u>	<u>258</u>

(1) Net credit exposure includes loans, guarantees and irrevocable loan commitments. The exposure is measured net of allowance account.

Profit Before Tax

Banking Nordic's profit before tax for the year ended December 31, 2018 amounted to DKK 5,642 million, an increase of DKK 446 million, or 8.6 percent, as compared to DKK 5,196 million for the year ended December 31, 2017. The increase was partially due to increased lending across all market areas, which resulted in higher net interest income, net impairment reversals primarily in Norway and Finland and lower operating expenses contributed to the increase in profit before tax.

Total Income

Banking Nordic's total income for the year ended December 31, 2018 amounted to DKK 10,512 million, a decrease of DKK 107 million, or 1.0 percent, as compared to DKK 10,619 million for the year ended December 31, 2017.

Banking Nordic's net interest income for the year ended December 31, 2018 amounted to DKK 7,957 million, an increase of DKK 385 million, or 5.1 percent, as compared to DKK 7,572 million for the year ended December 31, 2017. The increase was mainly due to increased lending volumes, primarily in Sweden and Finland.

Banking Nordic's loans, excluding reverse transactions before impairments, as at December 31, 2018 amounted to DKK 586,679 million, an increase of DKK 25,464 million, or 4.5 percent, as compared to DKK 561,215 million as at December 31, 2017. The increase was mainly due to increased lending in all market areas. In Sweden, lending increased in all customer segments, in Norway lending increased mainly in the retail and medium-sized commercial customer segments and in Finland lending increased in the medium-sized and large commercial segments.

Banking Nordic's deposits, excluding repo deposits, as at December 31, 2018 amounted to DKK 226,808 million, an increase of DKK 1,592 million, or 0.7 percent, as compared to DKK 225,216 million as at December 31, 2017. The increase was mainly due to increased deposits in Finland.

Banking Nordic's net fee income for the year ended December 31, 2018 amounted to DKK 1,605 million, a decrease of DKK 95 million, or 5.6 percent, as compared to DKK 1,700 million for the year ended December 31, 2017. The decrease was mainly due to lower fees in Finland, which was partially offset by increased fees from financing and investment activities in Norway.

Banking Nordic's net trading income for the year ended December 31, 2018 amounted to DKK 302 million, an increase of DKK 2 million, or 0.7 percent, as compared to DKK 300 million for the year ended December 31, 2017.

Banking Nordic's other income for the year ended December 31, 2018 amounted to DKK 648 million, a decrease of DKK 399 million, or 38.1 percent, as compared to DKK 1,047 million for the year ended December 31, 2017. The decrease was mainly due to the sale of Krogsveen in the first quarter of 2018.

Expenses

Banking Nordic's operating expenses for the year ended December 31, 2018 amounted to DKK 5,029 million, a decrease of DKK 173 million, or 3.3 percent, as compared to DKK 5,202 million for the year ended December 31, 2017. The decrease was mainly due to the effect of the sale of Krogsveen in the first quarter of 2018. The decrease was partially offset by increased costs related to regulatory projects and IT investments.

Loan Impairment Charges

Banking Nordic's loan impairment charges for the year ended December 31, 2018 amounted to a net reversal of DKK 159 million, a change of DKK 380 million as compared to loan impairment charges of DKK 221 million for the year ended December 31, 2017. The change was mainly due to the sale of retail business debt claims in Sweden, Norway and Finland, and positive macroeconomic developments in Norway and Finland.

Corporates & Institutions

The following table sets forth a summary of the results of operations of C&I (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Net interest income	3,928	3,837
Net fee income	2,914	3,077
Net trading income.....	2,440	4,943
Other income	7	3
Total income	9,289	11,860
Operating expenses	(4,689)	(5,034)
Profit before loan impairment charges	4,600	6,826
Loan impairment charges.....	(278)	(311)
Profit before tax	<u>4,322</u>	<u>6,515</u>

Profit Before Tax

C&I's profit before tax for the year ended December 31, 2018 amounted to DKK 4,322 million, a decrease of DKK 2,193 million, or 33.7 percent, as compared to DKK 6,515 million for the year ended December 31, 2017. The decrease was mainly due to significantly lower trading income, in particular in FI&C, which was partially offset by increased income in General Banking following a continuation of high activity in 2017.

Total Income

C&I's total income for the year ended December 31, 2018 amounted to DKK 9,289 million, a decrease of DKK 2,571 million, or 21.7 percent, as compared to DKK 11,860 million for the year ended December 31, 2017. The decrease was mainly due to significantly lower trading income.

C&I's net interest income for the year ended December 31, 2018 amounted to DKK 3,928 million, an increase of DKK 91 million, or 2.4 percent, as compared to DKK 3,837 million for the year ended December 31, 2017. The increase was mainly due to continued high refinancing activity across the Group's home markets and increased lending volumes, particularly in Denmark and Norway, which was partially offset by the transfer of the majority of the portfolio in the Baltic countries to the Non-core unit.

C&I's loans, excluding reverse transactions before impairments, as at December 31, 2018 amounted to DKK 198,320 million, a decrease of DKK 1,204 million, or 0.6 percent, as compared to DKK 199,524 million as at December 31, 2017. The decrease was mainly due to the transfer of the majority of the portfolio in the Baltic countries to the Non-core unit.

C&I's deposits, excluding repo deposits, as at December 31, 2018 amounted to DKK 260,781 million, a decrease of DKK 22,132 million, or 7.8 percent, as compared to DKK 282,913 million as at December 31, 2017. The decrease was partially due to the transfer of the majority of the portfolio in the Baltic countries to the Non-core unit.

C&I's net fee income for the year ended December 31, 2018 amounted to DKK 2,914 million, a decrease of DKK 163 million, or 5.3 percent, as compared to DKK 3,077 million for the year ended December 31, 2017. The decrease was mainly due to a decline in income from Equities, a division within Capital Markets, which was driven in part by lower fee income following the implementation of MiFID II.

C&I's net trading income for the year ended December 31, 2018 amounted to DKK 2,440 million, a decrease of DKK 2,503 million, or 50.6 percent, as compared to DKK 4,943 million for the year ended December 31, 2017. The decrease was mainly due to challenging conditions in rates markets as income from facilitating customer transactions declined, and to lower trading income in credit markets due to challenging conditions in the secondary market.

C&I's other income for the year ended December 31, 2018 amounted to DKK 7 million, an increase of DKK 4 million as compared to DKK 3 million for the year ended December 31, 2017.

Expenses

C&I's operating expenses for the year ended December 31, 2018 amounted to DKK 4,689 million, a decrease of DKK 345 million, or 6.9 percent, as compared to DKK 5,034 million for the year ended December 31, 2017. The decrease was mainly due to lower performance-based compensation, the transfer of the majority of the portfolio in the Baltic countries to the Non-core unit and the continuation of cost control measures.

Loan Impairment Charges

C&I's loan impairment charges for the year ended December 31, 2018 amounted to DKK 278 million, a decrease of DKK 33 million, or 10.6 percent, as compared to DKK 311 million for the year ended December 31, 2017. The decrease was mainly due to overall yearly stabilization within offshore companies active on the Norwegian continental shelf due to moderate improvements in activity and oil prices, which was partially offset by impairment charges against a few single name exposures in the shipping industry.

Wealth Management

The following table sets forth a summary of the results of operations of Wealth Management (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Net interest income	725	709
Net fee income	7,353	7,281
Net trading income	66	403
Other income	(193)	174
Total income	7,950	8,567
Operating expenses	(4,810)	(4,082)
Profit before loan impairment charges	3,140	4,485
Loan impairment charges	42	93
Profit before tax	<u>3,183</u>	<u>4,579</u>

Profit Before Tax

Wealth Management's profit before tax for the year ended December 31, 2018 amounted to DKK 3,183 million, a decrease of DKK 1,396 million, or 30.5 percent, as compared to DKK 4,579 million for the year ended December 31, 2017. The decrease was mainly due to uncertainty in the financial markets and an increase in costs regarding the acquisition of SEB Pension Danmark.

Total Income

Wealth Management's total income for the year ended December 31, 2018 amounted to DKK 7,950 million, a decrease of DKK 617 million, or 7.2 percent, as compared to DKK 8,567 million for the year ended December 31, 2017.

Wealth Management's net interest income for the year ended December 31, 2018 amounted to DKK 725 million, an increase of DKK 16 million, or 2.3 percent, as compared to DKK 709 million for the year ended December 31, 2017. The increase was mainly due to an increase in lending volumes.

Wealth Management's loans, excluding reverse transactions before impairments, as at December 31, 2018 amounted to DKK 77,704 million, an increase of DKK 2,676 million, or 3.6 percent, as compared to DKK 75,028 million as at December 31, 2017. The increase was mainly due to lending growth in all markets with the exception of Finland.

Wealth Management's deposits, excluding repo deposits, as at December 31, 2018 amounted to DKK 66,641 million, an increase of DKK 792 million, or 1.2 percent, as compared to DKK 65,849 million as at December 31, 2017. The increase was mainly due to an increase in deposits at Private Banking.

Wealth Management's net fee income for the year ended December 31, 2018 amounted to DKK 7,353 million, an increase of DKK 72 million, or 1.0 percent, as compared to DKK 7,281 million for the year ended December 31, 2017. The increase was mainly due to the acquisition of SEB Pension Danmark, which was partially offset by lower performance fees.

Wealth Management's net trading income for the year ended December 31, 2018 amounted to DKK 66 million, a decrease of DKK 337 million, or 83.6 percent, as compared to DKK 403 million for the year ended December 31, 2017. The decrease was mainly due to low investment return in the health and accident business due to challenging market conditions.

Wealth Management's other income for the year ended December 31, 2018 amounted to a negative DKK 193 million, a change of DKK 367 million as compared to DKK 174 million for the year ended December 31, 2017. The change was mainly due to a lower risk result in the health and accident business, relating primarily to the acquired SEB Pension Danmark business.

Expenses

Wealth Management's operating expenses for the year ended December 31, 2018 amounted to DKK 4,810 million, an increase of DKK 728 million, or 17.8 percent, as compared to DKK 4,082 million for the year ended December 31, 2017. The increase was mainly due to increased regulatory costs, costs related to the acquisition and integration of SEB Pension Danmark, and the ordinary operating expenses of SEB Pension Danmark since June 7, 2018.

Loan Impairment Charges

Wealth Management's loan impairment charges for the year ended December 31, 2018 amounted to a net reversal of DKK 42 million, a decrease in net reversals of DKK 51 million, or 54.8 percent, as compared to a net reversal of DKK 93 million for the year ended December 31, 2017.

Northern Ireland

The following table sets forth a summary of the results of operations of Northern Ireland (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Net interest income	1,491	1,374
Net fee income	392	429
Net trading income.....	82	111
Other income	12	48
Total income	1,978	1,961
Operating expenses	(1,207)	(957)
Profit before loan impairment charges	770	1,004
Loan impairment charges.....	(26)	247
Profit before tax	<u>744</u>	<u>1,251</u>

Profit Before Tax

Northern Ireland's profit before tax for the year ended December 31, 2018 amounted to DKK 744 million, a decrease of DKK 507 million, or 40.5 percent, as compared to DKK 1,251 million for the year ended December 31, 2017. The decrease was mainly due to an increase in loan impairment charges from net reversals in 2017 and a one-off gain that contributed to Northern Ireland's profit before tax in 2017 following a change in pension liabilities.

Total Income

Northern Ireland's total income for the year ended December 31, 2018 amounted to DKK 1,978 million, an increase of DKK 17 million, or 0.9 percent, as compared to DKK 1,961 million for the year ended December 31, 2017. The increase was mainly due to the positive impact of lending growth, higher customer activity and higher U.K. interest rates, which was partially offset by lower fee income following the sale of Northern Ireland's wealth management business.

Northern Ireland's net interest income for the year ended December 31, 2018 amounted to DKK 1,491 million, an increase of DKK 117 million, or 8.5 percent, as compared to DKK 1,374 million for the year ended December 31, 2017. The increase was mainly due to an increase in lending volumes and higher U.K. interest rates.

Northern Ireland's loans, excluding reverse transactions before impairments, as at December 31, 2018 amounted to DKK 49,805 million, an increase of DKK 3,533 million, or 7.6 percent, as compared to DKK 46,272 million as at December 31, 2017. The increase was mainly due to increased lending volumes in the business and retail segments.

Northern Ireland's deposits, excluding repo deposits, as at December 31, 2018 amounted to DKK 62,555 million, an increase of DKK 3,584 million, or 6.1 percent, as compared to DKK 58,971 million as at December 31, 2017. The increase was mainly due to increased deposit volumes in the business and retail segments.

Northern Ireland's net fee income for the year ended December 31, 2018 amounted to DKK 392 million, a decrease of DKK 37 million, or 8.6 percent, as compared to DKK 429 million for the year ended December 31, 2017. The decrease was mainly due to lower net fee income following the sale of Northern Ireland's wealth management business.

Northern Ireland's net trading income for the year ended December 31, 2018 amounted to DKK 82 million, a decrease of DKK 29 million, or 26.1 percent, as compared to DKK 111 million for the year ended December 31, 2017.

Northern Ireland's other income for the year ended December 31, 2018 amounted to DKK 12 million, a decrease of DKK 36 million, or 75.0 percent, as compared to DKK 48 million for the year ended December 31, 2017.

Expenses

Northern Ireland's operating expenses for the year ended December 31, 2018 amounted to DKK 1,207 million, an increase of DKK 250 million, or 26.1 percent, as compared to DKK 957 million for the year ended December 31, 2017. The increase was mainly due to a one-off benefit in 2017 that decreased Northern Ireland's operating expenses in 2017 following changes to staff pension arrangements.

Loan Impairment Charges

Northern Ireland's loan impairment charges amounted to DKK 26 million for the year ended December 31, 2018, a change of DKK 273 million as compared to a net reversal of DKK 247 million for the year ended December 31, 2017. The charge takes into account the possibility that the United Kingdom may exit the EU without a withdrawal agreement.

Non-core

The following table sets forth a summary of the results of operations of Non-core (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Total income	213	169
Operating expenses	(632)	(890)
Profit/(loss) before loan impairment charges	(419)	(722)
Loan impairment charges	137	710
Profit/(loss) before tax	(282)	(12)

Loss Before Tax

Non-core's loss before tax for the year ended December 31, 2018 amounted to DKK 282 million, an increase of DKK 270 million as compared to DKK 12 million for the year ended December 31, 2017. The increase was mainly due to fewer loan impairment reversals.

Total Income

Non-core's total income for the year ended December 31, 2018 amounted to DKK 213 million, an increase of DKK 44 million, or 26.0 percent, as compared to DKK 169 million for the year ended December 31, 2017.

Operating Expenses

Non-core's operating expenses for the year ended December 31, 2018 amounted to DKK 632 million, a decrease of DKK 258 million, or 29.0 percent, as compared to DKK 890 million for the year ended December 31, 2017. The decrease

was mainly due to lower costs related to portfolio sales, which was partially offset by the transfer of Baltic activities to Non-core in the second quarter of 2018.

Loan Impairment Charges

Non-core's loan impairment charges for the year ended December 31, 2018 amounted to a net reversal of DKK 137 million, a decrease in net reversals of DKK 573 million, or 80.7 percent, as compared to a net reversal of DKK 710 million for the year ended December 31, 2017. Most of the reversals in 2017 related to reversals of charges at Non-core banking, including a portfolio of Irish residential mortgage loans sold in the fourth quarter of 2017. The reversal in 2018 primarily reflected continued reversals at work-outs, mainly in Non-core Ireland, and to some extent, Non-core Baltics.

Other Activities

The following table sets forth a summary of the results of operations of Other Activities (based on the Group's business segment presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
Net interest income	515	1,409
Net fee income/(expense)	(261)	(240)
Net trading income.....	933	457
Other income	<u>7</u>	<u>55</u>
Total income	1,194	1,681
Operating expenses	<u>(2,416)</u>	<u>(701)</u>
Profit before loan impairment charges	(1,222)	979
Loan impairment charges.....	<u>(5)</u>	<u>—</u>
Profit before tax	<u>(1,227)</u>	<u>979</u>

Note: The presentation of Other Activities includes Group eliminations.

The following table sets forth a breakdown of Other Activities' profit/loss before tax (based on the Group's financial highlights presentation) for the years indicated:

	For the year ended December 31,	
	2018	2017
	(DKK in millions)	
Group Treasury	223	1,273
Own shares	500	(127)
Additional tier 1 capital	782	787
Group support functions	<u>(2,731)</u>	<u>(955)</u>
Total Other Activities	<u>(1,227)</u>	<u>978</u>

Note: Profit before tax for Other Activities includes Group eliminations.

Other Activities' total income for the year ended December 31, 2018 amounted to DKK 1,194 million, a decrease of DKK 486 million, or 28.9 percent, as compared to DKK 1,681 million for the year ended December 31, 2017.

Group Treasury recorded a profit before tax of DKK 223 million for the year ended December 31, 2018, a decrease of DKK 1,050 million, or 82.5 percent, as compared to DKK 1,273 million for the year ended December 31, 2017. The decrease was partially due to the allocation to the business units of accrued income on some loans previously retained at Group Treasury and lower income on fair value bond portfolios held in Group Treasury.

A profit before tax of DKK 500 million was recorded from the Bank's own shares for the year ended December 31, 2018, a change of DKK 627 million as compared to a loss of DKK 127 million for the year ended December 31, 2017.

A profit before tax of DKK 782 million was recorded from additional tier 1 capital for the year ended December 31, 2018, a decrease of DKK 5 million, or 0.6 percent, as compared to DKK 787 million for the year ended December 31, 2017.

Group support functions recorded a loss before tax of DKK 2,731 million for the year ended December 31, 2018, an increase of DKK 1,776 million as compared to DKK 955 million for the year ended December 31, 2017. The increase was mainly due to the one-off expense of DKK 1.5 billion relating to the donation of the estimated gross income from the non-resident portfolio in Estonia in the period from 2007 to 2015.

Other Activities' loss before tax for the year ended December 31, 2018 amounted to DKK 1,227 million, a change of DKK 2,206 million as compared to profit before tax of DKK 979 million for the year ended December 31, 2017.

Balance Sheet

The following table sets forth the Group's balance sheet data (prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies) as at the dates indicated:

	As at December 31,	
	2018	2017
	(DKK in millions)	
Assets		
Cash in hand and demand deposits with central banks	40,997	82,818
Due from credit institutions and central banks.....	225,600	333,975
Trading portfolio assets.....	415,818	449,292
Investment securities.....	276,424	324,618
Loans at amortized cost	986,240	1,112,752
Loans at fair value.....	1,057,340	787,223
Assets under pooled schemes and unit-linked investment contracts	93,988	112,065
Assets under insurance contracts	377,369	296,867
Assets held for sale	60,247	426
Intangible assets.....	11,224	7,177
Tax assets.....	2,981	1,419
Other assets.....	30,239	30,897
Total assets	<u>3,578,467</u>	<u>3,539,528</u>
Equity and liabilities		
Due to credit institutions and central banks	248,601	242,887
Trading portfolio liabilities	390,226	400,596
Deposits	1,059,119	1,046,858
Issued bonds at fair value.....	759,588	758,375
Issued bonds at amortized cost.....	285,629	405,080
Deposits under pooled schemes and unit-linked investment contracts.....	97,840	119,901
Liabilities under insurance contracts.....	417,279	322,726
Liabilities in disposal groups held for sale.....	58,467	–
Tax liabilities	8,880	8,634
Other liabilities	40,117	37,097
Non-preferred senior bonds	26,353	–
Subordinated debt	23,092	29,120
Total liabilities	<u>3,415,191</u>	<u>3,371,272</u>
Total equity	<u>163,276</u>	<u>168,256</u>
Total liabilities and equity	<u>3,578,467</u>	<u>3,539,528</u>

Assets

As at December 31, 2018, the Group's total assets amounted to DKK 3,578,467 million, an increase of DKK 38,939 million, or 1.1 percent, as compared to DKK 3,539,528 million as at December 31, 2017. The increase was mainly due to an increase in loans at fair value, assets under insurance contracts and assets held for sale, which was partially offset by a decrease in loans at amortized cost and amounts due from credit institutions. As at December 31, 2018, total lending was up 3 percent from the level as at December 31, 2017. Lending increased in almost all markets and across all geographies. In Denmark, new gross lending, excluding repo loans, amounted to DKK 85.9 billion as of December 31, 2018, of which lending to retail customers accounted for DKK 38.4 billion.

Liabilities

As at December 31, 2018, the Group's total liabilities amounted to DKK 3,415,191 million, an increase of DKK 43,919 million, or 1.3 percent, as compared to DKK 3,371,272 million as at December 31, 2017. The increase was mainly due to an increase in liabilities under insurance contracts and liabilities in disposal groups held for sale, which was partially offset by a decrease in bonds issued at amortized cost. As at December 31, 2018, total deposits were down 2 percent from the level as at December 31, 2017. The decrease was mainly due to a decrease in deposits at C&I, partially due to the transfer of the Baltic customers to the Non-core unit.

Equity

As December 31, 2018, the Group's total equity amounted to DKK 163,276 million, a decrease of DKK 4,980 million, or 3.0 percent, as compared to DKK 168,256 million as at December 31, 2017. The decrease was mainly due to a decrease in retained earnings primarily as a result of lower net profit for the year and the IFRS 9 implementation effect, which was partially offset by lower proposed dividends and discontinuation of the share buy-back program.

The Group's return on average shareholders' equity was 9.8 percent for the year ended December 31, 2018, as compared to 13.6 percent for the year ended December 31, 2017. The Group's earnings per share for the year ended December 31, 2018 were DKK 16.5, as compared to DKK 22.2 for the year ended December 31, 2017. The decrease was mainly due to a decrease in net profit.

Cash Flows

The following table sets forth the Group's cash flow data as at the dates and for the years indicated:

	As at and for the year ended December 31,	
	2018	2017
	(DKK in millions)	
Cash flow from operations		
Profit before tax	19,322	26,288
Tax paid	(5,427)	(5,482)
Adjustment for non-cash operating items	<u>1,997</u>	<u>(1,093)</u>
Total	15,892	19,713
Changes in operating capital		
Amounts due to/from credit institutions and central banks	7,154	(31,337)
Trading portfolio	23,104	(17,318)
Acquisition/sale of own shares and additional tier 1 capital	(277)	(241)
Other financial instruments	43,615	26,854
Loans at amortized cost and fair value	(143,218)	9,177
Deposits	12,262	102,993
Issued bonds at amortized cost and fair value	(117,701)	31,643
Assets/liabilities under insurance contracts	17,051	(3,720)
Other assets/liabilities	<u>(2,547)</u>	<u>10,628</u>
Cash flow from operations	(144,665)	148,392
Cash flow from investing activities		
Acquisition/sale of businesses	(5,000)	291
Acquisition of intangible assets	(1,120)	(1,022)
Acquisition of tangible assets	(549)	(623)
Sale of tangible assets	<u>10</u>	<u>74</u>
Cash flow from investing activities	(6,659)	(1,280)
Cash flow from financing activities		
Issues of subordinated debt	4,748	5,087
Redemption of subordinated debt	(10,928)	(12,577)
Issues of non-preferred senior bonds	25,816	–
Dividends	(8,851)	(8,332)
Share buy-back program ⁽¹⁾	(7,825)	(9,958)
Paid interest on additional tier 1 capital	<u>(784)</u>	<u>(786)</u>
Cash flow from financing activities	2,176	(26,566)
Cash and cash equivalents at January 1	413,593	297,078
Foreign currency translation	393	(4,031)
Change in cash and cash equivalents	<u>(149,150)</u>	<u>120,546</u>
Cash and cash equivalents, end of period	264,836	413,593
Cash and cash equivalents end of period		
Cash in hand	8,799	9,051
Demand deposits with central banks	32,198	73,766
Amounts due from credit institutions and central banks within three months	<u>223,839</u>	<u>330,776</u>
Total	<u>264,836</u>	<u>413,593</u>

Note: The cash flow statement is prepared according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year. Cash and cash equivalents consists of cash in hand and demand deposits with central banks as well as amounts due from credit institutions and central banks with an original maturity shorter than three months.

The list of Group holdings and undertakings in note 36 to the 2018 Financial Statements incorporated by reference into this Base Prospectus provides information about restrictions on the use of cash flows from Group undertakings.

(1) Shares acquired under the share buy-back program are recognized at settlement date.

Total cash outflow from operations was DKK 144,665 million for the year ended December 31, 2018, a change of DKK 293,057 million as compared to cash inflow of DKK 148,392 million for the year ended December 31, 2017. The change was mainly attributable to lower issued bonds at amortized cost and increased lending.

Total cash outflow from investing activities was DKK 6,659 million for the year ended December 31, 2018, an increase of DKK 5,379 million as compared to DKK 1,280 million for the year ended December 31, 2017. The increase was mainly attributable to the acquisition of SEB Pension Danmark.

Total cash inflow from financing activities was DKK 2,176 million for the year ended December 31, 2018, a change of DKK 28,742 million as compared to cash outflow of DKK 26,566 million for the year ended December 31, 2017. The change was mainly due to the issue of non-preferred senior debt.

Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2017 and 2016

Income Statement

The Group

The following table sets forth a summary of the Group's results of operations (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Net interest income*	23,430	22,028
Net fee income*	15,304	14,183
Net trading income*	7,823	8,607
Other income*	1,591	3,140
Total income*	48,149	47,959
Operating expenses*	(22,722)	(22,642)
Profit before loan impairment charges*	25,427	25,317
Loan impairment charges*	873	3
Profit before tax, core*	26,300	25,320
Profit before tax, Non-core*	(12)	37
Profit before tax	26,288	25,357
Tax	(5,388)	(5,500)
Net profit for the year	20,900	19,858
Attributable to additional tier 1 etc.	786	663

* The table above is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the table above deviate from the corresponding figures in the Consolidated Financial Statements due to reclassification of certain items as discussed in more detail under "Important Information for Investors—Presentation of Financial Information." See notes 1(c) and 3 to the 2017 Financial Statements incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

The following table sets forth the Group's profit before tax by business unit (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Personal Banking	5,211	4,963
Business Banking	7,957	6,657
C&I	6,375	4,842
Wealth Management	4,579	4,823
Northern Ireland	1,251	1,063
Non-core	(12)	37
Other Activities ⁽¹⁾	927	2,973
Total Group	26,288	25,357

(1) Profit before tax for Other Activities includes Group eliminations.

Total Income

The Group's total income for the year ended December 31, 2017 amounted to DKK 48,149 million, an increase of DKK 190 million, or 0.4 percent, as compared to DKK 47,959 million for the year ended December 31, 2016.

The Group's net interest income for the year ended December 31, 2017 amounted to DKK 23,430 million, an increase of DKK 1,402 million, or 6.4 percent, as compared to DKK 22,028 million for the year ended December 31, 2016. The increase was mainly due to higher lending and deposit volumes and lower funding costs.

The Group's loans as at December 31, 2017 amounted to DKK 1,723,025 million, an increase of DKK 33,870 million, or 2.0 percent, as compared to DKK 1,689,155 million as at December 31, 2016. The increase was mainly due to increased lending at Personal Banking and Business Banking.

The Group's deposits as at December 31, 2017 amounted to DKK 911,852 million, an increase of DKK 52,417 million, or 6.1 percent, as compared to DKK 859,435 million as at December 31, 2016. The increase was mainly due to increased deposits in most markets in 2017.

The Group's net fee income for the year ended December 31, 2017 amounted to DKK 15,304 million, an increase of DKK 1,121 million, or 7.9 percent, as compared to DKK 14,183 million for the year ended December 31, 2016. The increase was mainly due to an increase in assets under management driven by positive customer sales and strong markets as well as high customer activity, in particular at C&I.

The Group's net trading income for the year ended December 31, 2017 amounted to DKK 7,823 million, a decrease of DKK 784 million, or 9.1 percent, as compared to DKK 8,607 million for the year ended December 31, 2016. The decrease was mainly due to higher net trading income in 2016 that included the gain on the sale of VISA Europe and the sale of the Group's shares in Danmarks Skibskredit A/S.

The Group's other income for the year ended December 31, 2017 amounted to DKK 1,591 million, a decrease of DKK 1,549 million, or 49.3 percent, as compared to DKK 3,140 million for the year ended December 31, 2016. The decrease was mainly due to higher other income in 2016 due to the sale of domicile properties (consisting of primarily the Group's headquarters in Copenhagen, Denmark).

Expenses

The Group's operating expenses for the year ended December 31, 2017 amounted to DKK 22,722 million, an increase of DKK 80 million, or 0.4 percent, as compared to DKK 22,642 million for the year ended December 31, 2016. The increase was mainly due to higher costs related primarily to compliance, new regulation and digitalization. Higher activity-related costs were for a large part mitigated by efficiency measures and operating expenses also benefited from a one-off gain relating to the amended pension liability in Northern Ireland.

Loan Impairment Charges

The Group's loan impairment charges for the year ended December 31, 2017 amounted to a reversal of DKK 873 million, an increase in reversals of DKK 870 million as compared to a reversal of DKK 3 million for the year ended December 31, 2016. The increase was mainly due to strengthened credit quality driven by higher property prices in most geographical areas, and improving macroeconomic conditions. At Business Banking, the high reversals related primarily to facilities in Denmark, where property prices rose. Some impairment charges were made in Norway for a few individual customers. Similarly, C&I continued to book impairments against exposures to the shipping and offshore sectors, although at a much lower level than in 2016, reflecting a more stable situation for offshore companies active on the Norwegian continental shelf.

Profit Before Tax, Non-core

The Group's loss before tax, Non-core amounted to DKK 12 million for the year ended December 31, 2017, a change of DKK 49 million as compared to a profit before tax, Non-core of DKK 37 million for the year ended December 31, 2016. The change was mainly due to higher operation expenses, which reflected various activities and costs related to portfolio sales, severance pay and write-downs, and lower income, partially offset by increased reversals of impairments. Most of the reversals in 2017 were related to charges against Non-core banking facilities, including the Irish portfolio. Additional loan impairment charges were made against the Non-core conduits portfolio.

Profit Before Tax

The Group's profit before tax for the year ended December 31, 2017 amounted to DKK 26,288 million, an increase of DKK 931 million, or 3.7 percent, as compared to DKK 25,357 million for the year ended December 31, 2016.

Tax

The Group's total tax charge for the year ended December 31, 2017 amounted to DKK 5,388 million, a decrease of DKK 112 million, or 2.0 percent, as compared to DKK 5,500 million for the year ended December 31, 2016. The decrease was mainly due to positive adjustments for tax paid in previous years.

Net Profit for the Year

The Group's net profit for the year ended December 31, 2017 amounted to DKK 20,900 million, an increase of DKK 1,042 million, or 5.2 percent, as compared to DKK 19,858 million for the year ended December 31, 2016.

Personal Banking

The following table sets forth a summary of the results of operations of Personal Banking (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Net interest income	7,911	7,660
Net fee income	3,419	3,306
Net trading income	614	562
Other income	736	613
Total income	12,681	12,141
Operating expenses	(7,533)	(7,654)
Profit before loan impairment charges	5,148	4,486
Loan impairment charges	62	477
Profit before tax	5,211	4,963

The following table sets forth information on Personal Banking's LTV ratio, home loans, by country as at the dates indicated:

	As at December 31,			
	2017		2016	
	Average LTV	Net credit exposure ⁽¹⁾	Average LTV	Net credit exposure ⁽¹⁾
	(percent)	(DKK in billions)	(percent)	(DKK in billions)
Denmark	64.2	465	65.5	459
Finland	61.2	85	60.7	83
Sweden	60.6	80	59.0	70
Norway	62.8	93	62.5	93
Total	63.3	723	63.9	706

(1) Net credit exposure includes loans, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges.

Profit Before Tax

Personal Banking's profit before tax for the year ended December 31, 2017 amounted to DKK 5,211 million, an increase of DKK 248 million, or 5.0 percent, as compared to DKK 4,963 million for the year ended December 31, 2016. The increase was mainly due higher income and lower operating expenses. The positive development in income and expenses more than offset lower net reversals of loan impairment charges in 2017.

Total Income

Personal Banking's total income for the year ended December 31, 2017 amounted to DKK 12,681 million, an increase of DKK 540 million, or 4.4 percent, as compared to DKK 12,141 million for the year ended December 31, 2016.

Personal Banking's net interest income for the year ended December 31, 2017 amounted to DKK 7,911 million, an increase of DKK 251 million, or 3.3 percent, as compared to DKK 7,660 million for the year ended December 31, 2016. The increase was mainly due to growing lending volumes and good business momentum, which more than offset the pressure on deposit margins resulting from the persistently low interest rates.

Personal Banking's loans, excluding reverse transactions before impairments, as at December 31, 2017 amounted to DKK 757,937 million, an increase of DKK 16,286 million, or 2.2 percent, as compared to DKK 741,651 million as at December 31, 2016. The increase was mainly due to the existing strategic partnerships with Akademikerne in Norway and with Saco in Sweden and the new partnership that the Group started with Confederation of Professional Employees (TCO) in Sweden in April 2017.

Personal Banking's deposits, excluding repo deposits, as at December 31, 2017 amounted to DKK 273,478 million, an increase of DKK 6,411 million, or 2.4 percent, as compared to DKK 267,067 million as at December 31, 2016. The increase was mainly due to increased deposit volumes in Denmark.

Personal Banking's net fee income for the year ended December 31, 2017 amounted to DKK 3,419 million, an increase of DKK 113 million, or 3.4 percent, as compared to DKK 3,306 million for the year ended December 31, 2016. The increase was mainly due to higher investment and financing activity in 2017 compared to 2016.

Personal Banking's net trading income for the year ended December 31, 2017 amounted to DKK 614 million, an increase of DKK 52 million, or 9.3 percent, as compared to DKK 562 million for the year ended December 31, 2016. The increase was mainly due to higher investment and financing activity in 2017 compared to 2016.

Personal Banking's other income for the year ended December 31, 2017 amounted to DKK 736 million, an increase of DKK 123 million, or 20.1 percent, as compared to DKK 613 million for the year ended December 31, 2016.

Expenses

Personal Banking's operating expenses for the year ended December 31, 2017 amounted to DKK 7,533 million, a decrease of DKK 121 million, or 1.6 percent, as compared to DKK 7,654 million for the year ended December 31, 2016. The decrease was mainly due to cost efficiencies across market areas, partially offset by costs for regulatory compliance.

Loan Impairment Charges

Personal Banking's loan impairment charges for the year ended December 31, 2017 amounted to a reversal of DKK 62 million, a decrease in reversals of DKK 415 million, or 87.0 percent, as compared to a reversal of DKK 477 million for the year ended December 31, 2016. The reversals in 2017 were mainly due to strong and stable portfolio credit quality and increased collateral values in Denmark in particular.

Business Banking

The following table sets forth a summary of the results of operations of Business Banking (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Net interest income	8,828	8,427
Net fee income	1,806	1,629
Net trading income	548	568
Other income ⁽¹⁾	551	588
Total income	11,733	11,212
Operating expenses	(4,601)	(4,791)
Profit before loan impairment charges	7,133	6,421
Loan impairment charges	824	235
Profit before tax	<u>7,957</u>	<u>6,657</u>

(1) Operational leases are presented on a net basis under other income.

Profit Before Tax

Business Banking's profit before tax for the year ended December 31, 2017 amounted to DKK 7,957 million, an increase of DKK 1,300 million, or 19.5 percent, as compared to DKK 6,657 million for the year ended December 31, 2016. The increase was mainly due to an improvement in income, lower operating expenses and higher net impairment reversals than in 2017.

Total Income

Business Banking's total income for the year ended December 31, 2017 amounted to DKK 11,733 million, an increase of DKK 521 million, or 4.6 percent, as compared to DKK 11,212 million for the year ended December 31, 2016.

Business Banking's net interest income for the year ended December 31, 2017 amounted to DKK 8,828 million, an increase of DKK 401 million, or 4.8 percent, as compared to DKK 8,427 million for the year ended December 31, 2016. The increase was mainly due to good business momentum and increasing lending volumes, partially offset by the pressure on deposit margins resulting from persistently low interest rates.

Business Banking's loans, excluding reverse transactions before impairments, as at December 31, 2017 amounted to DKK 687,975 million, an increase of DKK 25,845 million, or 3.9 percent, as compared to DKK 662,130 million as at December 31, 2016. The increase was mainly due to good activity in the Group's Nordic markets.

Business Banking's deposits, excluding repo deposits, as at December 31, 2017 amounted to DKK 242,278 million, an increase of DKK 12,182 million, or 5.3 percent, as compared to DKK 230,096 million as at December 31, 2016. The increase was mainly due to increased deposit volumes in Norway, primarily as a result of partnerships with public institutions in Norway.

Business Banking's net fee income for the year ended December 31, 2017 amounted to DKK 1,806 million, an increase of DKK 177 million, or 10.9 percent, as compared to DKK 1,629 million for the year ended December 31, 2016. The increase was mainly due to increased activity, with increased lending volumes also having a positive effect.

Business Banking's net trading income for the year ended December 31, 2017 amounted to DKK 548 million, a decrease of DKK 20 million, or 3.5 percent, as compared to DKK 568 million for the year ended December 31, 2016. The decrease was mainly due to slightly lower mortgage refinancing activity in 2017 compared to 2016.

Business Banking's other income for the year ended December 31, 2017 amounted to DKK 551 million, a decrease of DKK 37 million, or 6.3 percent, as compared to DKK 588 million for the year ended December 31, 2016.

Expenses

Business Banking's operating expenses for the year ended December 31, 2017 amounted to DKK 4,601 million, a decrease of DKK 190 million, or 4.0 percent, as compared to DKK 4,791 million for the year ended December 31, 2016. The decrease was mainly due to efficiency improvements and lower severance pay compared to 2016, partially offset by costs for regulatory compliance.

Loan Impairment Charges

Business Banking's loan impairment charges for the year ended December 31, 2017 amounted to a reversal of DKK 824 million, an increase in reversals of DKK 589 million as compared to a reversal of DKK 235 million for the year ended December 31, 2016. The increase was mainly due to favorable macroeconomic conditions, particularly in Denmark, and a continued improvement of credit quality within several of the Group's main industries.

Corporates & Institutions

The following table sets forth a summary of the results of operations of C&I (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Net interest income	3,207	3,061
Net fee income	2,651	2,221
Net trading income	5,668	5,263
Other income	2	16
Total income	11,528	10,561
Operating expenses	(4,799)	(4,648)
Profit before loan impairment charges	6,729	5,913
Loan impairment charges	(354)	(1,071)
Profit before tax	<u>6,375</u>	<u>4,842</u>

Profit Before Tax

C&I's profit before tax for the year ended December 31, 2017 amounted to DKK 6,375 million, an increase of DKK 1,533 million, or 31.7 percent, as compared to DKK 4,842 million for the year ended December 31, 2016.

Total Income

C&I's total income for the year ended December 31, 2017 amounted to DKK 11,528 million, an increase of DKK 967 million, or 9.2 percent, as compared to DKK 10,561 million for the year ended December 31, 2016.

C&I's net interest income for the year ended December 31, 2017 amounted to DKK 3,207 million, an increase of DKK 146 million, or 4.8 percent, as compared to DKK 3,061 million for the year ended December 31, 2016. The increase was mainly due to increased average volumes during 2017 as well as higher refinancing activity.

C&I's loans, excluding reverse transactions before impairments, as at December 31, 2017 amounted to DKK 184,573 million, a decrease of DKK 12,639 million, or 6.4 percent, as compared to DKK 197,212 million as at December 31, 2016. The decrease was mainly due to changes in collateral management. Excluding the effect of collateral management, lending volumes were largely unchanged from year-end 2016 to year-end 2017.

C&I's deposits, excluding repo deposits, as at December 31, 2017 amounted to DKK 273,811 million, an increase of DKK 40,496 million, or 17.4 percent, as compared to DKK 233,315 million as at December 31, 2016. The increase was mainly due to increased deposits from pension and life companies in Finland and corporates in Norway.

C&I's net fee income for the year ended December 31, 2017 amounted to DKK 2,651 million, an increase of DKK 430 million, or 19.4 percent, as compared to DKK 2,221 million for the year ended December 31, 2016. The increase was mainly due to increased customer activity, mainly in Debt Capital Markets, Equity Capital Markets, Equities and Corporate Finance, as well as a number of large customer transactions in General Banking.

C&I's net trading income for the year ended December 31, 2017 amounted to DKK 5,668 million, an increase of DKK 405 million, or 7.7 percent, as compared to DKK 5,263 million for the year ended December 31, 2016. The increase was mainly due to high customer trading activity in the financial markets, especially early in 2017. The increase was also influenced by changes in 2016 to the CVA model, which affected trading income negatively in 2016.

C&I's other income for the year ended December 31, 2016 amounted to DKK 2 million, a decrease of DKK 14 million, or 87.5 percent, as compared to DKK 16 million for the year ended December 31, 2016.

Expenses

C&I's operating expenses for the year ended December 31, 2017 amounted to DKK 4,799 million, an increase of DKK 151 million, or 3.2 percent, as compared to DKK 4,648 million for the year ended December 31, 2016. The increase was mainly due to the increased activity of C&I in 2017.

Loan Impairment Charges

C&I's loan impairment charges for the year ended December 31, 2017 amounted to DKK 354 million, a decrease of DKK 717 million, or 67.0 percent, as compared to DKK 1,071 million for the year ended December 31, 2016. The decrease was mainly due to a more stable situation for offshore companies active on the Norwegian continental shelf.

Wealth Management

The following table sets forth a summary of the results of operations of Wealth Management (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Net interest income	709	675
Net fee income	7,281	6,732
Net trading income	403	591
Other income	174	574
Total income	8,567	8,572
Operating expenses	(4,082)	(3,887)
Profit before loan impairment charges	4,485	4,685
Loan impairment charges	93	137
Profit before tax	<u>4,579</u>	<u>4,823</u>

Profit Before Tax

Wealth Management's profit before tax for the year ended December 31, 2017 amounted to DKK 4,579 million, a decrease of DKK 244 million, or 5.1 percent, as compared to DKK 4,823 million for the year ended December 31, 2016. The decrease was mainly due to decreases in other income due to a change in the profit policy of Danica Pension's conventional life business as well as a decrease in net trading income due to nonrecurring income of DKK 0.2 billion in 2016 related to insurance contracts. The decrease was partially offset by good net inflow of customers and strong premium growth in Danica Pension and improving net sales in Asset Management.

Total Income

Wealth Management's total income for the year ended December 31, 2017 amounted to DKK 8,567 million, a decrease of DKK 5 million, or 0.1 percent, as compared to DKK 8,572 million for the year ended December 31, 2016.

Wealth Management's net interest income for the year ended December 31, 2017 amounted to DKK 709 million, an increase of DKK 34 million, or 5.0 percent, as compared to DKK 675 million for the year ended December 31, 2016. The increase was mainly due to an increase in lending volumes.

Wealth Management's loans, excluding reverse transactions before impairments, as at December 31, 2017 amounted to DKK 75,028 million, an increase of DKK 2,555 million, or 3.5 percent, as compared to DKK 72,473 million as at December 31, 2016. The increase was mainly due to new mortgage loans in Denmark.

Wealth Management's deposits, excluding repo deposits, as at December 31, 2017 amounted to DKK 65,849 million, an increase of DKK 2,968 million, or 4.7 percent, as compared to DKK 62,881 million as at December 31, 2016. The increase was mainly due to increased volumes in Sweden and Norway.

Wealth Management's net fee income for the year ended December 31, 2017 amounted to DKK 7,281 million, an increase of DKK 549 million, or 8.2 percent, as compared to DKK 6,732 million for the year ended December 31, 2016. The increase was mainly due to an increase in assets under management and new product launches.

Wealth Management's net trading income for the year ended December 31, 2017 amounted to DKK 403 million, a decrease of DKK 188 million, or 31.8 percent, as compared to DKK 591 million for the year ended December 31, 2016. The decrease was mainly due to both lower income relating to insurance contracts in the health and accident business in 2017 and the fact that net trading income in 2016 benefited from DKK 0.2 billion of nonrecurring income relating to insurance contracts.

Wealth Management's other income for the year ended December 31, 2017 amounted to DKK 174 million, a decrease of DKK 400 million, or 69.7 percent, as compared to DKK 574 million for the year ended December 31, 2016.

Expenses

Wealth Management's operating expenses for the year ended December 31, 2017 amounted to DKK 4,082 million, an increase of DKK 195 million, or 5.0 percent, as compared to DKK 3,887 million for the year ended December 31, 2016. The increase was mainly due to increased activity, regulatory implementation, costs for the transformation of the asset management organization at the beginning of the year and costs related to the acquisition of SEB Pension Danmark.

Loan Impairment Charges

Wealth Management's loan impairment charges for the year ended December 31, 2017 amounted to a reversal of DKK 93 million, a decrease in reversals of DKK 44 million, or 32.1 percent, as compared to a reversal of DKK 137 million for the year ended December 31, 2016.

Northern Ireland

The following table sets forth a summary of the results of operations of Northern Ireland (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Net interest income	1,374	1,458
Net fee income	429	471
Net trading income	111	126
Other income	48	18
Total income	1,961	2,072
Operating expenses	(957)	(1,243)
Profit before loan impairment charges	1,004	829
Loan impairment charges	247	234
Profit before tax	<u>1,251</u>	<u>1,063</u>

Profit Before Tax

Northern Ireland's profit before tax for the year ended December 31, 2017 amounted to DKK 1,251 million, an increase of DKK 188 million, or 17.7 percent, as compared to DKK 1,063 million for the year ended December 31, 2016. The increase was mainly due to lower operating expenses.

Total Income

Northern Ireland's total income for the year ended December 31, 2017 amounted to DKK 1,961 million, a decrease of DKK 111 million, or 5.4 percent, as compared to DKK 2,072 million for the year ended December 31, 2016.

Northern Ireland's net interest income for the year ended December 31, 2017 amounted to DKK 1,374 million, a decrease of DKK 84 million, or 5.8 percent, as compared to DKK 1,458 million for the year ended December 31, 2016. The decrease was primarily due to ongoing macroeconomic uncertainty resulting in a continuation of low GDP growth, low interest rates and a weak British pound sterling. The effect was partially offset by growth in lending and deposit volumes. In local currency, net interest income increased by 0.8 percent.

Northern Ireland's loans, excluding reverse transactions before impairments, as at December 31, 2017 amounted to DKK 46,272 million, an increase of DKK 697 million, or 1.5 percent, as compared to DKK 45,575 million as at December 31, 2016. In local currency, the increase was larger than in Danish Kroner. The increase was mainly due to increased mortgage and corporate lending.

Northern Ireland's deposits, excluding repo deposits, as at December 31, 2017 amounted to DKK 58,971 million, a decrease of DKK 273 million, or 0.5 percent, as compared to DKK 59,244 million as at December 31, 2016. The decrease was mainly due to currency effects. In local currency, Northern Ireland's deposits, excluding repo deposits, increased by 3.2 percent.

Northern Ireland's net fee income for the year ended December 31, 2017 amounted to DKK 429 million, a decrease of DKK 42 million, or 8.9 percent, as compared to DKK 471 million for the year ended December 31, 2016. In local currency, net fee income decreased by 2.9 percent. The decrease was mainly due to loss of fee income as a result of the sale of Northern Ireland's wealth management business in the fourth quarter of 2017.

Northern Ireland's net trading income for the year ended December 31, 2017 amounted to DKK 111 million, a decrease of DKK 15 million, or 11.9 percent, as compared to DKK 126 million for the year ended December 31, 2016.

Northern Ireland's other income for the year ended December 31, 2017 amounted to DKK 48 million, an increase of DKK 30 million as compared to DKK 18 million for the year ended December 31, 2016.

Expenses

Northern Ireland's operating expenses for the year ended December 31, 2017 amounted to DKK 957 million, a decrease of DKK 286 million, or 23.0 percent, as compared to DKK 1,243 million for the year ended December 31, 2016. In local currency, operating expenses decreased by 18.0 percent. The decrease was mainly due to the change in pension liabilities, partially offset by investment and restructuring initiatives introduced to drive competitiveness, efficiency and the delivery of new solutions for customers.

Loan Impairment Charges

Northern Ireland's loan impairment charges amounted to a reversal of DKK 247 million for the year ended December 31, 2017, an increase in reversals of DKK 13 million, or 5.6 percent, as compared to a reversal of DKK 234 million for the year ended December 31, 2016. The increase was mainly due to improvements in property values and in the trading results of the Group's business customers meaning that provisions made in previous years against potentially distressed lending were no longer required.

Non-core

The following table sets forth a summary of the results of operations of Non-core (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Total income	169	235
Operating expenses	(890)	(363)
Profit (loss) before loan impairment charges	(722)	(128)
Loan impairment charges.....	710	165
Profit/(loss) before tax	<u>(12)</u>	<u>37</u>

Profit Before Tax

Non-core's loss before tax for the year ended December 31, 2017 amounted to DKK 12 million, a change of DKK 49 million as compared to profit before tax of DKK 37 million for the year ended December 31, 2016. The change was mainly due to higher expenses as a result of various activities and costs related to portfolio sales, severance pay and write-downs. The increase in expenses was partially offset by an increase in reversals of loan impairment charges.

Total Income

Non-core's total income for the year ended December 31, 2017 amounted to DKK 169 million, a decrease of DKK 66 million, or 28.1 percent, as compared to DKK 235 million for the year ended December 31, 2016.

Operating Expenses

Non-core's operating expenses for the year ended December 31, 2017 amounted to DKK 890 million, an increase of DKK 527 million as compared to DKK 363 million for the year ended December 31, 2016. The increase was mainly due to various activities and costs related to portfolio sales, severance pay and write-downs.

Loan Impairment Charges

Non-core's loan impairment charges for the year ended December 31, 2017 amounted to a reversal of DKK 710 million, an increase in reversals of DKK 545 million as compared to a reversal of DKK 165 million for the year ended December 31, 2016. Most of the reversals in 2017 were related to charges against Non-core banking facilities including the Irish portfolio. Additional loan impairment charges were made against the Non-core conduits portfolio.

Other Activities

The following table sets forth a summary of the results of operations of Other Activities (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
Net interest income	1,402	747
Net fee income/(expense)	(282)	(175)
Net trading income.....	479	1,498
Other income	80	1,331
Total income	1,678	3,401
Operating expenses	(750)	(419)
Profit before loan impairment charges	928	2,982
Loan impairment charges.....	1	(9)
Profit before tax	<u>927</u>	<u>2,973</u>

Note: The presentation of Other Activities includes Group eliminations.

The following table sets forth a breakdown of Other Activities' profit/loss before tax (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2017	2016
	(DKK in millions)	
Group Treasury	1,283	2,005
Own shares	(127)	(135)
Additional tier 1 capital	786	663
Group support functions	(1,016)	440
Total Other Activities	<u>927</u>	<u>2,973</u>

Note: Profit before tax for Other Activities includes Group eliminations.

Other Activities' total income for the year ended December 31, 2017 amounted to DKK 1,678 million, a decrease of DKK 1,723 million, or 50.7 percent, as compared to DKK 3,401 million for the year ended December 31, 2016.

Group Treasury recorded a profit of DKK 1,283 million for the year ended December 31, 2017, a decrease of DKK 722 million, or 36.0 percent, as compared to DKK 2,005 million for the year ended December 31, 2016. The decrease was mainly due to 2016 benefiting from a one-off gain on the sale of VISA Europe and positive fair value adjustments of the liquidity portfolio and the private equity portfolio.

A loss of DKK 127 million was recorded from the Bank's own shares for the year ended December 31, 2017, an improvement of DKK 8 million, or 5.9 percent, as compared to a loss of DKK 135 million for the year ended December 31, 2016.

A profit before tax of DKK 786 million was recorded from additional tier 1 capital for the year ended December 31, 2017, an increase of DKK 123 million, or 18.6 percent, as compared to DKK 663 million for the year ended December 31, 2016. The increase was mainly due to interest on the equity accounted additional tier 1 instruments.

Group support functions recorded a loss of DKK 1,016 million for the year ended December 31, 2017, a change of DKK 1,456 million as compared to a profit of DKK 440 million for the year ended December 31, 2016. The change was mainly due to a gain from the sale of the majority of the Danish domicile properties.

Other Activities' profit before tax for the year ended December 31, 2017 amounted to DKK 927 million, a decrease of DKK 2,046 million, or 68.8 percent, as compared to DKK 2,973 million for the year ended December 31, 2016.

Balance Sheet

The following table sets forth the Group's balance sheet data (prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies) as at the dates indicated:

	As at December 31,	
	2017	2016
	(DKK in millions)	
Assets		
Cash in hand and demand deposits with central banks	82,818	53,211
Due from credit institutions and central banks.....	333,975	245,479
Trading portfolio assets.....	449,292	509,679
Investment securities.....	324,618	343,337
Loans at amortized cost	1,112,752	1,141,567
Loans at fair value.....	787,223	766,003
Assets under pooled schemes and unit-linked investment contracts	112,065	99,848
Assets under insurance contracts	296,867	285,398
Intangible assets.....	7,177	6,790
Tax assets.....	1,419	1,283
Other assets.....	31,324	31,075
Total assets	<u>3,539,528</u>	<u>3,483,670</u>
Equity and liabilities		
Due to credit institutions and central banks	242,887	272,883
Trading portfolio liabilities	400,596	478,301
Deposits	1,046,858	943,865
Bonds issued by Realkredit Danmark	758,375	726,732
Deposits under pooled schemes and unit-linked investment contracts.....	119,901	106,418
Liabilities under insurance contracts.....	322,726	314,977
Other issued bonds.....	405,080	392,512
Tax liabilities	8,634	8,151
Other liabilities	37,097	35,385
Subordinated debt	29,120	37,831
Total liabilities	<u>3,371,272</u>	<u>3,317,055</u>
Total equity.....	<u>168,256</u>	<u>166,615</u>
Total liabilities and equity	<u>3,539,528</u>	<u>3,483,670</u>

Assets

As at December 31, 2017, the Group's total assets amounted to DKK 3,539,528 million, an increase of DKK 55,858 million, or 1.6 percent, as compared to DKK 3,483,670 million as at December 31, 2016. The increase was primarily due to an increase in amounts due from credit institutions and central banks related to the Group's funding. As at December 31, 2017, total lending was up 2.0 percent from the level as at December 31, 2016. Lending increased primarily at Personal Banking and Business Banking. In Denmark, new gross lending, excluding repo loans, amounted to DKK 94.1 billion as of December 31, 2017, of which lending to personal customers accounted for DKK 40.1 billion.

Liabilities

As at December 31, 2017, the Group's total liabilities amounted to DKK 3,371,272 million, an increase of DKK 54,217 million, or 1.6 percent, as compared to DKK 3,317,055 million as at December 31, 2016. The increase was primarily due to an increase of deposits and bonds issued by Realkredit Danmark, partially offset by decreases in trading portfolio liabilities and due to credit institutions and central banks. As at December 31, 2017, total deposits were up 6.1 percent from the level as at December 31, 2016, with increases in most markets.

Equity

As December 31, 2017, the Group's total equity amounted to DKK 168,256 million, an increase of DKK 1,641 million, or 1.0 percent, as compared to DKK 166,615 million as at December 31, 2016.

The Group's return on average shareholders' equity was 13.6 percent for the year ended December 31, 2017, as compared to 13.1 percent for the year ended December 31, 2016. The Group's earnings per share for the year ended December 31, 2017 were DKK 22.2, as compared to DKK 20.2 for the year ended December 31, 2016. The increase was primarily due to increased net profit and fewer outstanding number of shares as a result of the share buy-back program.

Cash Flows

The following table sets forth the Group's cash flow data as at the dates and for the years indicated:

	As at and for the year ended December 31,	
	2017	2016
	(DKK in millions)	
Cash flow from operations		
Profit before tax	26,288	25,358
Tax paid	(5,482)	(4,961)
Adjustment for non-cash operating items	<u>(1,093)</u>	<u>477</u>
Total	19,713	20,874
Changes in operating capital		
Amounts due to/from credit institutions and central banks	(31,337)	1,543
Trading portfolio	(17,318)	44,510
Acquisition/sale of own shares and additional tier 1 capital	(241)	62
Other financial instruments	26,854	23,925
Loans at amortized cost	30,397	(62,141)
Loans at fair value	(21,220)	(24,343)
Deposits	102,993	80,391
Bonds issued by Realkredit Danmark	31,643	32,213
Assets/liabilities under insurance contracts	(3,720)	10,122
Other assets/liabilities	<u>10,628</u>	<u>5,608</u>
Cash flow from operations	148,392	132,764
Cash flow from investing activities		
Acquisition/sale of businesses	291	1,226
Acquisition of intangible assets	(1,022)	(756)
Acquisition of tangible assets	(623)	(288)
Sale of tangible assets	<u>74</u>	<u>2,988</u>
Cash flow from investing activities	(1,280)	3,170
Cash flow from financing activities		
Issues of subordinated debt	5,087	—
Redemption of subordinated debt	(12,577)	—
Dividends	(8,332)	(7,758)
Share buy-back program ⁽¹⁾	(9,958)	(8,083)
Issued additional tier 1 capital	—	2,970
Paid interest on additional tier 1 capital	(786)	(649)
Change in non-controlling interests	<u>—</u>	<u>—</u>
Cash flow from financing activities	(26,566)	(13,520)
Cash and cash equivalents at January 1	297,078	178,835
Foreign currency translation	(4,031)	(4,171)
Change in cash and cash equivalents	<u>120,546</u>	<u>122,414</u>
Cash and cash equivalents, end of period	413,593	297,078
Cash and cash equivalents end of period		
Cash in hand	9,051	9,332
Demand deposits with central banks	73,766	43,879
Amounts due from credit institutions and central banks within three months	<u>330,776</u>	<u>243,867</u>
Total	<u>413,593</u>	<u>297,078</u>

Note: The cash flow statement is prepared according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year. Cash and cash equivalents consists of cash in hand and demand deposits with central banks as well as amounts due from credit institutions and central banks with an original maturity shorter than three months.

The list of Group holdings and undertakings in note 35 to the 2017 Financial Statements incorporated by reference into this Base Prospectus provides information about restrictions on the use of cash flows from Group undertakings.

(1) Shares acquired under the share buy-back program are recognized at settlement date.

Total cash inflow from operations was DKK 148,392 million for the year ended December 31, 2017, an increase of DKK 15,628 million, or 11.8 percent, as compared to DKK 132,764 million for the year ended December 31, 2016. The increase was primarily attributable to higher deposits.

Total cash outflow from investing activities was DKK 1,280 million for the year ended December 31, 2017, a change of DKK 4,450 million as compared to cash inflow of DKK 3,170 million for the year ended December 31, 2016. The change was primarily attributable to higher cash inflow from sale of tangible assets and business in the year ended December 31, 2016.

Total cash outflow from financing activities was DKK 26,566 million for the year ended December 31, 2017, an increase of DKK 13,046 million, or 96.5 percent, as compared to DKK 13,520 million for the year ended December 31, 2016. The increase was primarily due to net redemption of subordinated debt in the year ended December 31, 2017.

Contingent Liabilities

Contingent liabilities consist of possible obligations arising from past events. The existence of such obligations will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Further, contingent liabilities consist of present obligations arising from past events, for which it is either not probable that the obligation will result in an outflow of financial resources, or it is not possible to reliably estimate the amount of the obligation.

A contingent liability is not recognized in the financial statements but is disclosed, unless the possibility of an outflow of financial resources is remote, in which case it is not disclosed.

From 2018, loan commitments and guarantees are subject to the expected credit loss impairment model in IFRS 9. For further information, see note 15 to the 2018 Financial Statements. In 2017, a liability for loan commitments and guarantees equal to the present value of expected future payments was recognized if the financial instrument was likely to result in a payment obligation.

The following table sets forth the Group's guarantees and other contingent liabilities as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in millions)		
Guarantees			
Financial guarantees.....	6,513	8,534	8,778
Mortgage finance guarantees.....	—	1,050	1,218
Other guarantees.....	<u>77,204</u>	<u>74,902</u>	<u>70,381</u>
Total	<u>83,717</u>	<u>84,487</u>	<u>80,377</u>
Other contingent liabilities			
Loan commitments shorter than 1 year	183,767	211,237	117,355
Loan commitments longer than 1 year	161,350	161,824	162,620
Other unutilized loan commitments.....	<u>282</u>	<u>351</u>	<u>484</u>
Total	<u>345,399</u>	<u>373,412</u>	<u>280,459</u>

Note: Following the data analysis performed during the implementation of IFRS 9, a further DKK 64.8 billion has been included as loan commitments in the table above. The commitments consist of loan offers that previously were included as uncommitted lines. The comparative information for 2017 has been restated and increased loan commitments as at December 31, 2017 by DKK 69,091 million. The comparative information for 2016 has not been restated.

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 205 billion as at December 31, 2018, DKK 269 billion as at December 31, 2017 and DKK 287 billion as at December 31, 2016. These items are included in the calculation of the total REA in accordance with the CRR.

The Group is in dialogue with the authorities regarding the terminated non-resident portfolio at the Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal investigations in Estonia, Denmark, France and the United States. The Bank is cooperating with these and certain other authorities in relation to requests for information related to the AML matters at the Bank's Estonian branch and the handling of the matter. The timing of the completion of the investigations, the outcome and the subsequent discussions with the authorities are uncertain. As at the date of this Base Prospectus, it is not possible to reliably estimate the timing or amount of any potential settlement or fines, which could be material.

In the third quarter of 2018, the Group recognized a provision of DKK 1.5 billion based on the estimated gross income from the non-resident portfolio in the Bank's Estonia branch in the period from 2007 to 2015. The amount is based on the decision not to benefit financially from suspicious transactions that took place in the Estonian non-resident portfolio in the period from 2007 to 2015 and to donate the estimated gross income from these transactions to an independent foundation. The foundation is planned to be set up to support initiatives aimed at combating international financial crime. Any confiscated or disgorged gross income will be deducted from the donation to the foundation.

For further information on the Estonian case, see "*Description of the Group—Legal and Arbitration Proceedings.*"

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 DFSA on other matters. In general, Danske Bank does not expect the outcomes of any of these other pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. Provisions for litigation are included in other liabilities, for further information, see note 11 to the Interim

Financial Statements and note 25 to the 2018 Financial Statements. For additional information, see “*Description of the Group—Legal and Arbitration Proceedings.*”

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 percent and 1 percent, respectively, of the covered deposits of all Danish credit institutions by December 31, 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 percent of the individual institution’s covered deposits may be required. Extraordinary contributions above this percentage require the consent of the DFSA. The first contribution to the Danish resolution fund was made in December 2015. The Bank and Realkredit Danmark make contributions to the Danish 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 recognized as operating expenses.

If the Danish 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 June 1, 2015. Similarly, Danish banks have made payment commitments (totaling DKK 1 billion) to cover losses incurred by the Danish restructuring fund for the withdrawal of distressed banks from data centers, 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 percent of its covered deposits.

The Group is a member of deposit guarantee schemes and other compensation schemes in Norway, the U.K. 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.

The Group is the lessee in a number of non-cancellable operating leases, involving mainly leasing of real property and IT hardware. The Group recognizes lease payments as an expense over the lease term but does not recognize the operating lease assets in its balance sheet. Such assets are recognized by lessors. As at December 31, 2018, minimum lease payments under non-cancellable operating leases amounted to DKK 3,424 million (December 31, 2017: DKK 3,522 million), with DKK 840 million (December 31, 2017: DKK 710 million) relating to operating leases expiring within one year.

The Bank is taxed jointly with all entities of the Group and is jointly and severally liable with these for payment of Danish corporate tax, withholding tax and similar taxes.

The Bank is registered jointly with all significant Danish entities in the Group for financial services employer tax and VAT, for which the Bank and the entities are jointly and severally liable.

Funding and Liquidity

Funding

The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies. A diverse range of funding sources is intended to provide protection against market disruptions.

The following table sets forth the contribution of the Group's funding sources to its total funding (excluding funding in the form of mortgage bonds issued by Realkredit Danmark) as at the dates indicated:

	As at December 31,		
	2018	2017 (percent)	2016
Funding sources by type of liability			
Central banks/credit institutions	8	7	8
Repo transactions	14	12	10
Short-term bonds	2	5	4
Long-term bonds	6	7	8
Other covered bonds	12	11	11
Deposits (business)	28	28	27
Deposits (personal)	21	21	21
Subordinated debt	1	1	2
Shareholders' equity	8	8	9
Total	<u>100</u>	<u>100</u>	<u>100</u>

The following table sets forth a breakdown of the Group's total funding (excluding funding in the form of mortgage bonds issued by Realkredit Danmark) by currency as at the dates indicated:

	As at December 31,		
	2018	2017 (percent)	2016
Funding sources by currency			
DKK	31	31	30
EUR	31	32	35
USD	13	16	15
SEK	10	6	4
GBP	5	7	7
CHF	—	—	1
NOK	8	7	7
Other	1	1	1
Total	<u>100</u>	<u>100</u>	<u>100</u>

The Group's funding need arises mainly from its lending activities. The Group's (excluding Realkredit Danmark) estimated funding need for 2019 is DKK 70 billion to DKK 90 billion. In addition to senior unsecured bonds and the bonds issued by Realkredit Danmark, the Group issues covered bonds based on multiple cover pools of mortgages in Denmark, Sweden, Norway and Finland. In 2017, the Group acquired a license to issue covered bonds in Sweden through its subsidiary Danske Hypotek AB (publ) ("Danske Hypotek").

On October 31, 2017 the mortgage credit banking business of Danske Bank Plc, including the outstanding covered bonds issued by Danske Bank Plc and the relevant mortgage loans contained in the respective cover pool, was transferred to a new company, Danske Mortgage Bank Plc. Danske Mortgage Bank Plc is a wholly owned subsidiary of the Bank and holds a license as a mortgage credit bank under the Finnish Act on Mortgage Credit Bank Operations. Following the completion of this demerger, and as part of efforts to simplify the organization and improve efficiency, the Group merged its remaining activities in Finland, consisting of Danske Bank Plc and Danske Bank A/S, Helsinki Branch, into a single branch, Danske Bank A/S, Finland Branch. Following the completion of this cross-border merger in December 2017, the Bank will originate mortgage loans to be contained in the cover pool of Danske Mortgage Bank Plc under the terms of a servicing agreement. All properties that constitute security for the mortgage loans in the Danske Mortgage Bank Plc cover pool will be located primarily in Finland.

The beginning of 2016 was marked by considerable volatility and spread widening. An EBA report from December 2015 along with uncertainty about the Supervisory Review and Evaluation Process ("SREP") for European banks raised concerns about the ability of certain banks to honor coupon payments on outstanding additional tier 1 capital, with Deutsche Bank at the center of the turmoil. The concerns lessened after the ECB clarified its interpretation of the SREP, and markets improved from late February. Since then, the general theme has been tighter spreads, interrupted briefly by heightened volatility surrounding the major political events of the year: the Brexit vote, the U.S. presidential election and the Italian referendum on constitutional reform. A similar sequence was evident in each instance: spreads widened prior to the results, followed by a tightening, even though the outcomes on each occasion were the opposite of what had been expected or considered positive by the markets prior to the results. The ECB's purchase programs for both covered bonds and corporate bonds as well as the targeted longer-term refinancing operations continued to support low yields and tight spreads. Nonetheless, rates in the United States and the EU increased in the fourth quarter of 2016 after the Trump presidential victory and signals of higher rates from the U.S. Federal Reserve. The Group opted to frontload its funding by issuing the

bulk in the first half of 2016, before the main political risks. Senior funding played an increasingly large role in the overall funding plan, with a stronger focus on funding directly in local currencies. In 2016, the Group issued senior debt for DKK 62.6 billion and covered bonds for DKK 19.2 billion. In November 2016, the Group issued additional tier 1 capital for DKK 3 billion, which brought the total issuance in 2016 to DKK 84.8 billion. In addition, the Group redeemed long-term debt of DKK 62.9 billion in 2016.

During 2017, the Group issued senior debt of DKK 30 billion, covered bonds of DKK 32 billion and additional tier 1 capital of DKK 5 billion, bringing total new long-term wholesale funding in 2017 to DKK 67 billion.

On the back of strong economic growth, monetary policy was tightened in the United States in 2018 with interest rate increases and a reversal of quantitative easing. In Europe, many eurozone economies remain weak and rate increases are not expected in the near future. At the end of 2018, quantitative easing from the ECB came to an end, and other central banks have made similar moves. Liquidity is, therefore, becoming less abundant, and the supply of wholesale deposits is weakening.

In addition, the investigation of the non-resident portfolio at the Bank's Estonian branch and the subsequent downgrade of some of the Bank's ratings has resulted in higher credit risk premiums and, therefore, narrowed funding opportunities somewhat for unsecured instruments. For secured instruments, the effect is insignificant. However, the Bank expects to have access to the funding sources that it needs, and the Group's stable funding profile is aimed at allowing it to cope with the current challenging environment.

At the end of 2017, the Group's LCR stood at 171 percent. This was much higher than the target, reflecting the abundance of liquidity. During 2018, the LCR was gradually reduced as both short-term funding and the corresponding liquidity reserves were reduced. Towards the end of 2018, the LCR stabilized, and was 121 percent as at December 31, 2018. This LCR level is based primarily on core stable funding elements such as retail and corporate deposits supplemented by long-term funding. During 2018, the Group issued preferred senior bonds of DKK 3.5 billion, non-preferred senior bonds of DKK 26.1 billion, covered bonds of DKK 34.9 billion, and additional tier 1 bonds of DKK 4.8 billion, bringing total new long-term wholesale funding to DKK 69.3 billion.

The Danish Mortgage Finance System

All loans provided by Realkredit Danmark are match-funded. As at December 31, 2018, Realkredit Danmark had outstanding mortgage bonds with a total nominal value of DKK 849 billion, as compared to DKK 855 billion as at December 31, 2017, and a total market value of DKK 872 billion, as compared to DKK 880 billion as at December 31, 2017. After elimination of mortgage bonds held for its own account, the total market value of the mortgage bonds in the Group's account was DKK 741 billion as at December 31, 2018, as compared to DKK 758 billion as at December 31, 2017.

Realkredit Danmark's operations are primarily governed by the Danish Act on Mortgage-Credit Loans and Mortgage-Credit Bonds etc. (Consolidated Act No. 1261 of November 15, 2010, as amended, the "**Danish Mortgage Credit Act**"). The Danish Mortgage Credit Act sets forth, among other things, requirements as to the way in which issuers (mortgage banks) may fund mortgage lending, defines limits for the size of a loan, repayment profiles, currency, interest-rate and liquidity risks and sets forth issuer capital adequacy requirements.

In accordance with the Danish Mortgage Credit Act, mortgage loans are match-funded through the issuance of mortgage bonds according to the so-called balance principle that is designed to mitigate market risk on the balance sheet of mortgage banks. The Danish Mortgage Credit Act allows mortgage banks to apply either the specific balance principle or the general balance principle that provides additional flexibility regarding the tests that the mortgage bank must pass with respect to its mortgage bonds.

Realkredit Danmark applies the specific balance principle that requires a mortgage bank to balance payments on its loan portfolio and funds related to its lending activities against payments on its funding portfolio within narrow limits. Compliance with the specific balance principle is embedded in all of Realkredit Danmark's lending and funding products. Differences in the number of payments per annum may lead to imbalances in payments on lending and funding. However, Realkredit Danmark's lending and funding products are designed so that payments from the borrowers always fall due prior to payments to the bondholders. Consequently, the imbalances result in a liquidity surplus and are, thus, in compliance with the specific balance principle. The refinancing risk of Realkredit Danmark is generally limited, however, the refinancing risk for failed auctions related to adjustable rate mortgages / floating rate bonds lies with Realkredit Danmark pursuant to the Danish Mortgage Credit Act.

Realkredit Danmark employs a pure pass-through principle when funding callable and index-linked loans. The pure pass-through principle means that, for example, 30-year annuity loans are funded by the issue of bonds in a 30-year annuity bond series. By employing the pass-through principle, all prepayment risk is passed onto investors. Payments on bonds in specific identity codes are directly and unambiguously linked to payments on specific pools of loans. Each issue, however, is secured by the whole collateral pool.

Realkredit Danmark's product FlexLån® employs more flexible funding principles while still complying with the specific balance principle. FlexLån® products may have a bullet maturity or be repaid according to the serial or annuity principle. The interest rate of FlexLån® may be fixed for a period of one to ten years and the term to maturity may vary from one to 30 years. However, all FlexLån® products are funded in a single portfolio of bullet bonds with terms to maturity from one to ten years. The portfolio of bullet bonds is designed to automatically comply with the specific balance principle.

Liquidity Requirements

The CRR and the CRD IV Directive establish a consistent and integrated regulatory framework for many aspects of bank management, including liquidity, and will provide a homogeneous standard under a unified set of prudential rules. Since October 1, 2015, the Group has been required to comply with a liquidity coverage ratio ("LCR") requirement as defined by the new EU standards under the CRR and the CRD IV Directive. The LCR stipulates that financial institutions must have a liquidity reserve in excess of projected net outflows during a severe stress scenario lasting 30 calendar days.

By executive order, Danish SIFIs are subject to currency-specific liquidity requirements. The requirements apply individually and only for currencies that are significant to the individual bank. For the Bank, these currencies are U.S. dollars and euro. Although also significant, Norwegian Kroner and Swedish Kronor are not subject to such requirements due to a high degree of interchangeability for Danish Krone, Norwegian Krone and Swedish Krona assets.

In addition to the LCR, the Basel Committee has issued new liquidity standards in the form of the NSFR. They are not directly binding on financial institutions until implemented in the relevant jurisdictions. For the Group, the relevant jurisdiction is the EU, in which the relevant legislative acts have not yet been passed. In December 2018, a political agreement was reached on a package of proposals, the EU Banking Reform Package, from the European Commission, including the NSFR. On April 16, 2019, the European Parliament approved the EU Banking Reform package, including all risk reduction measures such as the NSFR. Formal adoption of the legislation is expected in June 2019, in which case the NSFR will become a regulatory requirement in mid-2021. Preliminary calculations indicate that the Group and the Issuer are already in compliance. The NSFR is a balance sheet based funding and liquidity measure with a time horizon of one year. It seeks to ensure a balance between a bank's asset side commitments and the stability of its funding. It uses a scoring mechanism for assets and liabilities and calculates an aggregate "stability score" for liabilities (maturities over one year and equity are preferred) and a "liquidity score" for assets. The less liquid the assets are, the more stable the funding must be. The Group has monitored the components of the NSFR since 2013.

The following table sets forth certain information with respect to the Group's and the Bank's LCR as at the dates indicated:

	As at December 31,			
	2018		2017	
	Group ⁽¹⁾	Bank	Group ⁽¹⁾	Bank
(DKK in billions, unless otherwise indicated)				
HQLA level 1	429	364	554	494
HQLA level 2	17	17	11	9
Limits due to cap	—	—	—	—
A – liquid assets total	<u>446</u>	<u>381</u>	<u>565</u>	<u>503</u>
Customer deposits ⁽²⁾	120	120	123	124
Market funding ⁽³⁾	143	144	132	140
Other cash outflows ⁽⁴⁾	<u>132</u>	<u>130</u>	<u>129</u>	<u>132</u>
B – cash outflows total	<u>395</u>	<u>394</u>	<u>384</u>	<u>396</u>
Lending to non-financial customers	3	3	6	4
Other cash inflows	<u>21</u>	<u>44</u>	<u>48</u>	<u>66</u>
C – cash inflows total	<u>24</u>	<u>47</u>	<u>54</u>	<u>70</u>
Liquidity coverage ratio (A / (B - C)), percent	121	110	171	154

(1) Includes Realkredit Danmark.

(2) Includes retail deposits, operational deposits, correspondent banking/prime brokerage accounts and non-operational deposits covered by deposit guarantee.

(3) Includes non-operational deposits, unsecured debt issuances and secured funding.

(4) Includes Realkredit Danmark's additional outflow requirement, equal to 2.5 percent of lending.

The so-called "Supervisory Diamond" provides guidelines to financial institutions on what the authorities consider prudent policy. In practice, these guidelines are binding. The "Supervisory Diamond" contains five requirements. The requirement for liquidity resembles the LCR requirement; however, it covers 90 days and there are certain criteria that are different from those for the LCR.

For additional information on the Group's liquidity, see "Selected Statistical Data and Other Information," "Risk Management—Liquidity Risk" and "The Danish Banking System and Regulation."

Liquidity Risk Management

At the Group level, internal liquidity management is based on the monitoring and management of short- and long-term liquidity risks. Liquidity triggers make up an important part of daily liquidity management since they are used as early warnings of potential liquidity challenges. The triggers are monitored by various functions across the Group, depending on the type of trigger. Realkredit Danmark and the Danica Group each manage their liquidity separately and are, therefore, not included in the Group's general liquidity reporting. Accordingly, references to the Group's general liquidity reporting do not include Realkredit Danmark and the Danica Group. At Realkredit Danmark, the financing of mortgage loans through the issuance of listed mortgage bonds with matching conditions has minimized Realkredit Danmark's liquidity risk in all material respects (see "*The Danish Mortgage Finance System*" above). The Danica Group's balance sheet contains long-term life insurance liabilities and assets, most of which are invested in easily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to the Bank. The Group's LCR reserve was DKK 458 billion as at March 31, 2019. For additional information on the Group's liquidity risk management, see "*Risk Management—Liquidity Risk*."

Derivative Instruments

The Group's activities in the financial markets include trading in derivatives. Derivatives are financial instruments whose value depends on the value of an underlying instrument or index, for example. Derivatives can be used to manage market risk exposure, for example. The Group trades a considerable volume of the most commonly used interest rate, currency and equity derivatives, including:

- swaps;
- forwards and futures; and
- options.

The Group trades a limited number of swaps whose value depends on developments in specific credit or commodity risks, or inflation indices.

The Group trades derivatives as part of servicing customers' needs as individual transactions or as integral parts of other services, such as the issuance of bonds with yields that depend on developments in equity or currency indices. The Group also uses derivatives to manage the Group's own exposure to foreign exchange, interest rate, equity market and credit risks. For additional information on the Group's risk management, see "*Risk Management*."

Derivatives are recognized and measured at fair value. Some of the Group's loans, deposits, issued bonds and certain other instruments carry fixed rates. Generally, such fixed-rate items are recognized at amortized cost. Further, the Group classifies certain bonds as 'hold to collect and sell' (2017: 'available-for-sale') financial assets. Unrealized value adjustments of such bonds are recognized in other comprehensive income. The Group uses fair value hedge accounting if the interest rate risk on fixed-rate financial assets and liabilities or bonds measured at fair value through other comprehensive income is hedged by derivatives.

The Group manages the fixed interest rate risk on financial assets and liabilities measured at amortized cost as a combination of economic hedges (matching of interest rate risk from assets and liabilities at amortized cost across the Group's banking units) and hedges using interest rate swaps. The interest rate is considered fixed if the interest rate resets to a reference rate with a term longer than three months. Group Treasury is responsible for the risk management of the interest rate risk (the so-called interest rate risk in the banking book). In the risk management process, economic hedges are established and/or identified. This includes the acquisition of 'hold to collect' fixed interest rate bonds in Group Treasury and the identification of fixed-rate loans extended by the Group's banking units to hedge the fixed interest rate risk on liabilities (including core demand deposits). Interest rate risk on fixed-rate liabilities (such as long dated funding via bond issuance) is generally hedged by interest rate swaps and the interest rate risk on certain fixed-rate assets can be hedged using derivatives as well. The interest rate risk and the credit risk reflects the majority of the changes in the fair value of fixed interest rate financial assets and liabilities.

For hedged assets and liabilities to which a fixed rate of interest applies for a specified period of time starting at the commencement date of the agreement, future interest payments are split into basis interest and a customer margin and into periods of time. By entering into swaps or forwards with matching payment profiles in the same currencies and for the same periods, the Group hedges the risk at portfolio level from the commencement date of the hedged items. The fair values of the hedged interest rate risk and the hedging derivatives are measured at frequent intervals to ensure that changes in the fair value of the hedged interest rate risk lie within a band of 80–125 percent of the changes in the fair value of the hedging derivatives. Portfolios of hedging derivatives are adjusted if necessary.

Hedge ineffectiveness relates to the fact that fair value changes to hedged items are measured based on the interest rate curve relevant for each hedged item while the fair value of the fixed legs of the hedging derivatives are measured based on

a swap curve. Further, the adjustment of the portfolios of hedging derivatives to changes in hedged positions is not done instantly, and, therefore, some hedge ineffectiveness can exist.

The Group uses the option in IFRS 9 to continue to use the fair value hedge accounting provisions in IAS 39. With effective hedging, the hedged interest rate risk on hedged assets and liabilities is measured at fair value and recognized as a value adjustment of the hedged items. Value adjustments are presented in the income statement under net trading income. Any ineffective portion of a hedge that lies within the range for effective hedging is, therefore, also included under net trading income.

The following table sets forth the Group's hedging derivatives as at the dates and for the years indicated:

	Nominal amount	Carrying amount		Changes in fair value used for calculating hedge in- effectiveness
		Assets	Liabilities	
		(DKK in millions)		
Interest rate swaps as at and for the year ended December 31, 2018	454,735	7,958	1,672	(264)
Interest rate swaps as at and for the year ended December 31, 2017	467,621	8,450	909	(3,607)

The following table sets forth the Group's hedged fixed interest rate financial instruments as at the dates and for the years indicated:

	Carrying amount of hedged items		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Changes in fair value used for calculating hedge in- effectiveness
	Assets	Liabilities	Assets	Liabilities	
	(DKK in millions)				
As at and for the year ended December 31, 2018					
Amounts due from credit institutions.....	1,010		2		—
Loans	46,623		1,366		(349)
Bonds ‘held to collect and sell’	<u>2,210</u>		<u>140</u>		(17)
Amounts due to credit institutions		15,111		23	(60)
Deposits		224		—	7
Issued bonds.....		270,223		4,615	767
Non-preferred senior debt.....		26,477		286	(286)
Subordinated debt		<u>13,441</u>		<u>333</u>	<u>203</u>
Total.....	<u>49,844</u>	<u>325,475</u>	<u>1,508</u>	<u>5,258</u>	<u>263</u>
As at and for the year ended December 31, 2017					
Amounts due from credit institutions.....	765		2		(2)
Loans	56,523		1,802		(360)
Bonds available for sale	<u>1,777</u>		<u>157</u>		(43)
Amounts due to credit institutions		15,026		(37)	32
Deposits		2,094		7	38
Issued bonds.....		342,336		5,369	3,380
Subordinated debt		<u>24,588</u>		<u>536</u>	<u>571</u>
Total.....	<u>59,065</u>	<u>384,044</u>	<u>1,961</u>	<u>5,875</u>	<u>3,616</u>
Hedge ineffectiveness recognized in the income statement for the year ended December 31, 2018.....					(1)
Hedge ineffectiveness recognized in the income statement for the year ended December 31, 2017.....					7

The following tables set forth certain information regarding currency contracts, interest rate contracts, equity contracts and credit derivatives of the Group as at the dates indicated:

	As at December 31, 2018		
	Notional amount	Positive fair value	Negative fair value
	(DKK in millions)		
Currency contracts			
Forwards and swaps	8,052,099	77,091	95,426
Options	134,716	868	875
Interest rate contracts			
Forwards/swaps/forward rate agreements ("FRAs")	23,760,853	123,338	109,505
Options	3,267,783	28,267	26,716
Equity contracts			
Forwards	162,809	2,225	2,443
Options	135,822	3,825	3,650
Other contracts			
Commodity contracts	3,963	312	318
Credit derivatives bought	2,108	374	20
Credit derivatives sold	1,992	13	367
Total derivatives held for trading purposes		<u>236,315</u>	<u>239,319</u>
Hedging derivatives			
Currency contracts	55,827	123	90
Interest rate contracts	398,908	<u>7,835</u>	<u>1,582</u>
Total derivatives		<u>244,274</u>	<u>240,992</u>

Note: Notional amounts and positive and negative fair values of derivatives are offset if certain criteria are fulfilled. For more information, see note 29 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

	As at December 31, 2017		
	Notional amount	Positive fair value	Negative fair value
	(DKK in millions)		
Currency contracts			
Forwards and swaps	9,675,821	85,366	87,229
Options	147,021	719	863
Interest rate contracts			
Forwards/swaps/FRAs	19,275,318	123,957	117,609
Options	2,336,200	28,099	26,841
Equity contracts			
Forwards	161,671	2,872	2,938
Options	205,845	4,830	5,335
Other contracts			
Commodity contracts	32,225	1,728	1,683
Credit derivatives bought	23,990	201	1,126
Credit derivatives sold	10,825	669	156
Total derivatives held for trading purposes		<u>248,441</u>	<u>243,779</u>
Hedging derivatives			
Currency contracts	59,851	16	38
Interest rate contracts	407,770	<u>8,434</u>	<u>871</u>
Total derivatives		<u>256,891</u>	<u>244,688</u>

Note: Notional amounts and positive and negative fair values of derivatives are offset if certain criteria are fulfilled. For more information, see note 29 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

	As at December 31, 2016		
	Notional amount	Positive fair value	Negative fair value
	(DKK in millions)		
Currency contracts			
Forwards and swaps	6,565,673	105,878	124,587
Options	192,096	1,132	1,083
Interest rate contracts			
Forwards/swaps/FRAs.....	10,585,473	164,474	159,944
Options	2,121,485	35,164	32,344
Equity contracts			
Forwards.....	131,551	864	798
Options	171,465	4,390	4,752
Other contracts			
Commodity contracts	41,075	2,106	2,057
Credit derivatives bought	20,832	133	752
Credit derivatives sold.....	10,605	518	117
Total derivatives held for trading purposes.....		<u>314,659</u>	<u>326,433</u>
Hedging derivatives			
Currency contracts.....	98,460	453	56
Interest rate contracts.....	494,432	<u>11,320</u>	<u>1,590</u>
Total derivatives		<u>326,433</u>	<u>328,080</u>

Note: Notional amounts and positive and negative fair values of derivatives are offset if certain criteria are fulfilled. For more information, see note 29 to the 2017 Financial Statements incorporated by reference into this Base Prospectus.

Credit Exposure

As at December 31, 2018, the Group's net credit exposure totaled DKK 3,894 billion, as compared to DKK 3,879 billion as at December 31, 2017 and DKK 3,796 billion as at December 31, 2016. Exposure from trading and investment activities amounted to DKK 1,013 billion as at December 31, 2018, as compared to DKK 774 billion as at December 31, 2017 and DKK 854 billion as at December 31, 2016. Exposure from lending activities in core activities amounted to DKK 2,392 billion as at December 31, 2018, as compared to DKK 2,688 billion as at December 31, 2017 and DKK 2,534 billion as at December 31, 2016. As at December 31, 2018, home loans to personal customers in core activities accounted for 33 percent of the exposure from lending activities, as compared to 29 percent as at December 31, 2017 and 30 percent as at December 31, 2016.

For additional information on the Group's credit exposure, see "*Risk Management*."

Capital and Solvency

General

The Bank is a licensed financial services provider and must therefore comply with the capital requirements of the CRR and the Danish Financial Business Act. The Danish rules are based on the CRD IV Directive and apply to both the Bank and the Group. Similarly, the Bank's financial subsidiaries in and outside Denmark must comply with local capital requirements. The Group's capital management policies and practices are based on the Internal Capital Adequacy Assessment Process (the "ICAAP").

Total Capital

The Group's total capital consists of tier 1 capital (share capital and additional tier 1 capital after deductions) and tier 2 capital (subordinated loan capital after deductions). Starting with total equity under IFRS, the Group makes a number of adjustments in order to determine its common equity tier 1 ("CET1") capital. The Group's CET1 capital is based on the carrying amount of shareholders' equity with the following main adjustments: adjustments to eligible capital instruments (such as deductions for equity-accounted additional tier 1 capital and the remaining share buy-back program); prudential filters; proposed dividends; intangible assets of banking operations, including goodwill; deferred tax assets that rely on future profitability; defined benefit pension fund assets; statutory deductions for insurance subsidiaries, etc.; and reversal of the effect of IFRS 9 (expected credit losses) implementation due to transitional rules.

The Group's additional tier 1 capital and tier 2 capital may, subject to certain conditions, be included in total capital. The conditions are described in the CRR. Until the CRR is fully phased in, transitional rules apply to instruments that do not qualify for inclusion according to the CRR.

The following table sets forth certain information on the Group's total capital and capital ratios as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in millions, unless otherwise indicated)		
Total equity	163,276	168,256	166,615
Adjustment to total equity	237	236	270
Total equity calculated according to the rules of the DFSA	163,513	168,492	166,886
Additional tier 1 instruments included in total equity	(14,133)	(14,158)	(14,133)
Adjustments for accrued interest and tax effect on additional tier 1 capital	(130)	(132)	(132)
CET1 instruments	149,250	154,202	152,621
Deductions from CET1 capital	(22,423)	(21,457)	(19,927)
Portion from intangible assets	(7,466)	(7,100)	(6,707)
Portion from statutory deductions for insurance subsidiaries	(5,987)	(1,349)	(626)
CET1 capital	126,827	132,744	132,694
Additional tier 1 capital	23,677	18,574	23,623
Deductions from additional tier 1 capital	–	(169)	(209)
Portion from statutory deductions for insurance subsidiaries	–	(169)	(209)
Tier 1 capital	150,505	151,150	156,108
Tier 2 instruments	9,161	19,343	22,141
Deductions from tier 2	–	(169)	(209)
Portion from statutory deductions for insurance subsidiaries	–	(169)	(209)
Total capital	159,666	170,324	178,041
Total REA	748,104	753,409	815,249
Common equity tier 1 capital ratio, percent	17.0	17.6	16.3
Tier 1 capital ratio, percent	20.1	20.1	19.1
Total capital ratio, percent	21.3	22.6	21.8

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under CRR, taking transitional rules into account as stipulated by the DFSA.

The impact of IFRS 9 on regulatory capital is subject to a five-year phase-in period, whereby an institution is allowed to include in its CET1 capital a portion of the increased expected credit loss provisions for a transition period. The transition method applied for the Group is based on a so-called dynamic approach taking into account both the initial impact and the evolution of the new expected credit loss provisions during the transition period.

During 2019, the Group issued one tier 2 capital instrument during the first quarter, and redeemed three tier 2 capital instruments during the second quarter (on June 5, 2019 and June 6, 2019). The instrument issued in the first quarter of 2019 has a nominal value of EUR 750 million (DKK 5,599 million), while the three instruments redeemed in the second quarter of 2019 have nominal values of SEK 900 million (DKK 646 million⁽¹⁾), SEK 1,600 million (DKK 1,149 million⁽¹⁾), and DKK 1,700 million (in total, DKK 3,496 million).

Total Capital Requirements

General

The regulatory minimum capital requirement under Pillar I of the CRR is defined as 8 percent of the REAs for credit risk, counterparty credit risk, market risk and operational risk. In addition, there is a combined buffer requirement.

(1) Swedish Krona amounts are converted into Danish Kroner at foreign exchange rate as at March 31, 2019 of 0.7182 DKK per SEK.

The following table sets forth the Group's capital ratios and requirements as at the dates indicated and fully phased in:

	As at December 31, 2018	Fully phased in ⁽¹⁾
	(percentage of total REA)	
Capital ratios		
CET1 capital ratio	17.0	16.8
Total capital ratio	21.3	21.2
Capital requirements (including buffers)⁽²⁾		
Minimum CET1 capital requirement (Pillar I)	4.5	4.5
Capital add-on to be met with CET1 capital (Pillar II)	2.7	2.7
Combined buffer requirement	4.9	6.7
Portion from countercyclical capital buffer	0.6	1.2
Portion from capital conservation buffer	1.9	2.5
Portion from SIFI buffer	2.4	3.0
CET1 capital requirement	<u>12.1</u>	<u>14.0</u>
Minimum capital requirement (Pillar I)	8.0	8.0
Capital add-on (Pillar II)	3.8	3.8
Combined buffer requirement	<u>4.9</u>	<u>6.7</u>
Total capital requirement	<u>16.7</u>	<u>18.6</u>
Excess capital		
CET1 capital	4.8	2.8
Total capital	4.6	2.6

(1) Based on fully phased-in CRR and CRD IV Directive rules and requirements.

(2) The total capital requirement consists of the solvency need and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of 2018.

In collaboration with other national financial supervisory authorities, the DFSA has approved Danske Bank's use of the advanced internal ratings-based ("A-IRB") approach for the calculation of credit risk. The Group uses an internal VaR model for both market risk on items in the trading book and for foreign exchange risk on items outside the trading book. For the calculation of operational risk, the Group uses the standardized approach.

The DFSA has granted the Group an exemption from the A-IRB approach for exposures to government bonds and equities, among other things. The exemption also applies to exposures at the legal entities of Danske Bank Limited (Northern Ireland) and Danske Bank International (Luxembourg) and to retail exposures at Danske Bank Ireland. For these exposures, the Group currently uses the standardized approach.

In December 2016, the Group received approval to calculate the REA for exposures registered in Danske Bank Plc (Finland) according to the internal ratings-based ("IRB") approach for the retail asset class and according to the foundation internal ratings-based ("F-IRB") approach for the institution asset class. Implementation took place in the first quarter of 2017.

Solvency Need

The solvency need is the amount of capital that is adequate in terms of size and composition to cover the risks to which a financial institution is exposed. The solvency need consists of the regulatory minimum capital level of 8 percent of the total REA for risks covered under Pillar I (REAs for credit risk, counterparty credit risk, market risk and operational risk) and an individual capital add-on under Pillar II for risks not covered under Pillar I.

As part of the ICAAP under Pillar II, the solvency need is determined on the basis of an internal assessment of the Group's risk profile in relation to the minimum capital requirement. An important part of the process of determining the solvency need is evaluating whether the calculation takes into account all material risks to which the Group is exposed. The Group uses its internal models as well as expert judgment and DFSA benchmark models to quantify whether the regulatory framework indicates that additional capital is needed.

The following table sets forth the Group's and the Bank's internal measure of its respective solvency need for the most important risk types as at December 31, 2018:

	As at December 31, 2018			
	Group		Bank	
	(DKK in billions)	(percent of total REA)	(DKK in billions)	(percent of total REA)
Credit risk	60.3	8.1	53.3	8.2
Market risk	9.1	1.2	9.1	1.4
Operational risk	18.0	2.4	17.2	2.6
Other risks	<u>1.2</u>	<u>0.2</u>	<u>1.2</u>	<u>0.2</u>
Solvency need and solvency need ratio	88.5	11.8	80.7	12.4
Combined buffer requirement	<u>36.6</u>	<u>4.9</u>	<u>32.2</u>	<u>4.9</u>
Solvency need and solvency need ratio (including combined buffer requirement)	<u>125.1</u>	<u>16.7</u>	<u>112.9</u>	<u>17.3</u>
Portion from CET1 capital	90.7	12.1	81.9	12.6
Total capital and total capital ratio	159.7	21.3	160.9	24.7
Portion from CET1 capital	126.8	17.0	128.0	19.7
Excess capital	34.6	4.6	47.9	7.4
Excess CET1 capital	36.1	4.8	46.1	7.1

On October 4, 2018, the DFSA ordered the Board of Directors and the Executive Board to reassess the Bank's and the Group's solvency need with a view to adding an absolute minimum of DKK 10 billion to the Group's Pillar II requirement. In addition to increasing the Group's Pillar II requirement, the Group revised its CET1 capital ratio target from 14–15 percent to around 16 percent and the Group's total capital ratio target from above 19 percent to above 20 percent. As at March 31, 2019, the Group's total capital ratio was 21.8 percent.

Combined Buffer Requirement

The CRD IV Directive introduced a combined buffer that applies in addition to the solvency need and is being phased in from 2015 to 2019. The combined buffer consists of a countercyclical buffer, a capital conservation buffer and a SIFI buffer.

The capital conservation buffer and the countercyclical capital buffer are designed to ensure that credit institutions accumulate a sufficient capital base during periods of economic growth to absorb losses during periods of stress. The capital conservation buffer has been phased in to reach a final level of 2.5 percent in 2019. As at December 31, 2018, the level was 1.9 percent.

The countercyclical buffer requirement is calculated as a weighted average of the national buffers in effect in the jurisdictions in which an institution has credit exposures. The Group's countercyclical buffer rate of 0.6 percent as at December 31, 2018 was based primarily on the countercyclical buffer rates in Norway and Sweden (both set at 2.0 percent). As at March 31, 2019, the countercyclical buffer increased to 0.9 percent, due to the activation of a countercyclical buffer rate of 0.5 percent in Denmark. When taking into account the known increases in national countercyclical buffer rates as at March 31, 2019, the fully phased-in countercyclical buffer rate requirement applicable to the Group was 1.3 percent.

The Group was designated as a SIFI in Denmark in 2014. Consequently, the Group is subject to stricter capital requirements than non-SIFIs. The phase-in of the Group's SIFI buffer requirement began in 2015, and was 2.4 percent as at December 31, 2018. The fully phased-in SIFI buffer requirement effective from January 1, 2019 is 3 percent.

In total, the combined buffer requirement as at December 31, 2018 was 4.9 percent and 6.4 percent as at March 31, 2019.

Breaching the combined buffer requirement would restrict the Group's capital distributions, including the payment of dividends, payments on additional tier 1 capital instruments, and variable remuneration.

Capital Planning

General

The Group's capital planning takes into account both short- and long-term horizons in order to give the Board of Directors a comprehensive view of current and future capital levels. The capital plan includes a forecast of the Group's expected capital performance based on budgets and takes pending regulation into account when future capital requirements are assessed. The Group's capital planning is also based on stress tests and takes rating ambitions into consideration.

Stress Tests

The Group uses macroeconomic stress tests in the ICAAP for the purpose of projecting its capital requirements and actual capital level in various unfavorable scenarios. Stress tests are an important means of analyzing the risk profile since they give management a better understanding of how the Group's portfolios are affected by macroeconomic changes, including the effects of undesirable events on the Group's capital.

When the Group uses stress tests in its capital planning, it applies stress to risks, income and the cost structure. Stressing income and costs affects the Group's capital, while stressing risk exposures affects its capital requirement. Results from stress testing are used as input for setting capital targets, and they ultimately feed into the Group's capital planning.

Internal Stress Tests

The Group's internal stress tests are based on various scenarios, each consisting of a set of macroeconomic variables. The scenarios are generally used both at the Group level and for subsidiaries. Specific scenarios are also developed for subsidiaries if deemed necessary. The Group evaluates the main scenarios and their relevance on an ongoing basis and at least once a year. New scenarios are added when necessary. The scenarios are submitted to the Board of Directors for approval.

The following table sets forth the Group's most important internal stress tests scenarios and their uses:

	Description and use
Scenario	
Severe recession.....	<p>A sharp slowdown in the global economy reduces exports, private consumption and GDP, while increasing unemployment. This scenario assumes a significant setback in property prices because of weak consumer confidence, high unemployment and tight credit policies.</p> <p>The Group uses the severe recession scenario in its capital planning to determine whether the capital level is satisfactory. If management concludes that the level of excess capital is too low in the scenario's worst year, it will consider changing the risk profile or raising capital.</p>
Extreme recession	<p>A very sharp slowdown in the global economy reduces exports, private consumption and GDP, while increasing unemployment. This scenario assumes deflation in most economies and a very sharp drop in property prices.</p> <p>The Group uses the extreme recession scenario for recovery plan purposes to test the credibility and effectiveness of its actions to restore its capital and liquidity positions.</p>
Regulatory scenarios.....	<p>Base cases and adverse scenarios of the DFSA and the EBA.</p> <p>The DFSA uses the regulatory scenarios for the SREP.</p>
Other scenarios	<p>Besides the main scenarios listed above, the Group also uses various specialized or portfolio-specific scenarios that provide management an understanding of how specific events will affect the Group.</p>

Regulatory Stress Tests

Because the Group has been approved to use IRB models, it participates in the annual macroeconomic stress test conducted by the DFSA. According to the latest stress test performed in the spring of 2018, the Group did not breach its capital requirements during the projected period.

The Group also participates in the EU-wide stress test conducted by the EBA every second year. The purpose of the EBA stress test is to assess the health of the European banking sector and the ability of the individual institutions to absorb losses. The latest stress test was conducted during 2018 and included a highly adverse macroeconomic scenario in the Group's core markets. Even under such severe conditions, the Group met its projected capital requirements with a satisfactory margin.

The results of both internal and regulatory stress tests show that the Group is robust in the event of unfavorable economic developments in the selected stress test scenarios.

Capital Allocation

The Group makes a full internal allocation of its total equity across business units on the basis of each unit's contribution to the Group's total risk as estimated by means of regulatory models. The Group is constantly improving its capital allocation framework to ensure that it reflects as closely as possible the effects of new regulation and the risk entailed in its business activities. The principles for allocating capital across the business units are fully aligned with the regulatory requirements. As a result, the capital consumption of the Group's individual business units is closely aligned with the Group's total capital consumption.

Leverage Ratio

The leverage ratio represents a non-risk-adjusted capital requirement implemented to serve as a further backstop measure for risk-based capital. Since January 2014, the CRR and the CRD IV Directive rules have required that a credit institution calculate, monitor and report on its leverage ratio (defined as tier 1 capital as a percentage of total exposure). On the basis of the soon to be adopted revision to the CRR, a leverage ratio of 3 percent will become a minimum requirement with the implementation of the revised CRR in mid-2021. As the Group is not a global SIFI, it will not be subject to a leverage ratio buffer requirement. However, the European Commission is mandated to conduct further analysis to determine whether it would be appropriate to apply a leverage ratio buffer requirement to O-SIIs, which would include the Group.

The following table sets forth certain information with respect to the Group's leverage ratio as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in billions, unless otherwise indicated)		
Total exposure for leverage ratio calculation	3,278.7	3,425.5	3,380.7
Portion from derivatives	145.1	150.9	114.2
Portion from securities-financing transactions	335.5	246.0	255.6
Portion from off-balance-sheet items		338.7	439.7
Portion from exposure to central banks, institutions and cash in hand	209.3	358.4	252.0
Reported tier 1 capital (transitional rules)	150.5	151.1	156.1
Tier 1 capital (fully phased-in rules)	149.0	150.6	145.7
Leverage ratio (transitional rules), percent	4.6	4.4	4.6
Leverage ratio (fully phased-in rules), percent	4.5	4.4	4.3

The Group's overall monitoring of leverage risk is performed in the ICAAP. The ICAAP also includes an assessment of changes in the leverage ratio under stressed scenarios. The leverage ratio is determined and monitored monthly. To ensure sound monitoring, the Group has set forth policies for the management and control of each component that contributes to leverage risk.

SELECTED STATISTICAL DATA AND OTHER INFORMATION

The following information is included for analytical purposes and should be read in connection with, and is qualified in its entirety by, the Consolidated Financial Statements incorporated by reference into this Base Prospectus, as well as “Operating and Financial Review and Prospects.” In particular, the discussion below covers the financial periods ended December 31, 2016, 2017 and 2018, and readers should refer to the Interim Report – First Quarter 2019 as incorporated by reference into this Base Prospectus for information relating to the three months ended and as at March 31, 2019 and 2018. The information included in this section has not been derived from the Consolidated Financial Statements. This information has been derived from the Bank’s accounting records and has not been audited.

Average Balance Sheet Information and Information on Interest Rates

The following table sets forth average balances of the Group’s assets and liabilities, the interest generated from such assets and liabilities and average interest rates paid for the years indicated. In the following table and elsewhere in this Base Prospectus, the average balances have been calculated from quarterly balances, except where otherwise noted. All balances are considered by the Group’s management to represent the operations of the Group fairly. Non-accrual loans are included under the category “Loans and advances.”

	For the year ended December 31,								
	2018			2017			2016		
	Average balance (DKK in millions)	Interest amount (DKK in millions)	Average interest rate (percent)	Average balance (DKK in millions)	Interest amount (DKK in millions)	Average interest rate (percent)	Average balance (DKK in millions)	Interest amount (DKK in millions)	Average interest rate (percent)
Assets									
Loans to credit institutions.....	288,416	(915)	(0.32)	321,967	(275)	(0.09)	203,194	399	0.20
Loans ⁽¹⁾	1,729,377	39,419	2.28	1,740,049	39,112	2.25	1,680,660	39,805	2.37
Reverse transactions	317,781	(1,393)	(0.44)	228,538	(1,269)	(0.56)	244,474	(971)	(0.40)
Trading and investment portfolio (interest-bearing), including derivatives.....	736,905	7,789	1.06	823,732	11,312	1.37	930,691	12,715	1.37
Other interest-bearing assets.....	346,012	8,931	2.58	292,024	4,004	1.37	284,673	4,172	1.47
Total interest-bearing assets	3,418,493	53,831	1.57	3,406,311	52,884	1.55	3,343,693	56,120	1.68
Non-interest-bearing assets.....	188,585	—	—	131,137	—	—	95,700	—	—
Total assets.....	<u>3,607,077</u>	<u>53,831</u>	<u>1.49</u>	<u>3,537,448</u>	<u>52,884</u>	<u>1.49</u>	<u>3,439,392</u>	<u>56,120</u>	<u>1.63</u>
Liabilities									
Deposits by credit institutions	154,439	1,827	1.18	168,084	1,705	1.01	177,035	797	0.45
Deposits	901,057	2,162	0.24	882,690	1,497	0.17	839,138	1,678	0.20
Repo transactions.....	262,181	(298)	(0.11)	220,371	(311)	(0.14)	199,724	(435)	(0.22)
Debt securities.....	1,120,943	14,275	1.27	1,157,188	14,781	1.28	1,087,560	16,915	1.56
Subordinated liabilities	29,756	1,671	5.62	32,475	1,129	3.48	38,832	1,505	3.88
Other interest-bearing liabilities	379,893	5,172	1.36	316,530	4,219	1.33	311,400	3,332	1.07
Total interest-bearing liabilities.....	2,848,269	24,809	0.87	2,777,336	23,021	0.83	2,653,688	23,791	0.90
Non-interest-bearing liabilities	569,586	—	—	595,374	—	—	625,323	—	—
Total liabilities	3,444,855	24,809	0.72	3,372,711	23,021	0.68	3,279,011	23,791	0.73
Equity	162,223	—	—	164,737	—	—	160,381	—	—
Total liabilities and equity	<u>3,607,077</u>	<u>24,809</u>	<u>0.72</u>	<u>3,537,448</u>	<u>23,021</u>	<u>0.56</u>	<u>3,439,392</u>	<u>23,791</u>	<u>0.69</u>

(1) Loans includes loans at amortized cost and loans at fair value, including loans granted by Realkredit Danmark. Loans includes non-accrual loans.

Foreign Currencies

The following table sets forth loans to credit institutions, total loans and advances, deposits by credit institutions and total deposits, each category presented separately for the Danish Kroner denominated loans, advances and deposits and for currencies other than the Danish Kroner, as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in millions)		
Loans and advances			
Loans to credit institutions in Danish Kroner	97,893	66,917	55,229
Loans to credit institutions in currencies other than the Danish Kroner.....	<u>127,708</u>	<u>267,058</u>	<u>190,250</u>
Total loans to credit institutions.....	<u>225,600</u>	<u>333,975</u>	<u>245,479</u>
Loans and advances in Danish Kroner.....	1,026,833	978,736	985,765
Loans and advances in currencies other than the Danish Kroner.....	<u>1,016,747</u>	<u>921,239</u>	<u>921,805</u>
Total loans and advances ⁽¹⁾	<u>2,043,580</u>	<u>1,899,975</u>	<u>1,907,570</u>
Deposits			
Deposits by credit institutions in Danish Kroner	37,049	24,413	26,584
Deposits by credit institutions in currencies other than the Danish Kroner	<u>211,552</u>	<u>218,474</u>	<u>246,299</u>
Total deposits by credit institutions	<u>248,601</u>	<u>242,887</u>	<u>272,883</u>
Deposits in Danish Kroner, excluding repurchase obligations.....	336,439	325,673	319,353
Deposits in currencies other than the Danish Kroner, excluding repurchase obligations	<u>560,456</u>	<u>588,104</u>	<u>542,448</u>
Total deposits, excluding repurchase obligations.....	<u>896,894</u>	<u>913,777</u>	<u>861,801</u>

(1) Including reverse transactions and loans at a fair value.

As at December 31, 2018, December 31, 2017 and December 31, 2016, 57 percent, 80 percent and 78 percent, respectively, of the Group's loans to credit institutions comprised loans denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

As at December 31, 2018, December 31, 2017 and December 31, 2016, 50 percent, 48 percent and 48 percent, respectively, of the Group's total loans and advances comprised loans denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

As at December 31, 2018, December 31, 2017 and December 31, 2016, 85 percent, 90 percent and 90 percent, respectively, of the Group's deposits by credit institutions comprised deposits denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

As at December 31, 2018, December 31, 2017 and December 31, 2016, 62 percent, 64 percent and 63 percent, respectively, of the Group's total deposits comprised deposits denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

Analysis of Changes in Net Interest Income

The following table sets forth an analysis of changes in the Group's net interest income attributable to changes in average balance, changes in interest and changes in the average rate of interest for the years indicated:

	For the year ended December 31, 2018/2017			For the year ended December 31, 2017/2016		
	Change due to			Change due to		
	increase (decrease) in			increase (decrease) in		
	Average balance ⁽¹⁾	Interest amount	Interest rate	Average balance ⁽¹⁾	Interest amount	Interest rate
	(DKK in millions)		(percent)	(DKK in millions)		(percent)
Interest-bearing assets						
Loans to credit institutions	(33,551)	(640)	(0.23)	118,773	(674)	(0.28)
Loans	(10,671)	307	0.03	59,389	(693)	(0.12)
Reverse transactions	89,243	(124)	0.12	(15,936)	(297)	(0.16)
Trading and investment portfolio (interest-bearing), including						
derivatives	(86,827)	(3,523)	(0.32)	(106,959)	(1,404)	0.01
Other interest-bearing assets	53,988	4,927	1.21	7,351	(168)	(0.09)
Total interest-bearing assets	<u>12,182</u>	<u>947</u>	<u>0.02</u>	<u>62,618</u>	<u>(3,236)</u>	<u>(0.13)</u>
Interest-bearing liabilities						
Deposits by credit institutions	(13,645)	122	0.17	(8,951)	908	0.56
Deposits	18,368	665	0.07	43,552	(180)	(0.03)
Repo transactions	41,810	13	0.03	20,647	124	0.08
Debt securities	(36,245)	(506)	—	69,628	(2,133)	(0.28)
Subordinated liabilities	(2,718)	542	2.14	(6,357)	(376)	(0.40)
Other interest-bearing liabilities	63,363	953	0.03	5,130	887	0.26
Total interest-bearing liabilities	<u>70,932</u>	<u>1,789</u>	<u>0.04</u>	<u>123,649</u>	<u>(770)</u>	<u>(0.07)</u>

(1) Average balance and average interest rate variances have been calculated based on net movements in the average balances and interest rates.

Trading Portfolio Assets and Liabilities

Trading portfolio assets comprises the equities and bonds held by the Group's trading units at C&I and all derivatives with positive fair value. Trading portfolio liabilities consists of derivatives with negative fair value and obligations to deliver securities (obligations to repurchase securities).

The following table sets forth the composition of the Group's trading portfolio assets and liabilities, divided by category of securities, as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in millions)		
Trading portfolio assets			
Derivatives with positive fair value	244,274	256,891	326,433
Listed bonds	166,331	173,580	161,698
Unlisted bonds	—	—	182
Listed shares	4,790	18,624	20,934
Unlisted shares	423	197	432
Total assets	<u>415,818</u>	<u>449,292</u>	<u>509,679</u>
Trading portfolio liabilities			
Derivatives with negative fair value	240,992	244,688	328,080
Obligations to repurchase securities	149,234	155,908	150,221
Total liabilities	<u>390,226</u>	<u>400,596</u>	<u>478,301</u>

Investment Securities

Investment securities consists of bonds and shares held by non-trading units in the Group. It consists primarily of the liquidity portfolio managed by Group Treasury. The liquidity portfolio includes different portfolios with different business models. Some portfolios are managed on a fair value basis and mandatorily measured at fair value through profit or loss under IFRS 9 (2017 and 2016: designated at fair value through profit or loss), whereas other portfolios are either 'hold to collect and sell' (2017 and 2016: available for sale) and measured at fair value through other comprehensive income or 'hold to collect' (2017 and 2016: hold to maturity) and measured at amortized cost.

The following table sets forth the composition of the Group's investment securities as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in millions)		
Financial assets at fair value through profit or loss			
Listed bonds	58,602	97,599	137,490
Unlisted bonds	—	—	—
Listed shares	40	63	67
Unlisted shares	1,078	1,396	1,673
Total financial assets at fair value through profit or loss	59,720	99,058	139,230
Bonds hold to collect and sell (FVOCI)			
Listed bonds	74,284	78,863	70,727
Total bonds hold to collect and sell (FVOCI)	74,284	78,863	70,727
Total at fair value	134,004	177,921	209,957
Bonds hold to collect (AMC)			
Listed bonds	142,420	146,697	133,379
Unlisted bonds	—	—	—
Total investment securities	276,424	324,618	343,337

Deposits

The following table sets forth the balance and types of deposits due as at the dates indicated (principal only):

	As at December 31,		
	2018	2017	2016
	(DKK in millions)		
Repo deposits	262,181	220,371	199,724
Other deposits	894,495	911,852	859,435
Total deposits	1,156,676	1,132,223	1,059,159

The following table sets forth the contractual due dates of the Group's deposits as at the dates indicated (principal and accrued interest):

	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
As at December 31, 2018	1,140,944	41,654	8,419	9,230	8,697
As at December 31, 2017	1,128,801	43,804	13,529	8,368	8,263
As at December 31, 2016	1,032,080	19,632	23,108	11,246	8,225

Short-Term Borrowings

The following table sets forth information on the Bank's short-term borrowings as at the dates indicated:

	Period-end balance	Average balance	Maximum month-end balance during period
	(DKK in millions)		
December 31, 2018			
Amount owed to credit institutions	218,339	255,280	305,791
Debt securities in issue etc.	<u>61,414</u>	<u>79,274</u>	<u>169,198</u>
Total	<u>279,753</u>	<u>334,554</u>	<u>474,989</u>
December 31, 2017			
Amount owed to credit institutions	226,736	247,594	280,800
Debt securities in issue etc.	<u>161,377</u>	<u>169,892</u>	<u>195,258</u>
Total	<u>388,113</u>	<u>417,486</u>	<u>476,058</u>
December 31, 2016			
Amount owed to credit institutions	258,132	285,241	333,553
Debt securities in issue etc.	<u>140,860</u>	<u>135,494</u>	<u>149,865</u>
Total	<u>398,992</u>	<u>420,734</u>	<u>483,418</u>

Maturity

The following table sets forth a breakdown by expected due date of the Group's balance sheet items as at the dates indicated:

	As at December 31,					
	2018		2017		2016	
	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year
	(DKK in millions)					
Assets						
Cash in hand and demand deposits with central banks	40,997	–	82,818	–	53,211	–
Due from credit institutions and central banks	224,955	645	333,463	512	244,767	712
Trading portfolio assets	230,744	185,074	254,221	195,071	264,535	245,144
Investment securities	81,002	195,423	92,013	232,605	66,123	277,214
Loans at amortized cost	331,871	654,369	459,627	653,126	523,629	617,937
Loans at fair value ⁽¹⁾	285,133	772,207	20,086	767,136	23,130	742,873
Assets under pooled schemes and unit-linked investment contracts	–	93,988	–	112,065	–	99,848
Assets under insurance contracts	11,172	366,197	7,456	289,411	7,308	278,090
Intangible assets	–	11,224	–	7,177	–	6,790
Tax assets	2,435	546	971	448	617	667
Other assets	<u>77,579</u>	<u>12,908</u>	<u>17,234</u>	<u>14,090</u>	<u>18,287</u>	<u>12,788</u>
Total assets	<u>1,285,888</u>	<u>2,292,579</u>	<u>1,267,889</u>	<u>2,271,639</u>	<u>1,201,607</u>	<u>2,282,064</u>
Liabilities						
Due to credit institutions and central banks	218,339	30,263	226,736	16,150	258,132	14,751
Trading portfolio liabilities	74,244	315,982	73,588	327,008	100,299	378,001
Deposits ⁽²⁾	255,429	803,690	238,640	808,217	154,077	789,788
Issued bonds at fair value	184,809	574,778	160,747	597,628	n/a	n/a
Issued bonds at amortized cost	61,414	250,568	161,377	243,703	n/a	n/a
Bonds issued by Realkredit Danmark	n/a	n/a	n/a	n/a	146,438	580,293
Deposits under pooled schemes and unit-linked investment contracts	16,722	81,118	9,523	110,378	9,353	97,065
Liabilities under insurance contracts	104,039	313,240	57,350	265,376	61,692	253,285
Other issued bonds	n/a	n/a	n/a	n/a	140,860	251,652
Tax liabilities	1,011	7,869	1,040	7,594	476	7,675
Other liabilities	97,935	649	36,314	783	34,548	837
Subordinated debt	<u>3,544</u>	<u>19,548</u>	<u>4,722</u>	<u>24,398</u>	<u>12,882</u>	<u>24,950</u>
Total liabilities	<u>1,017,486</u>	<u>2,397,704</u>	<u>970,037</u>	<u>2,401,235</u>	<u>918,757</u>	<u>2,398,299</u>

(1) From 2017, the breakdown is calculated according to the loans at fair value amortization. The comparative figures for 2016 have been restated.

(2) Deposits include fixed-term deposits and demand deposits. Fixed-term deposits are recognized according to maturity. Demand deposits have short contractual maturities but are considered a stable financing source with an expected maturity of more than one year.

The following table sets forth a breakdown of the Group's financial liabilities by contractual due date as at the dates indicated:

As at December 31, 2018					
	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
Due to credit institutions and central banks	186,712	29,743	2,985	30,111	996
Deposits	991,709	41,654	8,419	9,230	8,697
Repurchase obligation under reverse transactions	149,235	–	–	–	–
Issued bonds at fair value.....	73,539	7,896	114,781	467,110	201,918
Issued bonds at amortized cost.....	8,919	1,580	51,787	242,509	28,093
Subordinated debt	88	177	4,351	10,487	13,134
Other financial liabilities.....	2,889	2,162	11,671	27,122	53,997
Financial and loss guarantees.....	83,717	–	–	–	–
Loan commitments shorter than 1 year.....	183,767	–	–	–	–
Loan commitments longer than 1 year.....	161,350	–	–	–	–
Other unutilized commitments.....	282	–	–	–	–
Total.....	<u>1,842,206</u>	<u>83,212</u>	<u>193,994</u>	<u>786,568</u>	<u>306,834</u>

As at December 31, 2017					
	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
Due to credit institutions and central banks	193,757	28,219	5,052	15,315	936
Deposits	972,893	43,804	13,529	8,368	8,263
Repurchase obligation under reverse transactions	155,908	–	–	–	–
Bonds issued by Realkredit Danmark	85,853	–	87,405	479,559	214,885
Other issued bonds.....	48,973	43,595	70,230	225,896	31,044
Subordinated debt	97	194	885	13,111	28,061
Other financial liabilities.....	2,185	314	7,023	77,340	33,038
Financial and loss guarantees.....	84,487	–	–	–	–
Loan commitments shorter than 1 year.....	142,147	–	–	–	–
Loan commitments longer than 1 year.....	161,824	–	–	–	–
Other unutilized commitments.....	350	–	–	–	–
Total.....	<u>1,848,474</u>	<u>116,127</u>	<u>184,124</u>	<u>819,589</u>	<u>316,227</u>

As at December 31, 2016					
	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
Due to credit institutions and central banks	235,258	14,974	7,698	13,593	1,080
Deposits	881,859	19,632	23,108	11,246	8,225
Repurchase obligation under reverse transactions	150,221	–	–	–	–
Bonds issued by Realkredit Danmark	46,722	–	106,912	397,257	266,829
Other issued bonds.....	14,111	39,694	88,417	229,873	37,700
Subordinated debt	125	251	1,144	23,253	29,370
Other financial liabilities.....	1,998	350	7,005	64,859	32,206
Financial and loss guarantees.....	80,377	–	–	–	–
Loan commitments shorter than 1 year.....	117,355	–	–	–	–
Loan commitments longer than 1 year.....	162,620	–	–	–	–
Other unutilized commitments.....	481	–	–	–	–
Total.....	<u>1,691,127</u>	<u>74,901</u>	<u>234,285</u>	<u>740,083</u>	<u>375,409</u>

The maturity analysis above is based on the earliest date on which the Group can be required to pay and does not reflect the expected due date. Disclosures comprise agreed payments, including principal and interest. For liabilities with variable cash flows, such as variable-rate financial liabilities, disclosure is based on the contractual conditions at the balance sheet date. Typically, deposits are contractually very short-term funding, but, in practice, they are considered a stable funding source, as amounts disbursed largely equal deposits received. A number of loan commitments and guarantees expire without being utilized. Loan commitments and guarantees are included at the earliest date on which the Group can be required to pay. To take into account potential drawings under loan commitments, the Group factors in the effect of the unutilized portion of the facilities in the calculation of liquidity risk. For guarantees to result in a payment obligation to the Group, a number of individual conditions must be met. As it is not possible to break down the earliest dates on which such conditions are met by maturity time bands, all guarantees are included in the 0–1 month column.

RISK MANAGEMENT

Overview

The Group is exposed to a number of risks and manages them at various organizational levels. The principal categories of risk are as follows:

- Credit risk: The risk of losses because debtors or counterparties fail to meet all or part of their payment obligations to the Group.
- Market risk: The risk of losses caused by changes in the market values of the Group's financial assets, liabilities and off-balance-sheet items resulting from changes in market prices or rates.
- Liquidity risk: The risk of losses because the Group's funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.
- Insurance risk: All types of risk originating from the Group's ownership of the Danica Group, including market risk, life insurance risk and operational risk.
- Pension risk: The risk that arises from the Group's liability for defined benefit pension plans established for current and former employees.
- Non-financial risk: The risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risks.

Risk Strategy and Governance

Risk Strategy

The Group uses an enterprise risk management ("ERM") approach to set common standards for consistent risk management across all risk types.

In order to support the Group's business strategy and risk objective, the ERM approach details how the Group structures risk governance and risk responsibilities to ensure appropriate oversight and accountability. Furthermore, it sets out the foundation of the Group's risk culture and specifies its risk taxonomy and risk appetite approach. The ERM approach is supported by the underlying risk policies as defined by the Board of Directors and detailed in directives set forth by the Executive Board.

Risk Culture

The Group recognizes the importance of having a strong risk culture in everyday work to ensure that it creates value for customers and lives up to its responsibility as one of the largest financial institutions in the Nordic region. Building and maintaining a common risk culture across the Group involves ensuring a high level of risk awareness. This work is underpinned by the Group's core values and helps align behavior with the risk appetite.

Managing risks is the responsibility of all employees in the Group as part of their day-to-day work routines.

The Group's risk culture is reinforced by its approach to remuneration. The key performance agreements of all members of the Executive Board include risk/compliance indicators. Building and maintaining the right set of risk skills and expertise also help strengthen the risk culture. The Group develops and maintains risk skills through tailored risk and compliance training to ensure that risk management expertise is embedded in daily work routines. Executive Board members participate in compulsory training courses like all other employees.

Risk Taxonomy

The Group's risk taxonomy is a common set of Group risk categories and definitions intended to ensure adequate risk identification and ownership across the Group. For each identified risk category, roles and responsibilities are defined to ensure continued monitoring and risk assessment. The risk categories cover both financial and non-financial risks. The taxonomy is adjusted on an ongoing basis to ensure that the risk categories reflect the Group's main risks.

The Group believes that its risk strategy and risk objectives are essential in supporting the Group's business model, and they play a central role in the Group's proactive risk management approach.

Group Risk Appetite

The Group's risk appetite is defined as the type and amount of risk that the Group is willing to accept in order to manage the risks inherent in its business and to meet its strategic objectives. This is to ensure an adequate balance between risk and return. As part of the risk appetite setup, the Group also sets tolerance levels for non-financial risks. These specify the level of non-financial risk that the Group is prepared to take in pursuit of its business strategy.

The Group's risk appetite is determined by the Board of Directors and it sets the direction for the Group's overall risk-taking by specifying the aggregate level of risk acceptable to the Group. The risk appetite is embedded in the strategic and financial planning processes to ensure that risk management forms an integral part of the strategic decision-making process. It is based on the Group's individual risk appetites for credit risk, market risk, liquidity risk and operational risk. Relevant performance indicators for the risk appetites are embedded in regular risk reporting to enable the Group to monitor whether the individual risk profile remains within the risk appetite.

Risk Management Organization

The Group's risk management practices are organized according to the three-lines-of-defense governance model. This model segregates responsibilities and duties between (i) units that enter into business transactions with customers or otherwise expose the Group to risk, (ii) units that are in charge of risk oversight and control (risk oversight) and (iii) Group Internal Audit (risk assurance).

Three Lines of Defense Governance Model

The first line of defense owns and manages the business activities and related risks. The first line of defense consists of the business units, including first-line-of-defense risk management entities, and the heads of the Group's human relations ("**Group HR**"), chief operating officer ("**COO**") area, chief financial officer ("**CFO**") area and Group Development. These units are responsible for identifying, managing, mitigating and controlling risks, and their responsibilities extend across national borders. The mandate of the business units is governed by risk policies, instructions and limits.

The second line of defense is responsible for setting the standards, policies and methods under which the first line of defense operates with respect to risk management. The second line of defense supports and challenges the first line of defense and operates independently of the first line of defense. The second line of defense provides risk oversight and consists of Group Risk Management and Group Compliance. Group Risk Management is headed by the Group's chief risk officer (the "**CRO**"), who is a member of the Executive Board. The CRO reports to the Board of Directors in cooperation with and under the responsibility of the CEO. The CRO has the authority to veto any decision in relation to credit applications and new products. The following terms apply to the CRO position: the CRO cannot be removed from office without the prior approval of the Board of Directors; the CRO is the only Executive Board member who is a permanent member of the Risk Committee; and the CRO is also responsible for the risk reports that are submitted to the Board of Directors, the Board of Directors' Risk Committee, the Executive Board and the All Risk Committee.

The third line of defense is made up by Group Internal Audit. Group Internal Audit is an independent and objective unit evaluating and improving the effectiveness of risk management, control and governance processes in relation to the control environments of the first and second lines of defense. Group Internal Audit is headed by the chief audit executive (the "**CAE**") and reports directly to the Board of Directors.

Risk Governance

The Group has a structure of decision-making bodies that cover all relevant risks to ensure control and oversight of risk decisions. The committee structure supports an effective information and escalation path to the Group's senior management and provides a consistent approach to risk management.

Following orders from the DFSA in May 2018, the Group has taken a number of initiatives to strengthen its governance. In particular, it has drawn up a new escalation policy (the "**Escalation Policy**") as an overall framework for internal escalations and has also revised templates for meeting minutes and procedures for submitting material to the Executive Board and the Board of Directors. The Escalation Policy lays down the general principles and standards for the timing, responsibility, processes, requirements for accuracy, among others, for how to escalate matters to the Executive Board and the Board of Directors.

Board of Directors and Executive Board

The Group's rules of procedure for the Board of Directors and the Executive Board specify the responsibilities of the two boards and the division of responsibilities between them. The two-tier management structure and the rules of procedure developed in accordance with Danish law, regulations and relevant corporate governance recommendations are central to the organization of risk management and the delegation of authorities throughout the Group.

The Board of Directors appoints members to the Executive Board, the CAE and the secretary to the Board of Directors. In accordance with the rules of procedure, the Board of Directors approves the Group's overall business model, risk profile, strategy, policies, risk appetite and instructions with mandates to the Executive Board. In addition, the Board of Directors receives regular reports, monitors the main risks and reviews the largest credit exposures.

The Executive Board is responsible for the Group's day-to-day management as stated in the rules of procedure. It supervises the Group's risk management practices, approves credit applications up to a defined limit and ensures that bookkeeping and asset management are sound and in accordance with the Group's business model, strategy, policies and instructions established by the Board of Directors and in compliance with applicable legislation. The Executive Board consists of the CEO, the heads of the four main business units and the heads of Group HR, COO area, CFO area, Group Development, Group Compliance and Group Risk Management.

Board of Directors and Executive Board Committees

The Board of Directors has established five committees – the Risk Committee, the Remuneration Committee, the Nomination Committee, the Audit Committee and the recently established Conduct and Compliance Committee – to supervise risks and prepare cases for consideration by the full Board of Directors. For information on the Board of Directors' committees, see “*Organization and Management—Committees.*”

The Executive Board has established four committees: the Group All Risk Committee, the Group Credit Committee, the Business Integrity Committee and the Impairment Committee.

The Executive Board has overall responsibility for risk management within the framework determined by the Board of Directors.

The Group All Risk Committee acts on behalf of the Executive Board with respect to the Group's risk management practices. The committee makes decisions on and monitors all material risks associated with the Group's business model and activities. It covers all risks across risk categories, business units, functions and geographical regions in alignment with the Group's Enterprise Risk Management framework.

All members of the Executive Board are permanent members of the Group All Risk Committee, which convenes at least nine times a year. All compliance-related matters are addressed by the Executive Board and not by the Group All Risk Committee.

The Group All Risk Committee reviews the risk reports submitted to the Board of Directors and the Board of Directors' committees. The committee receives periodic Group liquidity and solvency reports and monitors risk trends at both business unit and Group levels.

The Group All Risk Committee has established four subcommittees to ensure that adequate time and attention are given to the individual risk management areas. These subcommittees are the ALCO, the Model Risk Management Committee, the ORCO and the Valuation Committee. In general, the committees oversee risk developments within the Group and ensure that risk management and risk reporting are always compliant with statutory regulations and the Group's general principles for such practices. These subcommittees consist of representatives from the All Risk Committee and senior staff from relevant risk management functions.

On behalf of the Executive Board, the Group Credit Committee reviews and decides on individual credit applications. The CEO, CRO, CFO and the heads of the business units are permanent members of the Group Credit Committee, which convenes at least twice a week.

On behalf of the Executive Board, the Business Integrity Committee decides on ambition levels and develops and oversees the implementation of the Societal Impact and Sustainability strategy and related Group policies. All members of the Executive Board are permanent members of the Business Integrity Committee, which convenes at least four times per year.

On behalf of the Executive Board, the Impairment Committee oversees the implementation and maintenance of the Group-wide framework for assessing the Group's credit impairment charges. The CEO, CRO, CFO and the heads of the business units are permanent members of the Impairment Committee, which convenes at least four times per year.

Risk Reporting

The Group has an enterprise-wide approach to risk reporting. This approach is supported by the monthly CRO letter, which covers analyses across all risk types, business units and geographical regions.

The Group's risk reporting consists of:

- *CRO letter*: A comprehensive overview of the Group's risk profile across all risk types, business units and geographical regions. It is updated monthly and received by the Group All Risk Committee, the Risk Committee and the Board of Directors.
- *Risk profiles*: Detailed portfolio and industry analyses focusing on exposure, risk factors, structural trends, performance and forward-looking developments, including portfolio stress tests. Risk profiles cover all material portfolios. These are updated annually and received by the Group All Risk Committee, the Risk Committee and the Board of Directors.
- *Risk reviews*: Reviews based on a risk-based approach; they cover specific risks related to selected portfolios and all material portfolios. Ad hoc reports are made when relevant. These are received by the Group All Risk Committee.
- *Impairment report*: An overview of detailed developments in the Group's impairment charges. It is updated quarterly and received by the Group Impairment Committee, the Audit Committee, the Risk Committee and the Board of Directors.
- *Risk management report*: A description of the Group's risk profile, capital management, risk management organization and risk frameworks. The report is prepared annually along with the additional Pillar III disclosures, and together they fulfil the CRR/CRD IV requirements, and it is received by the Executive Board, the Audit Committee and the Board of Directors.
- *Group compliance semi-annual report*: An overall assessment of the compliance risk management and control environment at the Group. It is updated semi-annually and received by the Executive Board, the Audit Committee and the Board of Directors.

The Group's solvency and liquidity reporting consists of:

- *ICAAP report*: This report provides a review of the Group's capital adequacy based on a risk assessment of each ERM risk type. It presents the results from stress tests, including the effects of various scenarios on expected losses and the solvency need. A condensed format of the report is submitted quarterly, while an extensive version is provided annually.
- *Internal liquidity adequacy assessment process report*: This report provides a description of the Group's liquidity situation and liquidity management, including its funding profile and plan. It assesses liquidity risk indicated in liquidity stress tests and similar analyses and also describes the minimum amount of liquidity reserves required by the Group. The report is submitted annually.

Stress testing forms an integral part of most of the Group's risk reporting. Stress tests are used in capital and liquidity management, for setting the risk appetite both at the Group level and for individual risk types, and for testing the effectiveness of the Group recovery plan.

Crisis Management

The Group is a significant player in the Nordic financial markets and provides a number of critical functions upon which the financial systems and the real economy in its core markets rely. The Group recognizes the importance of having plans and procedures in place to ensure its long-term viability and the availability of critical services.

The Group's operational crisis management is supported by business continuity plans. They describe measures to restore the Group's operational capabilities and to allow the Group to recover from material operational risk events.

The Group has prepared a liquidity contingency plan as well as a recovery plan, and they serve as tools to be used in situations of financial stress. The plans include an indicator framework that supports the Group's ability to identify and understand potential threats to its financial viability in due time. The framework describes governance processes and the catalogue of available actions to be implemented to restore the Group's long-term viability.

The Group's recovery plan is evaluated by the DFSA and foreign supervisory authorities on an annual basis.

Customer Complaints

Customer complaints are handled in line with EU legislation (MiFID II, GDPR, Directive (2015/2366/EU) of the European Parliament and of the Council on payment services, EBA and ESMA guidelines on complaints handling) and in accordance with local regulation in the markets where the Group operates. Complaints handling functions are in place in each market, and each business unit reports on complaints handling to local management and local supervisory authorities. In 2018,

Group-level complaints handling reporting was introduced. Group-level complaints monitoring is reported to the Executive Board.

Credit Risk

Credit risk is the risk of losses because debtors or counterparties fail to meet all or part of their payment obligations to the Group. Credit risk includes counterparty credit risk. Counterparty credit risk is the risk of a financial loss on a derivatives transaction because of the default of a counterparty. The risk arises as a combination of credit risk (a deterioration in the credit worthiness of a counterparty) and market risk (the potential value of derivatives contracts).

The Group manages credit risk in accordance with its credit risk framework, Credit Policy, Credit Instructions and Credit Risk Appetite. The overall policy setup ensures that the Group has a consistent approach to credit risk management and that risk-taking remains supportive of the Group's business strategy.

The Group's total net credit exposure is defined as on-balance-sheet and off-balance-sheet items net of impairment charges that carry credit risk. As at December 31, 2018, the Group's total net credit exposure for accounting purposes was DKK 3,894 billion. Net credit exposure from lending activities accounts for most of the Group's net credit exposure. As at December 31, 2018, 80.6 percent of the total REA related to credit risk, excluding counterparty credit risk.

Governance and Responsibilities

Credit controls are organized along the three lines of defense, which means that the ownership and execution of tasks are separated from their control.

The Group uses dual underwriting as a general principle. Credit applications and renewals above a certain materiality threshold are considered under dual authority, which means that decisions made by business units are challenged or endorsed by Group Risk Management. The first line of defense is responsible for all credit exposures.

Lending authorities are cascaded down from the Board of Directors, through the Executive Board to Group Risk Management, to lending officers at the business units. Authorities are delegated to qualified and experienced staff at levels appropriate to such tasks and relevant to the risk profile and nature of the exposures considered by those officers. Credit applications exceeding the delegated lending authorities are submitted to the Group Credit Committee and to the Board of Directors. In cases of a reputational or material financial nature, both the Executive Board and the Board of Directors are involved in the approval process.

Monitoring functions determine whether credit facilities are granted in accordance with the Credit Risk Appetite. Group Risk Management monitors, challenges and reports on credit risk performance to the Executive Board and the Board of Directors.

Credit Risk Appetite and Concentration Frameworks

The Group's credit risk appetite is set to support the Group's ambition to limit impairment volatility through the business cycle and to manage credit concentrations (including single names, assets and/or credit types). The appetite allows the Group to take on credit risk in areas that are within its strategic core.

The credit risk appetite applies not only at the Group level, but also at business unit/regional and product levels. Supporting risk limits and risk metrics are in place at various levels to help measure credit risk further. Subsidiaries and legal entities set independent credit risk appetites in alignment with Group principles.

Monthly and quarterly risk reporting enables the ongoing monitoring of the Group's credit risk profile to ensure that it is in line with its credit risk appetite.

Limiting Impairment Volatility

The Group has set maximum loss limits that allow it to manage the risk of credit losses in times of economic stress. The maximum loss is calculated as the maximum future annual loss to be expected under a severe recession scenario. The maximum loss limits also make it possible to monitor the credit quality of the portfolio and factor in all key credit quality drivers such as customer ratings/scores, collateral and loan maturity. The stress test drivers used for setting the maximum loss limits also help provide details on how credit concentrations are managed.

Managing Credit Concentrations

The Group has implemented a set of frameworks to manage credit risk concentrations. The frameworks cover the following concentrations: single-name concentrations, industry concentrations and geographical concentrations.

Single-name Concentrations

Single-name concentrations are managed according to two frameworks:

- the large exposures framework is based on the regulatory definition of large exposures specified in part 4 of the CRR; and
- the single-name concentration framework is a risk-sensitive internal framework that sets limits on exposure, loss given default and expected loss in order to limit potential losses on single-name exposures.

The largest exposures are monitored daily under the large exposures framework and are reported on a quarterly basis to the Group All Risk Committee, the Risk Committee and the Board of Directors. As at December 31, 2018, the Group was well within the regulatory limits for large exposures.

Single-name concentrations are monitored monthly and reported on a quarterly basis to the Group All Risk Committee, the Board of Directors' Risk Committee and the Board of Directors.

Industry Concentrations

The Group manages industry concentrations as part of its credit risk appetite framework by setting exposure limits on selected industries. For relevant industries, this also means setting targets for, for example, banking book reductions, in order to ensure creditworthiness within the concentration limits. The Group accepts the risks on material concentrations in accordance with the industry-specific guidelines that outline the use of credit policies within the industry.

Geographical Concentrations

Credit reporting includes a breakdown by region. Limits are set on exposures outside the Group's home markets (sovereigns, financial institutions and counterparties in derivatives trading). Limits are approved by the Group Credit Committee on the basis of the expected business volume and an assessment of the specific country risk.

Credit Exposure

Total Net Credit Exposure

Credit exposure consists of balance sheet items and off-balance-sheet items that carry credit risk. Most of the exposure derives from lending activities in the form of secured and unsecured loans. The Non-core business unit is not considered part of the Group's core activities and is stated separately. Securities positions taken by the Group's trading and investment units also entail credit risk and are presented as credit exposure from trading and investment securities as well as derivatives and loans at the Group's trading units.

The overall management of credit risk thus covers credit risk from direct lending activities, counterparty credit risk on derivatives and loans at the Group's trading units and credit risk from securities positions.

The following table sets forth the Group's total credit exposure (including the Non-core business unit) as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in billions)		
Credit exposure relating to lending activities			
Demand deposits with central banks	32.2	73.8	43.9
Due from credit institutions and central banks	168.6	277.7	200.6
Repo loans with credit institutions and central banks	—	56.3	44.9
Loans at amortized cost	986.2	940.5	942.0
Repo loans	—	172.2	199.6
Loans at fair value	794.9	787.2	766.0
Guarantees	83.7	84.5	80.4
Loan commitments ⁽¹⁾	<u>345.1</u>	<u>303.9</u>	<u>280.0</u>
Total credit exposures related to lending activities	2,410.7	2,696.1	2,557.3
Credit exposure relating to trading and investing activities			
Due from credit institutions and central banks	57.0	—	—
Trading portfolio assets	415.8	449.3	509.7
Investment securities	276.4	324.6	343.3
Loans at fair value	262.4	—	—
Assets under pooled schemes and unit-linked investment contracts	94.0	112.1	99.8
Assets under insurance contracts	377.4	296.9	285.4
Other unutilized commitments	<u>0.3</u>	<u>0.4</u>	<u>0.5</u>
Total credit exposure relating to trading and investing activities	<u>1,483.3</u>	<u>1,183.3</u>	<u>1,238.7</u>
Total credit exposure	<u>3,894.1</u>	<u>3,879.4</u>	<u>3,796.0</u>

(1) Following the data analysis performed during the implementation of IFRS 9, a further DKK 64.8 billion was included as loan commitments. The commitments consist of loan offers that previously were included as uncommitted lines. The comparative information on the credit exposure was not restated. As at December 31, 2017, these commitments amounted to DKK 69.1 billion.

In addition to credit exposure from lending activities, the Group had made uncommitted loan offers and granted uncommitted lines of credit of DKK 205 billion as at December 31, 2018, DKK 269 billion as at December 31, 2017 and DKK 287 billion as at December 31, 2016. These items are included in the calculation of the total REA in accordance with the CRR.

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, but exclude credit exposure of the non-core portfolio of DKK 18.4 billion as at December 31, 2018, DKK 8.2 billion as at December 31, 2017 and DKK 23.4 billion as at December 31, 2016. The exposure is measured net of allowance account and includes repo loans until December 31, 2017. The implementation of IFRS 9 resulted in the reclassification of repos and other loans in the trading units of C&I from January 1, 2018, thus excluding this exposure from credit exposure from lending activities. At the end of 2017, such loans amounted to DKK 222 billion. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount.

Credit Portfolio in Core Lending Activities Broken Down by Industry (NACE)

The following tables set forth the Group's credit exposure broken down by industry following the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard as at the dates indicated:

As at December 31, 2018												
	Gross exposure (a)			Expected credit loss (b)			Net exposure = (a)-(b)			Net exposure, excluding 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
	(DKK in billions)											
Public institutions.....	219.5	0.0	0.0	0.0	0.0	0.0	219.5	0.0	0.0	214.6	0.0	0.0
Banks.....	47.1	0.2	0.0	0.0	0.0	0.1	47.1	0.2	0.0	46.8	0.2	0.0
Credit institutions.....	5.8	0.0	—	0.0	0.0	—	5.8	0.0	—	5.8	0.0	—
Insurance.....	8.9	0.0	0.0	0.0	0.0	0.0	8.9	0.0	0.0	6.4	0.0	(0.0)
Investment funds.....	23.5	0.9	0.5	0.0	0.0	0.1	23.5	0.9	0.4	11.4	0.2	0.2
Other financials.....	10.8	0.0	—	0.0	0.0	—	10.8	0.0	—	10.0	0.0	—
Agriculture.....	58.8	8.8	6.7	0.4	1.1	1.9	58.3	7.7	4.8	11.1	2.1	0.6
Commercial property.....	279.2	17.4	6.3	0.2	0.7	1.6	279.0	16.7	4.7	47.8	5.0	0.3
Construction and building products.....	30.9	4.9	1.0	0.0	0.1	0.4	30.8	4.9	0.6	22.4	3.1	0.4
Consumer discretionary.....	99.2	7.1	2.8	0.0	0.3	1.2	99.2	6.8	1.7	57.0	3.7	0.6
Consumer staples.....	58.8	2.6	0.8	0.0	0.1	0.2	58.8	2.5	0.6	41.5	1.6	0.1
Energy and utilities.....	44.3	8.5	3.4	0.0	0.2	0.8	44.3	8.2	2.6	34.9	6.5	2.0
Health care.....	36.6	1.2	0.1	0.0	0.0	0.0	36.6	1.2	0.1	31.7	0.8	0.0
Industrial services, supplies and machinery.....	102.2	8.3	2.7	0.0	0.2	1.0	102.2	8.1	1.7	83.5	6.1	0.9
IT and telecommunication services.....	28.6	0.8	0.2	0.0	0.0	0.1	28.6	0.8	0.1	26.3	0.6	0.1
Materials.....	46.7	2.1	0.7	0.0	0.1	0.4	46.7	2.0	0.4	35.3	0.8	0.2
Non-profits and other associations.....	183.6	3.4	2.2	0.1	0.1	0.5	183.5	3.3	1.7	32.4	0.5	0.2
Other commercials.....	30.3	0.8	0.1	0.1	0.0	0.1	30.2	0.8	0.0	26.5	0.4	(0.0)
Shipping.....	27.5	5.5	6.9	0.0	0.3	1.7	27.4	5.2	5.2	11.1	0.7	0.1
Transportation.....	23.6	3.2	0.3	0.0	0.1	0.1	23.6	3.2	0.2	15.0	1.6	0.0
Personal customers.....	863.7	63.9	8.7	0.6	2.1	3.3	863.1	61.7	5.5	136.8	11.7	1.2
Total.....	<u>2,229.6</u>	<u>139.6</u>	<u>43.6</u>	<u>1.6</u>	<u>5.4</u>	<u>13.4</u>	<u>2,228.0</u>	<u>134.2</u>	<u>30.1</u>	<u>908.4</u>	<u>45.6</u>	<u>6.7</u>

	As at December 31, 2017		
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure, excluding collateral
		Net exposure = (a)-(b)	
	(DKK in billions)		
Public institutions	414.4	—	414.4
Banks	53.2	0.1	53.1
Credit institutions.....	9.4	—	9.4
Insurance.....	38.2	—	38.2
Investment funds.....	24.9	0.2	24.7
Other financials.....	92.8	—	92.8
Agriculture	65.1	2.5	62.5
Commercial property	299.4	2.5	296.9
Construction, engineering and building products.....	45.1	0.5	44.6
Consumer discretionary	107.1	1.3	105.8
Consumer staples	57.8	0.2	57.6
Energy and utilities	51.1	0.4	50.7
Health care	34.9	0.1	34.8
Industrial services, supplies and machinery	96.7	1.1	95.6
IT and telecommunication services.....	30.6	0.1	30.5
Materials	50.5	0.5	49.9
Non-profits and other associations.....	170.3	0.7	169.6
Other commercials.....	85.8	0.2	85.6
Shipping.....	36.7	0.7	36.0
Transportation.....	24.6	0.1	24.5
Personal customers	915.5	4.8	910.6
Total before collective impairment charges	2,703.9	16.0	2,688.0
Collective impairment charges.....	4.1	—	—
Total gross exposure	2,708.0	—	—

As at December 31, 2016				
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b)	Net exposure, excluding collateral
	(DKK in billions)			
Public institutions	330.0	—	330.0	274.9
Banks	70.2	0.1	70.0	59.6
Credit institutions.....	10.7	—	10.7	3.5
Insurance.....	47.4	—	47.4	8.0
Investment funds.....	40.8	0.2	40.6	8.8
Other financials.....	61.0	—	61.0	14.0
Agriculture	65.7	3.0	62.7	11.3
Commercial property	301.8	3.1	298.7	57.1
Construction, engineering and building products.....	39.5	1.0	38.5	28.9
Consumer discretionary	98.3	1.5	96.8	56.6
Consumer staples	55.1	0.2	54.9	37.6
Energy and utilities	50.0	0.2	49.8	37.3
Health care	36.7	0.1	36.6	24.7
Industrial services, supplies and machinery	103.8	1.2	102.6	81.2
IT and telecommunication services.....	29.9	0.1	29.8	26.1
Materials	45.7	0.8	45.0	33.5
Non-profits and other associations.....	152.5	0.8	151.7	28.7
Other commercials.....	58.1	0.3	57.8	25.6
Shipping.....	39.7	0.7	39.0	14.1
Transportation.....	22.0	0.1	21.9	12.1
Personal customers	893.5	5.1	888.4	134.4
Total before collective impairment charges	2,552.3	18.5	2,533.8	978.1
Collective impairment charges.....	5.0	—	—	—
Total gross exposure	<u>2,557.3</u>	—	—	—

The following tables set forth the Group's total credit exposure of core lending activities broken down by business unit and underlying segment as at the dates indicated:

	As at December 31, 2018											
	Gross exposure			Expected credit loss			Net exposure = (a)-(b)			Net exposure, excluding collateral		
	(a)			(b)								
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	(DKK in billions)											
Banking DK:												
Retail	469.1	31.7	4.7	0.5	1.5	2.3	468.6	30.2	2.4	51.8	5.7	0.8
Commercial.....	422.9	24.3	18.4	0.7	1.8	5.5	422.3	22.6	12.9	103.5	8.6	1.9
Total Banking DK	892.0	56.0	23.1	1.2	3.2	7.8	890.8	52.8	15.3	155.3	14.4	2.6
Banking Nordic:												
Sweden.....	271.9	16.5	1.3	0.1	0.5	0.4	271.8	16.0	0.9	100.6	5.1	0.4
Norway.....	189.1	13.7	2.2	0.1	0.3	0.9	189.1	13.4	1.3	60.6	4.1	0.6
Finland.....	147.9	13.6	2.7	0.0	0.3	0.8	147.9	13.3	1.9	36.0	2.4	0.3
Other.....	37.0	9.1	1.0	0.0	0.3	0.4	37.0	8.8	0.6	19.8	2.3	0.1
Total Banking Nordic....	645.9	52.8	7.2	0.2	1.4	2.6	645.7	51.4	4.7	216.9	14.0	1.3
C&I ⁽¹⁾	534.7	21.4	9.5	0.1	0.6	2.1	534.6	20.8	7.4	471.8	14.5	1.8
Wealth Management	82.1	4.1	1.6	0.0	0.1	0.3	82.1	4.0	1.3	20.6	0.9	0.5
Northern Ireland.....	62.6	5.3	2.1	0.0	0.1	0.6	62.5	5.2	1.5	31.9	1.8	0.4
Other.....	12.2	0.1	0.0	0.0	0.0	0.0	12.2	0.1	0.0	11.9	0.1	0.0
Total gross exposure	2,229.6	139.6	43.6	1.6	5.4	13.4	2,228.0	134.2	30.1	908.4	45.6	6.7

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

As at December 31, 2017				
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b)	Net exposure, excluding collateral
Banking DK:				
Retail.....	500.2	3.4	496.8	62.1
Commercial.....	<u>452.1</u>	<u>7.0</u>	<u>445.1</u>	<u>116.7</u>
Total Banking DK.....	952.3	10.4	941.9	178.8
Banking Nordic:				
Sweden.....	249.4	0.5	256.1	82.7
Norway	190.9	1.1	192.4	58.5
Finland.....	157.2	1.1	156.1	34.6
Other.....	<u>41.2</u>	<u>0.4</u>	<u>40.8</u>	<u>16.4</u>
Total Banking Nordic	638.7	3.1	645.4	192.2
C&I ⁽¹⁾	930.6	1.3	929.3	644.4
Wealth Management.....	85.6	0.4	85.2	21.9
Northern Ireland.....	63.7	0.7	63.0	29.5
Other.....	<u>23.2</u>	<u>—</u>	<u>23.2</u>	<u>21.0</u>
Total before collective impairment charges	2,703.9	16.0	2,688.0	1,097.6
Collective impairment charges.....	<u>4.1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total gross exposure	<u>2,708.0</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

As at December 31, 2016				
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b)	Net exposure, excluding collateral
Personal Banking:				
Denmark	493.0	3.6	489.5	64.9
Finland.....	91.0	0.5	90.5	6.2
Sweden.....	78.1	0.1	78.0	14.4
Norway	113.5	0.1	113.4	25.4
Other.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Personal Banking.....	775.6	4.3	771.4	110.9
Business Banking:				
Denmark	457.2	8.7	448.5	113.3
Finland.....	72.2	0.9	71.3	32.6
Sweden.....	150.8	0.6	150.3	59.5
Norway	78.5	0.7	77.8	33.8
Baltics	20.1	0.3	19.8	10.6
Other.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Business Banking	778.8	11.0	767.8	249.8
C&I ⁽¹⁾	818.7	1.6	817.1	537.5
Wealth Management.....	82.7	0.4	82.3	20.0
Northern Ireland.....	64.7	1.2	63.6	31.3
Other.....	<u>31.7</u>	<u>—</u>	<u>31.7</u>	<u>28.6</u>
Total before collective impairment charges	2,552.3	18.5	2,533.8	978.1
Collective impairment charges.....	<u>5.0</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total gross exposure	<u>2,557.3</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

Risk Classification

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

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

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

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

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

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

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

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

As at December 31, 2018, the exposure-weighted average PD was 0.62 percent, as compared to 0.64 percent as at December 31, 2017 and 0.73 percent as at December 31, 2016.

The following tables set forth the Group’s credit exposure broken down by rating category as at the dates indicated:

As at December 31, 2018														
PD level		Gross exposure			Expected credit loss			Net exposure = (a)–(b)			Net exposure, excluding 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	
(percent)		(DKK in billions)												
1.....	–	0.01	178.9	0.1	–	0.0	0.0	–	178.9	0.1	–	193.2	0.0	–
2.....	0.01	0.03	169.8	0.3	0.0	0.0	0.0	0.0	169.8	0.3	0.0	88.4	0.1	0.0
3.....	0.03	0.06	443.9	0.9	0.0	0.0	0.0	0.0	443.8	0.9	0.0	151.6	0.2	0.0
4.....	0.06	0.14	593.2	10.2	0.2	0.1	0.0	0.0	593.1	10.2	0.2	218.1	8.5	0.0
5.....	0.14	0.31	442.7	13.7	0.4	0.2	0.1	0.0	442.5	13.6	0.4	136.8	6.1	0.0
6.....	0.31	0.63	246.4	17.4	0.1	0.3	0.3	0.0	246.1	17.1	0.1	76.5	5.2	(0.0)
7.....	0.63	1.90	131.5	45.4	0.1	0.3	1.4	0.0	131.2	44.0	0.1	38.6	14.0	0.0
8.....	1.90	7.98	16.3	32.2	0.1	0.6	2.0	0.0	15.6	30.2	0.1	3.3	7.8	(0.0)
9.....	7.98	25.70	1.3	9.4	0.2	0.1	1.1	0.0	1.2	8.3	0.2	0.4	2.0	0.2
10.....	25.70	99.99	4.3	8.9	22.1	0.0	0.4	4.4	4.3	8.6	17.7	1.4	1.6	5.5
11 (default).....	100.00	100.00	1.4	1.1	20.3	–	0.1	9.0	1.4	1.0	11.3	0.1	0.1	0.9
Total			2,229.6	139.6	43.6	1.6	5.4	13.4	2,228.0	134.2	30.1	908.4	45.6	6.7

As at December 31, 2017						
	PD level		Gross exposure (a)	Acc. individual impairment charges (b)	Net Exposure = (a)-(b)	Net exposure, excluding collateral
	Upper	Lower				
	(percent)				(DKK in billions)	
1	—	0.01	323.8	—	323.8	291.1
2	0.01	0.03	268.6	—	268.6	124.2
3	0.03	0.06	436.6	—	436.6	139.3
4	0.06	0.14	586.7	—	586.7	227.6
5	0.14	0.31	489.1	—	489.1	157.6
6	0.31	0.63	297.7	—	297.7	82.2
7	0.63	1.90	170.3	—	170.3	44.7
8	1.90	7.98	56.5	—	56.5	15.9
9	7.98	25.70	11.2	—	11.2	3.7
10	25.70	99.99	37.2	6.0	31.3	9.2
11 (default)	100.00	100.00	26.1	10.0	16.1	2.1
Total before collective impairment charges			2,703.9	16.0	2,688.0	1,097.5
Collective impairment			4.1	—	—	—
Total gross exposure			2,708.0	—	—	—

As at December 31, 2016						
	PD level		Gross exposure (a)	Acc. individual impairment charges (b)	Net Exposure = (a)-(b)	Net exposure, excluding collateral
	Upper	Lower				
	(percent)				(DKK in billions)	
1	—	0.01	251.3	—	251.3	224.9
2	0.01	0.03	252.9	—	252.9	102.9
3	0.03	0.06	414.1	—	414.1	127.5
4	0.06	0.14	544.3	—	544.3	217.6
5	0.14	0.31	460.7	—	460.7	144.2
6	0.31	0.63	302.1	—	302.1	79.7
7	0.63	1.90	178.7	—	178.7	47.6
8	1.90	7.98	64.2	—	64.2	17.3
9	7.98	25.70	14.2	—	14.2	4.8
10	25.70	99.99	40.9	6.0	35.0	10.4
11 (default)	100.00	100.00	28.9	12.5	16.3	1.2
Total before collective impairment charges			2,552.3	18.5	2,533.8	978.1
Collective impairment			5.0	—	—	—
Total gross exposure			2,557.3	—	—	—

Credit Risk Mitigation and Collateral Management

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral.

The market value of collateral is monitored and reassessed by advisers, internal or external assessors, or automatic valuation models. Automatic valuation models are validated annually and monitored quarterly. The Group regularly evaluates the validity of the external inputs on which the valuation models are based. The Collateral System supports the process of reassessing the market value to ensure that the Group complies with regulatory requirements.

The market value of collateral is subject to a haircut. The haircut reflects the risk that the Group will not be able to obtain the estimated market value upon the sale of the individual asset in a distressed situation. The haircut applied depends on the type of collateral. For regulatory purposes, the Group also applies a downturn haircut.

The composition of the Group's collateral base reflects the product composition of the credit portfolio. The most important collateral types, measured by volume, are real property and financial assets in the form of shares and bonds. For reporting purposes, all collateral values are net of haircuts and capped by the exposure amount at the facility level.

The following tables set forth the value of the Group's collateral (after relevant haircuts) by type as at the dates indicated:

As at December 31, 2018						
	Banking DK	Banking Nordic	Worth Management C&I	Northern Ireland	Other	Total
	(DKK in billions, unless otherwise indicated)					
Real property	775.4	392.6	27.5	56.0	30.3	1,282.1
Personal	444.4	242.8	0.0	54.0	18.3	759.7
Commercial	288.8	143.4	25.6	1.6	9.2	468.7
Agricultural	42.2	6.4	1.9	0.4	2.8	53.7
Bank accounts	0.2	0.7	0.1	0.3	—	1.3
Custody accounts and securities	3.4	1.9	10.7	7.4	—	23.4
Vehicles	1.7	19.2	0.7	0.0	—	21.6
Equipment	3.2	15.1	1.2	0.0	2.7	22.3
Vessels and aircraft	1.6	2.4	24.9	0.0	0.0	28.9
Guarantees	0.8	6.2	3.7	1.7	0.0	12.4
Amounts due	0.0	3.8	0.2	0.0	0.5	4.5
Other assets	0.2	27.7	5.7	0.1	1.5	35.0
Total collateral	<u>786.6</u>	<u>469.6</u>	<u>74.7</u>	<u>65.4</u>	<u>35.1</u>	<u>1,431.6</u>
Total unsecured credit exposure	172.3	232.2	488.1	22.0	34.1	960.7
Unsecured portion of credit exposure (percent)	18.0	33.1	86.7	25.2	49.3	97.2

As at December 31, 2017						
	Banking DK	Banking Nordic	Worth Management C&I	Northern Ireland	Other	Total
	(DKK in billions, unless otherwise indicated)					
Real property	752.6	369.2	33.4	53.4	29.1	1,238.0
Personal	436.9	249.8	1.8	52.4	16.1	757.0
Commercial	273.0	118.7	29.6	1.0	10.1	432.5
Agricultural	42.7	0.8	1.9	—	2.9	48.4
Bank accounts	0.3	0.6	0.4	0.3	—	1.5
Custody accounts and securities	3.1	2.3	216.4	7.5	—	231.2
Vehicles	1.7	17.7	1.5	—	—	20.9
Equipment	3.2	13.1	1.2	—	2.5	19.9
Vessels and aircraft	1.7	2.0	22.9	—	—	26.6
Guarantees	0.8	6.1	3.4	2.0	—	12.3
Amounts due	0.0	3.6	0.0	—	0.4	4.1
Other assets	—	28.8	5.8	0.1	1.5	36.2
Total collateral	<u>763.1</u>	<u>443.5</u>	<u>284.9</u>	<u>63.3</u>	<u>33.5</u>	<u>1,590.5</u>
Total unsecured credit exposure	178.7	202.0	644.4	21.9	29.5	1,097.5
Unsecured portion of credit exposure (percent)	19.0	31.3	69.3	25.7	46.8	90.7

As at December 31, 2016						
	Personal Banking	Business Banking	Worth Management C&I	Northern Ireland	Other	Total
	(DKK in billions, unless otherwise indicated)					
Real property	653.5	438.2	27.0	50.4	28.1	1,197.2
Personal	653.0	14.9	—	49.6	14.9	732.5
Commercial	0.4	379.8	24.9	0.8	9.9	415.9
Agricultural	—	43.4	2.1	—	3.3	48.8
Bank accounts	0.4	0.6	—	0.2	—	1.1
Custody accounts and securities	0.4	6.1	211.1	9.9	—	230.4
Vehicles	2.3	16.4	0.5	—	—	19.2
Equipment	—	17.3	1.9	—	2.4	21.5
Vessels and aircraft	0.1	3.2	27.4	—	—	30.7
Guarantees	3.6	2.7	4.9	1.6	—	12.9
Amounts due	0.2	3.6	0.2	—	0.3	4.4
Other assets	0.1	30.0	6.7	0.1	1.4	38.3
Total collateral	<u>660.5</u>	<u>518.0</u>	<u>279.7</u>	<u>62.3</u>	<u>32.3</u>	<u>1,555.7</u>
Total unsecured credit exposure	110.9	249.8	537.5	20.0	31.3	978.1
Unsecured portion of credit exposure (percent)	14.4	32.5	65.8	24.3	49.2	90.4

The average unsecured portion of the past due amounts with no evidence of impairment was 14.3 percent as at December 31, 2018 (December 31, 2017: 30.0 percent; December 31, 2016: 37.3 percent). Real property accounted for 76.4 percent of collateral provided as at December 31, 2018 (December 31, 2017: 64.0 percent; December 31, 2016: 76.7 percent).

Credit Risk Reporting and Monitoring

The Group has a number of systems for measuring and controlling credit risk. Among the most important systems are the Credit System (including the Delegated Lending Authorities System), the Collateral System, the Rating/Scoring System and a number of follow-up systems. Several controls are incorporated in these systems, which aim to ensure accurate classification of customers, timely registration and accurate valuation of collateral, granting of credit facilities according to delegated lending authorities, and formalized monitoring and follow-up procedures.

The Credit System is the foundation of an efficient and effective credit process. It contains all relevant details about credit facilities, financial circumstances and customer relations. The system is used for all customer segments and products across all sales channels. It ensures that the basis for decision-making, including file comments and credit exposure, is created and stored properly.

The Group closely monitors changes in customers' financial conditions in order to determine whether the basis for granting credit facilities has changed. The Group's lending activity is governed by the Group's Credit Policy, including the "Principles of Responsible Lending." These principles focus on the customer's understanding of the consequences of borrowing; the assessment of the customer's needs and ability to repay; and possible conflicts with the Group's environmental, social and governance guidelines. The Delegated Lending Authorities System ensures efficient administration and control of lending authorities. If a delegated lending authority is exceeded, a report or a request for verification will be sent to the relevant manager or local credit office.

Group Risk Management oversees the Group's credit activities and reports on developments in the credit portfolios. Portfolio reports are presented to the Executive Board (via the Group All Risk Committee) on a monthly basis and to the Board of Directors (via the Risk Committee) on a quarterly basis.

Principles for Impairment Charges, Non-performing Loans and Forbearance

Overview

The Group conducts impairment tests, assessing all credit facilities for credit impairment in accordance with IFRS 9 and the guidelines set out in the Executive Order on Financial Reports for Credit Institutions from the DFSA.

Loan Impairment Charges

Loan impairment charges include impairment charges for expected credit losses against loans, lease receivables, bonds at amortized 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. The item also includes expected losses and realized gains and losses on assets (such as tangible assets and Group undertakings) taken over by the Group under non-performing loan agreements. Further, the item includes external costs directly attributable to the collection of amounts due under nonperforming loans, such as legal costs.

Non-performing Loans and Forbearance

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

The Group engages in work-out processes with customers in order to minimize losses and help viable customers in financial difficulty. During the work-out process, the Group makes use of forbearance measures to assist the non-performing customers. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and settlements. Because of the length of the work-out processes, the Group is likely to maintain impairment charges for these customers for years.

Forbearance plans must comply with the Group's Credit Policy and are used as an instrument to maintain long-term customer relationships during economic downturns if there is a realistic possibility that the customer will be able to meet obligations again. The purpose of the plans is therefore to minimize loss in the event of default.

If it proves impossible to improve a customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realized later at higher net proceeds. Since 2014, the Group has identified an increasing number of exposures subject to forbearance measures, partially as a result of stronger focus on the registration and monitoring of forbearance activities. Benign economic conditions allow the Group to establish work-out processes for large customers, including forbearance measures. In 2018, new concessions were concentrated on single names, including oil and gas customers. Forborne exposures generally saw an increase in credit quality, and customers started to perform again and to exit the probation period. This was reflected in the increase in 2018

in performing exposures of DKK 0.9 billion from 2017 levels combined with a DKK 3 billion decrease in overall forbore exposures.

Non-performing Loans, Impairment Charges and Allowance Account

The following table sets forth certain information on the Group's NPLs in its core activities as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in millions, unless otherwise indicated)		
Gross non-performing loans	29,923	33,255	40,406
NPL allowance account	<u>(13,020)</u>	<u>(15,965)</u>	<u>(18,505)</u>
Net non-performing loans	16,903	17,290	21,900
Portion from customers in default	7,289	6,049	8,828
Collateral (after haircut)	<u>(15,296)</u>	<u>(14,703)</u>	<u>(18,033)</u>
Net non-performing loans (excluding collateral)	<u>2,302</u>	<u>2,587</u>	<u>3,868</u>
NPL coverage ratio (default) (percent)	96	97	95
Coverage ratio (non-default) (percent)	69	73	65
Coverage ratio (total non-performing loans) (percent)	85	86	83
Non-performing loans as a percentage of total gross exposure (percent)	1.2	1.2	1.6

The following tables set forth an industry breakdown of the Group's NPLs and impairment charges as at the dates indicated:

	As at December 31, 2018			
	Gross exposure (a)	Expected credit losses (b)	Net exposure = (a) + (b)	Net exposure, excluding collateral
	(DKK in millions)			
Public institutions	2	—	2	—
Banks	126	125	—	—
Credit institutions	—	—	—	—
Insurance	13	7	5	—
Investment funds	130	94	36	4
Other financials	—	—	—	—
Agriculture	3,685	1,897	1,788	399
Commercial property	4,465	1,576	2,889	58
Construction, engineering and building products	868	376	492	115
Consumer discretionary	2,011	1,137	875	238
Consumer staples	432	178	255	12
Energy and utilities	2,571	827	1,744	388
Health care	85	36	50	12
Industrial services, supplies and machinery	2,207	957	1,250	316
IT and telecommunication services	168	89	79	37
Materials	659	356	303	119
Non-profits and other associations	1,117	451	666	47
Other commercials	65	53	13	—
Shipping	5,072	1,625	3,446	—
Transportation	236	107	129	6
Personal customers	<u>6,011</u>	<u>3,130</u>	<u>2,882</u>	<u>553</u>
Total NPLs	<u>29,924</u>	<u>13,021</u>	<u>16,903</u>	<u>2,302</u>

As at December 31, 2017			
Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a) + (b)	Net exposure, excluding collateral
(DKK in millions)			
Public institutions	6	1	6
Banks	127	128	—
Credit institutions.....	—	—	—
Insurance.....	14	8	6
Investment funds.....	248	162	86
Other financials.....	—	—	—
Agriculture	4,306	2,540	1,766
Commercial property	6,033	2,451	3,583
Construction, engineering and building products.....	852	542	310
Consumer discretionary	2,208	1,305	902
Consumer staples	342	163	179
Energy and utilities	1,354	408	946
Health care	85	51	35
Industrial services, supplies and machinery	1,915	1,089	827
IT and telecommunication services.....	146	88	58
Materials	846	522	324
Non-profits and other associations.....	1,808	680	1,128
Other commercials.....	195	191	5
Shipping.....	2,037	681	1,356
Transportation.....	173	117	56
Personal customers	10,558	4,841	5,717
Total NPLs.....	33,255	15,965	17,290

As at December 31, 2016			
Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a) + (b)	Net exposure, excluding collateral
(DKK in millions)			
Public institutions	1	—	—
Banks	149	149	—
Credit institutions.....	—	—	—
Insurance.....	16	8	8
Investment funds.....	320	205	115
Other financials.....	—	—	—
Agriculture	5,335	2,994	2,341
Commercial property	7,887	3,091	4,797
Construction, engineering and building products.....	1,513	1,010	503
Consumer discretionary	2,684	1,526	1,157
Consumer staples	345	161	184
Energy and utilities	484	180	304
Health care	103	64	40
Industrial services, supplies and machinery	2,173	1,238	934
IT and telecommunication services.....	209	146	63
Materials	1,011	768	243
Non-profits and other associations.....	1,929	814	1,115
Other commercials.....	275	269	7
Shipping.....	3,504	719	2,785
Transportation.....	163	110	53
Personal customers	12,303	5,054	7,248
Total NPLs.....	40,406	18,505	21,900

The following table sets forth information on the Group's loan impairment charges as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2018	2017	2016
	(DKK in millions)		
Due from credit institutions and central banks	(28)	148	182
Loans at amortized cost	(466)	(1,802)	(318)
Loans at fair value	192	(27)	13
Loan commitments and guarantees.....	(85)	99	(45)
Total	<u>(387)</u>	<u>(1,582)</u>	<u>(168)</u>
Fair value credit risk adjustment on loans at fair value	400	—	—
ECL on new assets	3,085	—	—
ECL on assets derecognized	(4,027)	—	—
Impact of net remeasurement of ECL (including changes in models)	484	—	—
New and increased impairment charges	—	4,745	6,783
Reversals of impairment charges.....	—	5,654	6,269
Write-offs charged directly to income statement	710	334	892
Received on claims previously written off	(749)	706	1,378
Interest income, effective interest method	(289)	(301)	(196)
Total	<u>(387)</u>	<u>(1,582)</u>	<u>(168)</u>

The following tables set forth the Group's allowance account broken down by segment and type of impairment as at the dates indicated:

	Personal Banking	Business Banking	C&I	Wealth Management	Northern Ireland	Other	Allowance account, total	Impairment charges	
					(DKK in millions)			Individual	Collective
As at January 1, 2016	6,614	15,091	2,369	606	2,814	2	27,496	23,151	4,346
New and increased impairment charges	1,496	2,587	1,650	77	171	—	5,981	4,558	1,423
Reversals of impairment charges from previous periods.....	1,743	2,559	562	215	430	1	5,510	4,588	922
Write-offs debited to allowance account	805	2,078	530	32	875	—	4,320	4,320	—
Foreign currency translation	3	21	20	1	(363)	—	(319)	(324)	5
Other items	20	262	(185)	98	(45)	(1)	150	28	122
As at December 31, 2016	<u>5,584</u>	<u>13,324</u>	<u>2,762</u>	<u>534</u>	<u>1,273</u>	<u>1</u>	<u>23,479</u>	<u>18,506</u>	<u>4,974</u>

	Banking DK	Banking Nordic	C&I	Wealth Management	Northern Ireland	Other	Allowance account total		
				(DKK in millions)					
As at January 1, 2017	14,899	3,737	3,032	534	1,273	1	23,479		
New and increased impairment charges	2,210	1,284	764	83	95	43	4,479		
Reversals of impairment charges from previous periods	2,942	893	390	152	334	39	4,750		
Write-offs debited to allowance account	1,367	439	814	4	207	—	2,831		
Foreign currency translation	(8)	(106)	(205)	(3)	(38)	—	(361)		
Other items	129	(44)	(8)	2	(25)	(2)	52		
As at December 31, 2017	<u>12,922</u>	<u>3,540</u>	<u>2,379</u>	<u>460</u>	<u>764</u>	<u>3</u>	<u>20,069</u>		
Transition effect (ECL at January 1), including impact on loans granted by Realkredit Danmark	14,045	4,427	2,779	468	902	12	2,562		
ECL on new assets	1,381	712	773	63	61	—	2,991		
ECL on assets derecognized	(1,964)	(823)	(908)	(98)	(103)	—	(3,896)		
Impact on remeasurement of ECL (including changes in models)	(117)	166	325	23	58	—	454		
Write-offs debited to allowance account	(1,189)	(315)	(18)	(20)	(112)	—	(1,654)		
Foreign currency translation	(8)	(50)	19	—	(13)	—	(51)		
Other items	37	20	(164)	(13)	—	(2)	(122)		
As at December 31, 2018	<u>12,185</u>	<u>4,137</u>	<u>2,806</u>	<u>423</u>	<u>792</u>	<u>9</u>	<u>20,353</u>		

Past Due Amounts in Core Activities

The following tables set forth the Group's past due amounts (no evidence of impairment) in core activities as at the dates indicated:

As at December 31, 2018								
	Banking DK	Banking Nordic	C&I	Wealth Manage- ment	Northern Ireland	Other	Total past due amounts	Total due under loans
	(DKK in millions)							
6–30 days.....	74	37	3	8	6	–	128	1,789
31–60 days.....	26	22	1	13	2	–	64	652
> 60 days	<u>31</u>	<u>58</u>	<u>–</u>	<u>1</u>	<u>1</u>	<u>–</u>	<u>91</u>	<u>772</u>
Total past due amounts.....	<u>131</u>	<u>117</u>	<u>5</u>	<u>23</u>	<u>8</u>	<u>–</u>	<u>284</u>	<u>–</u>
Total due under loans	775	2,236	37	86	77	2	–	<u>3,213</u>
As at December 31, 2017								
	Banking DK	Banking Nordic	C&I	Wealth Manage- ment	Northern Ireland	Other	Total past due amounts	Total due under loans
	(DKK in millions)							
6–30 days.....	45	39	6	9	5	–	103	2,161
31–60 days.....	17	17	–	10	1	–	45	629
> 60 days	<u>26</u>	<u>7</u>	<u>–</u>	<u>1</u>	<u>6</u>	<u>–</u>	<u>40</u>	<u>399</u>
Total past due amounts.....	<u>88</u>	<u>62</u>	<u>7</u>	<u>20</u>	<u>11</u>	<u>–</u>	<u>188</u>	<u>–</u>
Total due under loans	732	2,144	73	162	77	–	–	<u>3,188</u>
As at December 31, 2016								
	Personal Banking	Business Banking	C&I	Wealth Manage- ment	Northern Ireland	Other	Total past due amounts	Total due under loans
	(DKK in millions)							
6–30 days.....	35	74	1	7	2	–	120	1,671
31–60 days.....	16	13	8	3	3	–	43	800
> 60 days	<u>27</u>	<u>13</u>	<u>–</u>	<u>2</u>	<u>10</u>	<u>–</u>	<u>52</u>	<u>449</u>
Total past due amounts.....	<u>77</u>	<u>99</u>	<u>10</u>	<u>12</u>	<u>15</u>	<u>–</u>	<u>214</u>	<u>–</u>
Total due under loans	1,906	786	12	116	100	1	–	<u>2,921</u>

Counterparty Credit Risk

General

Counterparty credit risk is the risk of a financial loss on a derivative transaction because of the default of a counterparty. Counterparty credit risk arises as a combination of credit risk (a deterioration in the credit worthiness of a counterparty) and market risk (the potential value of a derivative contract). The financial loss will be the current exposure, that is, the cost of replacing an existing transaction by a new transaction with similar characteristics but at current market prices while taking into account the value of mitigating collateral.

The potential future value of a derivatives transaction fluctuates since the market value is related to the underlying market factors and thus fluctuates between positive and negative levels. The Group mitigates counterparty credit risk through clearing, close-out netting agreements and collateral agreements. The Group incurs a financial loss if a counterparty defaults and the market value of the derivatives transaction is not covered after netting and the realization of collateral.

Wrong-way risk is the risk that arises when credit exposure to a counterparty increases while the counterparty's creditworthiness deteriorates. Specific wrong-way risk is a subtype of risk that arises because there is a legal connection between a counterparty and the issuer of the underlying instruments involved in a derivatives or securities-financing transaction.

The Group takes on counterparty credit risk when it enters into derivatives transactions (interest rate, foreign exchange, equity, credit and commodity contracts) and securities-financing transactions ("SFTs") (which include repo agreements and securities lending).

Counterparty credit risk is managed by means of maximum tolerable potential future exposure ("PFE") lines on a set of maturity buckets. Line checks are performed prior to trading.

Furthermore, the Group has set limitations on transactions entailing specific wrong-way risk. The limitations cover the product range, the counterparty rating and the rating of the underlying securities.

The Group manages its exposure to market risk on fair value adjustments (“xVA”), including CVA, under separate limits in the xVA framework as described under “—Market Risk” below.

As at December 31, 2018, 4.9 percent of the Group’s total REA related to counterparty credit risk, including central clearing counterparty (“CCP”) default risk and CVA risk charges.

Governance and Responsibilities

As part of the overall credit risk governance described under “—Credit Risk” above, the Group’s Credit Directive on Counterparty Risk Mitigation approved by the Group All Risk Committee sets the requirements for counterparty credit risk management.

Group Risk Management is responsible for consolidated counterparty credit risk management, risk modelling and reporting, while local credit departments are in charge of day-to-day risk management involving assigning specific credit lines for counterparty credit risk to the individual counterparties. Market & Liquidity Risk is responsible for developing counterparty risk exposure models, while an independent risk model validation team outside Market & Liquidity Risk validates the models.

Methodologies and Models

The Group uses a range of measures to capture counterparty credit risk, including current exposure, PFE and EAD.

Current exposure is a simple measure of counterparty credit risk exposure that takes into account only current mark-to-market values and collateral.

For risk management purposes, counterparty credit risk is measured as PFE at the 97.5 percentile for a set of future time horizons. All transactions are assumed to be held to contractual maturity.

The Group uses simulation-based models to calculate the potential future counterparty credit risk exposure. The models simulate the potential future market value of each counterparty portfolio of transactions while taking netting and collateral management agreements into account. For transactions not included in the internal simulation model (less than 5 percent), the potential change in market value is determined as a percentage (add-on) of the nominal principal amount. The size of the add-on depends on the transaction type, maturity, currency and collateral coverage and is determined using a conservative approach to ensure estimation adequacy.

The DFSA approved the Group’s simulation model for calculating the regulatory capital requirement for counterparty credit risk in 2015.

More advanced measures, such as EAD, which is a regulatory measure, express potential future losses and are based on internal models for future scenarios of market data.

Monitoring and Reporting

The Group carries out counterparty credit risk measurement and monitoring as well as intraday line utilization monitoring on a daily basis. Consolidated counterparty credit risk exposure is reported to senior management.

The internal simulation model is subject to quarterly backtesting of the underlying risk factors and resulting exposures. It is also subject to an annual validation performed by an independent validation team.

Data and Systems

The Group has an integrated system covering all aspects of counterparty credit risk management. The system is integrated with all trading systems, the master agreement management system, the collateral management system and market data systems.

Internal management and monitoring of counterparty credit risk are performed in the Group’s line system. The system covers all aspects of the internal counterparty credit risk management process, including the assignment of lines, monitoring and control of line utilizations, registration of master agreements, measurement and management reporting.

Counterparty Credit Risk Exposure

Current gross exposure is the total of all positive market values from transactions made before balance sheet netting (netting effect) and collateral reduction (collateral effect). It is equivalent to the total amount of derivatives with positive fair value on the balance sheet. As at December 31, 2018, the Group’s current gross exposure to derivatives was DKK 371 billion (December 31, 2017: DKK 399 billion). If the netting effects and collateral received are taken into account, the current exposure to derivatives was DKK 30 billion (December 31, 2017: DKK 30 billion). As at December 31, 2018, the Group

was more or less evenly exposed to public institutions, commercial property companies, financial institutions and corporates.

In 2018, the Group cleared approximately 58 percent of the total notional amount of derivatives transactions through central clearing counterparties and used collateral agreements to support approximately 95 percent of non-cleared transactions.

The following tables set forth the Group's current exposure to derivatives and SFTs before and after netting and collateral on current exposure as at the dates indicated:

	As at December 31, 2018		
	Total	Derivatives	SFTs
	(DKK in millions)		
Current gross exposure	389,986	383,321	6,665
Current exposure after netting.....	73,687	68,636	5,051
Current exposure after netting and collateral	31,240	26,448	4,792

	As at December 31, 2017		
	Total	Derivatives	SFTs
	(DKK in millions)		
Current gross exposure	407,151	399,452	7,699
Current exposure after netting.....	80,177	74,820	5,357
Current exposure after netting and collateral	34,979	29,788	5,191

	As at December 31, 2016		
	Total	Derivatives	SFTs
	(DKK in millions)		
Current gross exposure	528,847	520,722	8,125
Current exposure after netting.....	90,965	84,833	6,132
Current exposure after netting and collateral	46,845	40,946	5,899

As at December 31, 2018, approximately 87 percent of the exposure related to counterparties with a classification comparable to investment grade.

Approximately 63 percent of the Group's collateral agreement holdings consisted of cash as at December 31, 2018. The remainder consisted of mainly Danish and Swedish mortgage bonds and government bonds issued by Denmark, France, Germany, the Netherlands, Norway, Sweden and the United States.

Exposure Relating to Counterparty Credit Risk and Credit Exposure from Trading and Investment Securities

The following table sets forth a breakdown of the Group's exposure to counterparty credit risk from derivatives and credit exposure from trading and investment securities as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in millions)		
Counterparty credit risk			
Derivatives with positive fair value	244.3	256.9	326.4
Reverse transactions and other loans at fair value ⁽¹⁾	319.4	—	—
Credit exposure from other trading and investment securities			
Bonds	441.6	496.7	503.5
Shares.....	6.3	20.3	23.1
Other unutilized commitments ⁽²⁾	0.3	0.4	0.5
Total	<u>1,011.9</u>	<u>774.3</u>	<u>853.5</u>

(1) Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of C&I. As at December 31, 2018, these loans consist of reverse transactions of DKK 317.8 million, of which DKK 56.3 million relates to credit institutions and central banks, and other primarily short-term loans of DKK 1.6 billion, of which DKK 0.6 billion relates to credit institutions and central banks.

(2) Other unutilized commitments comprise private equity investment commitments and other obligations.

Market Risk

General

Market risk is the risk of losses or gains caused by changes in the market values of the Group's financial assets, liabilities and off-balance-sheet items resulting from changes in market prices or rates. Market risk affects the Group's financial statements through the valuation of on-balance-sheet and off-balance-sheet items; some of the Group's financial

instruments, assets and liabilities are valued on the basis of market prices, while others are valued on the basis of market prices and valuation models developed by the Group. In addition, net interest income generated through the non-trading portfolio will be affected by the level of interest rates. As at December 31, 2018, market risk accounted for 4.1 percent of the Group's total REA.

The Group's market risk management is intended to ensure proper oversight of all market risks, including both trading-related market risk and non-trading-related market risk as well as market risk in relation to fair value adjustments. The market risk framework is designed to systematically identify, assess, monitor and report market risk.

The Group manages its market risk by means of three separate frameworks for the following areas:

- Trading-related activities at C&I;
- Fair value adjustments (xVA) at C&I; and
- Non-trading portfolio at Group Treasury.

The Group manages the market risk associated with its trading activities in the financial markets. In particular, the Group hedges the market risk incurred from market-making activities and client flows by taking positions in financial instruments, assets and liabilities that offset this market risk. In addition, the Group uses financial instruments to hedge the fair value adjustments (xVA) in relation to derivatives trading.

Interest rate risks, and other market risks, associated with the assets and liabilities of the non-trading portfolio are managed by Group Treasury.

The market risk at Danica Pension and on the Group's defined benefit pension plans is managed separately. For more detailed information, see "*Pension Risk*" below.

Governance and Responsibilities

The Market Risk Policy set by the Board of Directors lays out the overall framework for market risk management and identifies the boundaries within which the Group's market risk profile and business strategy are defined. The Market Risk Policy is supported by the Market Risk Instructions set by the Board of Directors. The latter document defines the overall limits for various market risk factors and additional boundaries within which trading activities are performed.

Market risks are managed by C&I and Group Treasury (first line of defense) through implementation of the Market Risk Policy and the Market Risk Instructions into standard operating procedures and the control environment. Market risks in relation to other business units are transferred to and managed by Group Treasury. The units own, identify and manage the market risk and perform operational and managerial controls in the day-to-day risk management.

Market & Liquidity Risk (second line of defense) within Group Risk Management owns the market risk framework and is in charge of market risk oversight and control of the first-line-of-defense units. Market & Liquidity Risk is accountable for developing and maintaining the Market Risk Policy, Market Risk Instructions, the market risk appetite and the market risk framework.

Oversight and control processes at Market & Liquidity Risk encompass current and emerging risk monitoring, limit control, portfolio analysis, stress testing, reporting to senior management and challenging the risk management practices performed by first-line-of-defense units. Group Accounts is accountable for the independent price verification ("*IPV*") framework and prudent valuation, while Business Intelligence is accountable for profit and loss control.

Methodologies and Models

The Group uses a range of measures forming a framework that captures the material market risks to which the Group is exposed. Both conventional risk measures, such as sensitivity and market value, and mathematical and statistical measures, such as VaR, are used in day-to-day market risk management. The Group also develops and maintains internal models that are used for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices.

Value-at-Risk

The current internal market risk model was acknowledged by the DFSA in 2007 and has since then been used for the calculation of regulatory capital for the Group and the Bank. The model covers interest rate risk, equity market risk and exchange rate risk. At the end of 2011, the model was approved to cover interest rate basis risk, interest rate volatility risk and inflation risk. In 2015, the model was further approved to include bond-specific risk and equity-specific risk. At the same time, the Group's incremental risk model was included in the framework.

VaR is a quantitative measure that shows, with a certain probability, the maximum potential loss that the Group will suffer within a specified holding period. In the day-to-day risk management of trading-related positions, the internal VaR model estimates the maximum potential loss from changes in market risk factors assuming unchanged positions for one day.

In general, a VaR model estimates a portfolio's aggregate market risk by incorporating a range of risk factors and assets. As a result, the VaR measure takes portfolio diversification or hedging activities into account. VaR has well-known limitations, and the Group has a comprehensive stress testing framework in place to mitigate these limitations.

The following table sets forth the Group's VaR model:

	Risk monitoring VaR limit	Capital requirement VaR	Capital requirement stressed VaR	Backtesting
Value-at-Risk				
Percentile	95	99	99	99
Holding period	1 day	10 days	10 days	1 day
Historical data used.....	2 years	2 years	1 year	1 year
Period.....	Recent	Recent	1-year period of significant financial stress relevant to the Group's portfolio	Recent

All figures are calculated and reported internally on a daily basis. Figures are calculated using full revaluations in all their details by using the front-office pricing models.

The VaR used for risk monitoring and capital requirement calculations is based on two-year sliding historical data, and each calculation is based on 1,000 scenarios using bootstrapping of one-day returns. Scenarios are time-weighted – 70 percent of all scenarios are based on the most recent one-year period.

Risk factor returns are calculated as absolute returns for spreads and volatilities and as proportional returns for equities and foreign exchange rates. A mixed approach is used for interest rates.

Stressed VaR is calculated using a holding period and historical data from a continued 12-month period of significant financial stress relevant to the Group's portfolio. Scenarios are equally weighted. A structured approach is used for identifying the historical period representing a significant stress on the current portfolios. The historical period is identified by running the full VaR model over a comprehensive historical period to identify the 12-month period since 2008 that produces the highest VaR for the current portfolio. On this basis, the most stressed periods are identified and analyzed in more detail in order to validate the period to be used for calculating stressed VaR. For most of 2018, stressed VaR was calculated on the basis of the period from January 2012 to January 2013. At the beginning of 2019, the stress period was changed to run from September 2008 to September 2009. The stress period was changed due to changes to the composition of the Group's portfolio.

Backtesting of the Internal VaR Model

Regulatory backtesting is conducted on a daily basis to document the performance of the internal VaR model. The backtesting procedure compares 1-day VaR calculated on trading book positions with actual and hypothetical profit/loss results. Actual profit/loss is defined as the loss or gain from actual changes in the market value of the trading book when daily closing values are compared with the subsequent business day's closing values (that is, intraday trades on the subsequent business day are included). Hypothetical profit/loss is defined as the loss or gain calculated within the model framework resulting from keeping the portfolio unchanged for one business day (that is, no intraday trading is included, although market prices change). If the hypothetical or actual loss exceeds the VaR, an exception has occurred.

Since the VaR figures used for backtesting are based on a confidence level of 99 percent (as in the calculation of regulatory capital), the expected number of exceptions per year is two to three. The backtesting of the internal VaR model showed one exception in hypothetical profit/loss in 2018.

Incremental Risk Charge (IRC)

Incremental risk charge ("IRC") is an additional capital charge to be added to the multiplier-adjusted VaR and stressed VaR capital charges. No diversification effects between capital charges are thus taken into account.

The IRC model captures rating migration and default risk on a one-year horizon for all instruments subject to specific interest rate risk: bonds, mortgage-backed securities, bond futures and options, mortgage bond futures and credit default swaps ("CDSs"). The model estimates a profit/loss distribution through Monte Carlo simulations of credit events for all issuers based on transition matrices. A total of 200,000 scenarios is used. The correlation between issuers is captured by

using a one-factor Gaussian copula. The correlation parameter is estimated quarterly on the basis of pairwise correlations of bond and CDS spread time series.

Ratings and transition matrices used in the model are based on information from the major rating agencies. Ratings are updated on an ongoing basis, while transition matrices are updated annually. A constant liquidity horizon of one year is used for all instruments. A cross-sectional model including factors such as rating, sector, region and maturity is used for the translation of simulated rating migrations to corresponding spread changes. The model is recalibrated quarterly.

Portfolio analysis and stress testing

The Group performs market risk portfolio analyses and stress testing on a regular basis and in relation to specific events in trading and financial markets.

On a monthly basis, the Group analyzes the relationship between market risk and income for the trading sections at C&I.

The market risk stress testing program is designed to underpin prudent market risk management. Efforts are made to ensure that the net effect under various stressed conditions is taken into account in the risk assessment and monitoring processes. The purpose of market risk stress testing is threefold:

- The primary purpose is to assess the adequacy of the Group's financial resources for periods of severe stress and develop market-risk-related contingency plans for the Group if the need arises.
- A secondary purpose is to promote risk identification and add further insight into the need for setting new limits.
- A third purpose is to serve as a supplement to the ongoing quality assurance for market risk management practices.

The complexity of the methodologies ranges from simple sensitivity analyses to complex scenario stress testing proportionally suited to the purpose of the stress test.

Regulatory Capital for Market Risk

The Group uses the internal VaR model to measure the risk exposure amount for market risk in its trading book. The trading book covers trading-related market risk at C&I and hedging in relation to fair value adjustments of interest rate risk and the part of the CDS spread hedges that is not included in the risk exposure amount calculations for CVA risk.

The Group also uses the internal VaR model for calculating the stressed VaR capital charge. Incremental risks, such as default and rating migration risks on bond issuers and CDS names, are estimated in the incremental risk model.

The risk exposure amount for the Group's minor exposures to commodity risk and collective investment undertakings is calculated according to the standardized approach.

The risk exposure amount for CVA risk is measured mainly using the internal VaR model based on exposure calculations from the counterparty risk exposure model and allocated CDS spread hedges. The risk exposure amount for CVA risk from the Group's minor exposure to transactions not included in the counterparty risk exposure model is calculated according to the standardized approach.

Model Validation

The Group conducts a variety of activities to maintain well-performing models in the market risk area. The activities can be divided into the validation of valuation and behavioral models used in day-to-day risk management and validation of internal models used for calculating regulatory capital.

Market & Liquidity Risk is responsible for validating valuation and behavioral models independently of the development process. A model must be validated before the trading unit can trade in any new type of product that is priced or risk-managed according to that model. The purpose of the validation process is to evaluate, independently of the business unit, whether the stability and quality of the model are sufficient to enable the Group to price and risk-manage the financial products in question in a satisfactory manner.

To supplement the initial validation of valuation and behavioral models, the Group has established an ongoing monitoring process in which the crossing of specific thresholds (such as indications of a deterioration in model quality or an increase in the magnitude of risk involved) calls for additional validation activities.

An independent validation unit carries out the validation of internal models used for the regulatory capital calculations, including the validation of material changes to existing internal models and recurring validations of major model assumptions. The standards for these validations are set forth in the Group's Model Risk Policy, which is detailed and complemented by relevant instructions.

In addition, the Group conducts a number of activities to monitor the internal VaR model on an ongoing basis. These activities include an annual review of the model in accordance with regulatory requirements, quarterly risk factor reviews and daily backtesting of the model. The quarterly risk factor reviews include an assessment of the materiality of risk factors that are not included in the model. Currently, the internal VaR model contains all significant risk factors.

Market Risk Management

The Group manages its market risk by means of three separate frameworks for the following areas:

- trading-related activities at C&I;
- xVA at C&I; and
- non-trading portfolio at Group Treasury.

The Group manages the market risk associated with its trading activities in the financial markets. In particular, the Group hedges the market risk incurred from market-making activities and client flows by taking positions in financial instruments, assets and liabilities that offset this market risk. In addition, the Group uses financial instruments to hedge the xVA in relation to derivatives trading.

Market Risk Appetite

The Group operates with a market risk appetite for its trading-related activities. The market risk appetite is determined in a risk mandate assessment that is based on the Group's business strategy, the market environment expected in the near future as well as moderately and highly stressed market environments. The purpose of the risk mandate assessment is to measure the effect of proposed limits by quantifying the expected earnings of using the limits and the potential loss if the expectations do not materialize. The market risk appetite for trading-related activities is approved by the Board of Directors and reassessed at least once a year.

The Group's exposure to the risk on fair value adjustments is managed under separate limits for changes in CDS spreads and interest rates supplemented by a zero appetite for exposure to foreign exchange rate changes.

The Group's exposure to market risks in the non-trading portfolio is managed under selected limits and operational targets that govern and control the market risk on these activities in relation to specific capital, liquidity, operational and earnings objectives.

Limit Framework

Market risk limits are set in terms of various metrics so that activities subject to market risk are covered from several perspectives. The Group operates with three levels in the limit hierarchy for market risk (encompassing trading-related, xVA-related and non-trading portfolio market risks): Board of Directors limits, Group All Risk Committee limits and detailed operational limits.

Board of Directors limits are set by the Board of Directors in the Market Risk Instructions. This document defines overall limits for specific major risk factors. The overall limits are supplemented by a VaR limit for trading-related market risk. The Group All Risk Committee delegates the Board of Directors limits to business units and assigns additional limits for less significant risk factors. Detailed operational limits for trading-related market risk are set at business area and trading section levels for relevant risk categories and metrics. The operational limit structure is sufficiently granular to facilitate effective control of market risk and to provide an overview and understanding of activities undertaken by the various units under the three distinct market risk frameworks.

Risk Identification and Assessment

The Group markets, trades and takes positions in products entailing a variety of market risk components. Most of the Group's market risks involve relatively simple products. The Group does not take on risk exposure to complex securitization instruments for which it cannot measure and monitor the embedded market risks.

New initiatives and products are systematically reviewed in relation to the current product and market risk models. New products and business proposals are assessed in relation to current risk management practices and IT systems.

Furthermore, the Group may identify a need to take into account new risk factors through a review of the strategy. If the Group wants to expand its business into specific products or instruments, there may be a need for additional metrics and limits.

Monitoring and Reporting

The Group carries out market risk controlling and reporting on a daily basis. The controlling process involves continuous intraday monitoring of limit utilizations with a full portfolio update every 30 minutes. The monitoring system is linked directly to front office trading systems and automatically flags any limit excess. The business units and trading sections must comply with limits at all times. If a limit is breached, the unit responsible must document the cause and submit an action plan to rectify the situation. All limit breaches are reported to the relevant authority within the limit structure.

The Group produces a range of internal market risk reports and provides input to other reports in which market risk monitoring is presented.

The Board of Directors and senior management receive regular reports that provide an overview of the Group's portfolios, main risk drivers and stress testing results in order to support decision-making. This also includes information on the allocation of regulatory capital to the various business units and trading activities. Furthermore, detailed reporting (on a daily and weekly basis) provides granular metrics to senior management at C&I and Group Treasury for day-to-day risk management purposes.

Market Risk Profile

Trading-related Market Risk at Corporates & Institutions

The activities that involve market risk in the trading portfolio derive mainly from the Group's initiatives to provide C&I clients with risk management solutions (offering all of its products to Nordic customers and core Nordic products to customers outside the Nordic region). Trading market risk also arises from providing institutional clients with euro products, mainly government bonds and simple derivatives. Advanced derivatives are traded predominantly with professional customers, while simple products are distributed to Banking DK, Banking Nordic, Wealth Management and corporate customers.

Within the trading portfolio, the main activities focus on interest rate risk management, both from a customer and a position-taking point of view. Interest rate risk management includes trading and risk-taking in a range of fixed income assets, money-market instruments and other assets with interest rate risk, including mortgage-related bonds. These transactions form an important part of the activities performed in the Group's domestic markets.

The Group's business activities involve a natural flow of various currencies. These are primarily currencies related to the Group's domestic markets in the Nordic region. They include all major currencies in support of the Group's Nordic customers and, to a lesser extent, other currencies requested by customers in these areas. However, taking on foreign exchange risk is limited relative to the market risk derived from interest rates.

For trading and risk-taking in equity-related assets, the objective is to have a leading market position in the Nordic equity market. Taking on equity market risk is limited relative to the market risk derived from interest rates.

The following table sets forth information on the VaR for trading-related activities at C&I (VaR estimates for the various risk types are calculated on a standalone basis, while the total VaR includes diversification effects; confidence level of 95 percent, one-day horizon), by risk category as at the dates indicated:

	2018		2017		2016	
	Average	As at December 31	Average	As at December 31	Average	As at December 31
	(DKK in millions)					
Bond spread risk	22	19	32	28	40	50
Interest rate risk	27	23	35	37	36	51
Foreign exchange risk	3	2	3	3	3	3
Equity risk	5	3	8	6	4	9
Diversification effects	(28)	(17)	(32)	(37)	(39)	(46)
Total VaR	<u>30</u>	<u>30</u>	<u>46</u>	<u>37</u>	<u>44</u>	<u>67</u>

The Group continued to maintain a low risk in its trading operations in 2018, with average trading-related market risk decreasing from DKK 46 million in 2017 to DKK 30 million in 2018. Throughout the period, the risk related chiefly to fixed income products, which gave rise to interest rate risk and bond spread risk. Because of substantial diversification, however, the two main risk factors hedged each other well.

Both interest rate risk and bond spread risk decreased in 2018. In addition, equity risk declined, while foreign exchange risk was more or less unchanged.

Market Risk in relation to Fair Value Adjustments

The Group's fair value adjustments xVA covers FVA, CVA and DVA. The Group applies a market-implied approach that is in line with industry best practice. When managing xVA, the Group focuses on managing economic risk rather than regulatory capital. This means that the Group recognizes market risk on all counterparties and not just counterparties in scope for the CVA risk charge. The Group's strategy is to continue developing the xVA model so that it remains in line with best market practice.

In order to reduce profit/loss volatility caused by xVA, the Group pursues a strategy to hedge the most significant risk in the financial markets to increase income stability and predictability under this framework. In practice, the Group buys a hedge of offsetting interest rate swaps and CDS contracts in the financial markets. The Group hedges open foreign exchange risk under this framework. Conversely, the Group may maintain exposure to own funding spread risk and sovereign spread risk.

In 2018, the xVA hedging strategy contributed to a 60 percent reduction in actual daily income volatility as compared with the volatility of an unhedged portfolio.

Market Risk in relation to the Non-trading Portfolio

The Group's exposure to market risk in the non-trading portfolio originates mainly from IRRBB. IRRBB derives from providing the Group's core banking customers with conventional banking products and from the Group's funding and liquidity management activities at Group Treasury. In addition, the Group holds a portfolio of unlisted shares relating mainly to private equity funds and banking-related investments.

Interest Rate Risk in the Banking Book

The Group has progressively increased its resources to manage the interest rate risk associated with the Group's banking book activities. The day-to-day management of this risk is overseen by Group Treasury.

IRRBB is driven by a number of factors: repricing mismatches between assets and liabilities, client behavioralization, optionality within client products booked within the banking book, and interest rate floors and options on assets and liabilities held by the Group. Annually, the Board of Directors determines the Group's interest rate risk appetite. This framework is translated into a limit framework used for risk management purposes. ALCO is responsible for monitoring and managing the Group's IRRBB exposure.

Group Treasury provides the first line of defense for IRRBB. This involves day-to-day management of the actual risk against the limit framework. Market & Liquidity Risk provides the second line of defense and maintains the risk management systems used for calculating the IRRBB measure. In addition, Market & Liquidity Risk maintains the limit framework and monitors adherence to the limits. On a monthly basis, the ALCO reviews IRRBB utilization against a series of risk measures. These cover prescribed regulatory metrics, the risk appetite as determined by the Board of Directors and other risk measures that are considered appropriate. The ALCO reviews IRRBB-related issues and monitors the level of both Economic Value and Earnings at Risk utilization.

The Group regularly reviews its IRRBB framework in order to make sure that it continues to have the capacity to capture banking book risks. Such reviews encompass new regulatory requirements and are aligned, where possible, with industry best practice. This framework seeks to identify scenarios that are generated by the following stressed situations: a parallel shift in interest rates, a non-parallel shift in interest rates, contractual floors on customer products and liabilities issued by the Group, and customer behavior. The latter is an important component and encompasses the ongoing assessment of non-maturing demand deposits ("NMDs"). The duration assigned to NMDs is reviewed annually. The ALCO reviews and endorses the sensitivity of this duration (any increase or decrease) together with volume adjustments.

The Group hedges interest rate risk on fixed rate loans and deposits mainly during the accounting origination process, while managing the risk on the following fixed rate items on a daily basis according to the limit framework:

- fixed rate mortgages in Denmark and other fixed rate loans that are not hedged as part of the accounting setup including operating leases sold by the Group's leasing operations;
- positions related to asset and liability management, including payments that are made in advance on Realkredit Danmark loans (monthly payments that are not passed on to bondholders until the end of the quarter or year);
- bonds held in the hold-to-maturity and available-for-sale portfolios established by the Group in 2013 to stabilize net interest income by hedging its fixed rate liabilities;
- interest rate risk exposure from NMDs; and

- other interest rate risk exposures, that is, embedded contractual interest rate floors on assets (such as lending contracts) and fluctuations in risk from changes in the core banking balance sheet composition as well as risk migration from changes to behavioral assumptions.

IRRBB is capitalized as a Pillar II risk.

Equity Investments

In its risk management of shares outside the trading book, the Group makes a distinction between ordinary open positions (including positions in associated companies), exposure to private equity funds (including exposure in the form of commitments), and banking-related investments. Banking-related investments consist of equity holdings primarily in financial infrastructure businesses.

As at December 31, 2018, the total value of the portfolio was approximately DKK 1.7 billion, as compared to DKK 2.1 billion as at December 31, 2017.

Bond Portfolio

As at December 31, 2018, the Group's bond holdings amounted to DKK 441,636 million calculated as the carrying amount (including Danica Pension's own bond holdings). Most of the bonds are Danish mortgage bonds, Swedish covered bonds and other covered bonds under public supervision.

The following tables set forth a breakdown of the Group's bond portfolio by type and external rating category as at the dates indicated:

	As at December 31, 2018						
	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
	(DKK in millions)						
AAA.....	111,689	2,474	209,353	42,081	8,319	148	374,064
AA+.....	20,341	470	—	—	35	123	20,969
AA.....	22,757	701	—	—	799	1,595	25,852
AA-.....	4,911	—	—	—	2	173	5,087
A+.....	—	—	—	—	—	570	570
A.....	3,738	—	34	—	4	2,117	5,893
A-.....	1	—	—	—	—	360	362
BBB+.....	4,358	—	—	—	—	426	4,784
BBB.....	218	—	23	—	—	736	976
BBB-.....	2,368	—	—	—	—	281	2,649
BB+.....	4	—	—	—	—	170	174
BB.....	—	—	—	—	—	127	127
BB-.....	—	—	—	—	—	30	30
Sub-investment grade or unrated.....	—	—	—	—	—	99	99
Total.....	170,386	3,645	209,410	42,081	9,158	6,956	441,636

	As at December 31, 2017						
	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
	(DKK in millions)						
AAA.....	84,721	2,699	241,350	60,360	11,561	1,693	402,384
AA+	21,127	343	—	—	336	126	21,932
AA.....	32,258	1,365	57	—	192	782	34,653
AA-	8,362	—	100	—	—	92	8,554
A+	138	—	—	—	130	256	524
A.....	3,252	—	14	—	857	1,481	5,604
A-	—	—	—	—	—	427	427
BBB+	85	—	—	—	—	391	476
BBB.....	20,496	—	6	—	—	486	20,989
BBB-	—	—	—	—	—	197	197
BB+	256	—	—	—	—	141	397
BB	—	—	—	—	—	353	353
BB-	—	—	—	—	—	39	39
Sub-investment grade or unrated.....	31	—	3	—	4	172	209
Total.....	170,725	4,406	241,530	60,360	13,080	6,637	496,739

As at December 31, 2016

	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
				(DKK in millions)			
AAA.....	77,321	1,174	249,851	59,816	13,185	2,856	404,203
AA+.....	32,417	342	—	—	630	568	33,957
AA.....	24,128	1,007	57	—	177	875	26,244
AA-.....	9,520	—	111	—	—	314	9,945
A+.....	919	—	—	—	101	466	1,486
A.....	1,628	—	—	—	49	1,357	3,034
A-.....	2,375	—	1	—	—	128	2,504
BBB+.....	864	—	—	—	—	449	1,312
BBB.....	18,632	—	30	—	8	751	19,421
BBB-.....	—	—	—	—	—	291	291
BB+.....	84	—	—	—	—	192	276
BB.....	—	—	—	—	—	289	289
BB-.....	—	—	—	—	—	20	20
Sub-investment grade or unrated.....	—	—	—	—	7	487	495
Total.....	<u>167,888</u>	<u>2,523</u>	<u>250,050</u>	<u>59,816</u>	<u>14,157</u>	<u>9,043</u>	<u>503,477</u>

The following tables set forth a breakdown of the Group's bond portfolio by type and geography as at the dates indicated:

As at December 31, 2018

	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
				(DKK in millions)			
Denmark.....	39,404	—	209,263	—	—	782	249,450
Sweden.....	42,755	—	146	42,081	—	1,939	86,920
United Kingdom.....	6,306	—	—	—	1,989	159	8,454
Norway.....	10,539	—	—	—	3,867	1,700	16,106
United States.....	11,055	338	—	—	—	4	11,397
Spain.....	4,360	—	—	—	2	1	4,362
France.....	11,421	—	—	—	948	387	12,757
Luxembourg.....	—	2,841	—	—	—	3	2,843
Finland.....	10,944	435	—	—	1,041	653	13,073
Ireland.....	3,738	—	—	—	8	13	3,758
Italy.....	1,488	—	—	—	—	2	1,490
Portugal.....	899	—	—	—	—	—	899
Austria.....	3,717	—	—	—	—	12	3,729
Netherlands.....	7,848	—	—	—	94	477	8,419
Germany.....	11,287	—	—	—	993	50	12,330
Belgium.....	4,625	—	—	—	85	5	4,715
Other.....	—	32	—	—	132	769	933
Total.....	<u>170,386</u>	<u>3,645</u>	<u>209,410</u>	<u>42,081</u>	<u>9,158</u>	<u>6,956</u>	<u>441,636</u>

As at December 31, 2017

	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
				(DKK in millions)			
Denmark.....	22,830	—	241,527	—	406	2,220	266,983
Sweden.....	25,882	—	—	60,360	—	1,855	88,097
United Kingdom.....	5,899	—	—	—	1,787	196	7,883
Norway.....	4,577	—	3	—	5,781	495	10,855
United States.....	11,014	158	—	—	—	12	11,184
Spain.....	12,387	—	—	—	132	—	12,519
France.....	20,234	—	—	—	955	613	21,802
Luxembourg.....	—	3,194	—	—	—	4	3,198
Finland.....	16,390	1,054	—	—	1,685	698	19,827
Ireland.....	3,252	—	—	—	3	7	3,262
Italy.....	8,194	—	—	—	—	7	8,201
Portugal.....	256	—	—	—	—	—	256
Austria.....	9,070	—	—	—	227	3	9,299
Netherlands.....	7,457	—	—	—	224	342	8,024
Germany.....	15,752	—	—	—	1,351	62	17,165
Belgium.....	7,297	—	—	—	116	4	7,418
Other.....	234	—	—	—	414	119	768
Total.....	<u>170,725</u>	<u>4,406</u>	<u>241,530</u>	<u>60,360</u>	<u>13,080</u>	<u>6,637</u>	<u>496,739</u>

As at December 31, 2016

	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
				(DKK in millions)			
Denmark.....	21,663	—	250,050	—	—	3,587	275,300
Sweden.....	19,253	—	—	59,816	3	1,542	80,614
United Kingdom	8,669	1	—	—	2,214	225	11,109
Norway.....	4,450	—	—	—	6,436	792	11,678
United States	8,638	169	—	—	—	38	8,845
Spain	12,201	—	—	—	210	—	12,411
France.....	21,311	—	—	—	1,138	448	22,897
Luxembourg.....	—	2,353	—	—	—	—	2,353
Finland	16,811	—	—	—	2,510	1,076	20,398
Ireland	4,393	—	—	—	32	10	4,435
Italy	7,296	—	—	—	—	—	7,296
Portugal.....	84	—	—	—	—	—	84
Austria.....	8,560	—	—	—	227	435	9,222
Netherlands	8,561	—	—	—	271	491	9,323
Germany.....	17,061	—	—	—	653	58	17,772
Belgium.....	8,480	—	—	—	128	—	8,608
Other	458	—	—	—	335	340	1,133
Total	<u>167,888</u>	<u>2,523</u>	<u>250,050</u>	<u>59,816</u>	<u>14,157</u>	<u>9,043</u>	<u>503,477</u>

Liquidity Risk

General

Liquidity risk is the risk that a lack of funding leads to excessive costs or prevents the Group from maintaining its business model or from fulfilling its payment obligations. The Group manages this liquidity risk by holding sufficient liquidity reserves to meet its obligations and to support its strategies, business plans and rating ambitions even in stressed situations.

Liquidity Risk Profile

Liquidity risk is inherent in basic banking activities such as accepting deposits and providing loans and credits. The transformation of short-term deposits into long-term loans exposes banks to maturity mismatches that cannot be eliminated. Liquidity risk is broken down into the following two key elements, each of which is addressed through a Liquidity Risk Appetite statement:

- *Distance to default:* Management must have sufficient time to respond to events and developments in order to avoid financial or regulatory default.
- *Market reliance:* The use of wholesale funding instruments reflects the Group's loan-to-deposit deficit and its maturity transformation profile. If new funding is required too frequently, the Group may be vulnerable to investor sentiments, market stress and market dysfunctionalities.

The Group's liquidity risk appetite is conservative, and the Group must maintain both a strong liquidity position and a strong funding position. By ensuring sufficient time to respond in case of a prolonged crisis, management will be able to adjust to changed conditions in a controlled manner, thus avoiding any costly and hasty reactions to short-term market volatility. By reducing market reliance, the Group reduces the effects of market volatility and ensures the sustainability of its long-term business model. This allows it to serve customers at any time during the business cycle.

Realkredit Danmark and Danica Pension manage their own liquidity risks. Realkredit Danmark, which issues mortgage bonds, is largely self-financing and its liquidity is managed separately from the rest of the Group. Danica Pension's balance sheet includes assets and long-term life insurance liabilities. Most of Danica Pension's assets are readily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to the Bank. Except where otherwise noted, in this section "*Liquidity Risk*," "Group" refers to the banking units only; that is, it does not include Realkredit Danmark and Danica Pension.

Risk Indicators

The Group monitors the two key elements through a set of risk indicators that make up the Group's liquidity risk profile. The risk indicators used for managing the distance to default allow the Group to adjust the size and composition of its liquidity reserve to meet its obligations in case of a stressed liquidity situation. The Group uses the following indicators: the LCR, internal stress tests, and the operational two-week and four-week liquidity curves. The LCR covers a 30-day stressed period, while the internal stress tests cover a three-month stressed period.

The risk indicators used for managing market reliance allow the Group to maintain a prudent composition of its liabilities because they ensure that there is sufficient long-term funding for maturing long-term assets. This reduces any pressure on the Group in a situation involving a liquidity crisis. Until the introduction of the NSFR, the Group's funding ratio will

remain the key indicator for market reliance. The Group oversees the maturity profile of its long-term funding to keep the portions of long-term funding maturing within a twelve-month horizon at an acceptable level.

For additional information on the Group's LCR and NSFR, see “*Operating and Financial Review and Prospects—Funding and Liquidity—Liquidity Requirements.*”

The Group also monitors the diversification of its funding sources by product, currency, maturity and counterparty to ensure that its funding base provides the best possible protection. Special attention is devoted to the Norwegian Kroner and Swedish Kronor markets. Danske Bank has a deposit gap in the Norwegian and Swedish markets, meaning that the Group must obtain market funding. Covered bonds in Norwegian Kroner are issued by the Bank, whereas covered bonds in Swedish Kronor are issued by Danske Hypotek.

Liquidity Risk Framework

Governance and Responsibilities

Like other risk types, liquidity risk is governed according to the principle of three lines of defense. The Executive Board has centralized liquidity management in Group Treasury, and it is therefore the first line of defense for liquidity risk. Group Treasury must keep the liquidity risk profile within the risk appetite. Group Treasury also produces some of the liquidity risk indicators. The responsibility for short-term liquidity management is delegated to FI&C within certain limits and according to guidelines from Group Treasury.

Group Risk Management is the second line of defense. In particular, Liquidity Risk Management reviews and challenges the methodologies and metrics and monitors compliance with applicable limits. It is also in charge of the annual Internal Liquidity Adequacy Assessment Process, which is submitted to the Board of Directors and the supervisory authorities.

Liquidity risk management involves using a combination of risk indicators, risk triggers and risk policies. Two documents lay the foundation for this process: (i) the Liquidity Policy and Appetite and (ii) the Liquidity Instructions. Liquidity Policy and Appetite contains the overall principles and standards of the Group's liquidity risk management. It covers both the liquidity risk profile and the governance structure. Liquidity Instructions define the limits and the methods for calculating liquidity risk. Both are issued by the Board of Directors.

The ALCO manages the Group's balance sheet and funding mix in accordance with the liquidity risk appetite approved by the Board of Directors. As a subcommittee of the Group All Risk Committee, the ALCO has a strategic focus on asset and liability management components, such as net interest income, funds transfer pricing as well as interest and foreign exchange risks in the balance sheet.

The Group Liquidity Risk Committee (“**GLRC**”) is an ALCO subcommittee. The GLRC oversees the management of liquidity risk and funding at the Group level. Both the ALCO and the GLRC consist of representatives from the Executive Board, Group Treasury, FI&C and Group Risk Management.

The GLRC is empowered to challenge the way in which the liquidity risk profile is managed by Group Treasury, including the execution of the funding plan and the management of the liquidity reserve.

Liquidity management is centralized and conducted on a consolidated basis to ensure regulatory compliance at the Group level and compliance with internal requirements. Regulatory compliance and the maintenance of adequate liquidity reserves at subsidiaries are managed locally.

Models and Methodologies

Stress tests are a core element of the models and methodologies used by the Group to manage liquidity risk. Three of the six risk indicators making up the risk profile are based on stressed liquidity scenarios.

The Group conducts stress tests to measure its immediate liquidity risk in order to have sufficient time to respond to possible crises. The stress tests are conducted under various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis scenario and a combination of the two scenarios. A “stress-to-failure” test is also conducted.

All stress tests are based on the assumption that the Group does not reduce its lending activities. This means that existing lending will continue to require funding. The degree of possible refinancing of the Group's funding base varies depending on the scenario in question and on the specific funding source. To assess the stability of its funding, the Group considers the maturity and makes behavioral assumptions.

Liquidity Risk Management

The Group has implemented a new asset and liability management system. Combined with other initiatives, this has already resulted in enhanced liquidity risk management. The improvements include the overall and currency-specific LCR calculations as well as the monitoring of intraday liquidity.

Monitoring and Reporting

Liquidity Risk Management reports all limit breaches to the relevant parties and committees. Board of Directors limit breaches are reported to the Board of Directors and other relevant stakeholders (such as the GLRC, the Group All Risk Committee and the Executive Board). Group All Risk Committee limit breaches are reported to the Executive Board, the Group All Risk Committee and other relevant stakeholders, including the business units. Lower-level limit breaches are reported to the head of Liquidity Risk Management.

Liquidity risk reporting consists of overviews, analyses and forecasts for the most critical risk indicators such as the LCR. They outline the drivers and causes of changes in liquidity and give senior management a clear understanding of the Group's day-to-day liquidity risk profile.

Monitoring and reporting are conducted separately according to the principle of three lines of defense. Group Treasury, as the first line of defense, reports the risk measures, whereas Group Risk Management, as the second line of defense, monitors compliance with internal limits. Furthermore, Group Risk Management reviews and validates the models and assumptions used by the first line of defense for reporting risk measures.

Liquidity Risk Management monitors compliance with the risk limits set for the liquidity risk appetite. The LCR figures and operational liquidity are monitored and reported on a daily basis, while the other risk indicators are reported on a monthly basis to the GLRC and the Group All Risk Committee. Risk indicators are reported to the Board of Directors on a quarterly basis.

Liquidity Reserve

The Group's liquidity reserve is defined as all unencumbered liquid assets that are available to the Group in a stressed situation. Assets received as collateral are included in the reserve, whereas assets used as collateral are excluded.

During 2018, the liquidity reserve was reduced since the level of non-sticky deposits and short-term funding decreased as it was less profitable to take on these funds compared to 2017.

Many of the bonds held in the liquidity reserve are central-bank-eligible instruments, and they are important for intra-day liquidity needs and overnight liquidity facilities.

The amounts of liquidity are calculated using haircut values mandated for each asset category in the LCR regulation. Some assets are excluded entirely. In internal stress tests, valuations closer to actual market values are generally used.

Funding Sources

The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies. A diverse range of funding sources is intended to provide protection against market disruptions.

For additional information on the Group's funding, see "*Operating and Financial Review and Prospects—Funding and Liquidity—Funding*."

Non-financial Risk

General

Non-financial risk is described in the same context as how the Danish Executive Order on Management and Control of Banks defines operational risk: the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risks.

Non-financial Risk Management

The Group's approach to non-financial risk management is set out in policies, directives and instructions as established by the Board of Directors on an annual basis. The Operational Risk Policy lays out the responsibilities for managing non-financial risks across the three lines of defense as described under "*Risk Strategy and Governance—Risk Management Organization*" above.

The Group's second-line-of-defense operational risk function has oversight of all non-financial risks and will conduct stress testing in order to provide input to regulatory reports and industry-wide stress tests. Results may be used as an input for assessing the adequacy of non-financial risk capital.

Non-financial risk is managed within tolerance limits set to ensure that such risk does not cause material damage to the Group when it pursues its business strategy. The Group focuses on top risks, which are determined by the inherent risk rating since this is the realistic worst outcome of a potential failure. Thus, this constitutes the level of gross risk exposure to the Group. The approach to non-financial risk management is ongoing, forward-looking and designed to identify possible breakdowns in the Group's activities to mitigate risks. Priority is given to risks in the order of their materiality. The Group continues its efforts to improve processes and implement more effective controls to maintain an optimal balance between risks related to customer experience and the costs of control.

Governance and Responsibilities

The Operational Risk Committee ("ORCO") is a sub-committee of the Group All Risk Committee and meets on a monthly basis to oversee the implementation and maintenance of the Group-wide framework to manage non-financial risk.

Monitoring and Reporting

Top risks and notifiable events are reported to and monitored by the ORCO on a regular basis. The Executive Board will notify the DFSA of significant losses, including near misses, and will notify the relevant local financial supervisory authorities, where applicable. The requirements for appropriate and timely internal reporting across the Group to the Executive Board and the Board of Directors are set out in the Escalation Policy.

Semi-annually, the Group's non-financial risk loss events are reported to the DFSA on the basis of the EBA's standards for common reporting ("COREP"). Annually, non-financial risk is assessed within the scope of the ICAAP.

Non-financial Risk Profile

The Group standards require Group-level aggregation and monitoring of the non-financial risk profile against risk tolerance. The non-financial risk profile comprises two core components: monetary losses stemming from non-financial risk events and non-financial risk exposures derived from continuous risk assessments.

Non-financial risk events are operational risks that have occurred and may have caused a financial loss (a loss event), a regulatory, reputational or customer impact (a non-financial event), or a potential loss which was rapidly recovered (a near-miss event). Losses are quantified as gross losses and net losses (that is, the gross loss less the amount recovered).

In accordance with the Escalation Policy, significant losses, non-financial events and near-miss events are escalated to the Executive Board and the Board of Directors as well as to regulators, where applicable.

Non-financial risk exposures are monitored for both inherent risk and residual risk. These are potential risks identified by the Group for the purposes of management and prioritization. The risks are rated on the basis of the following risk assessment standard and matrix:

- *Inherent risk*: the realistic worst outcome of a potential failure in a process, system or activity.
- *Residual risk*: the risk remaining after assessment of the design and operational effectiveness of controls to mitigate the causes of inherent risk.

Insurance Risk

General

Insurance risk consists of the risks originating from the Group's ownership of Danica Group (Danica Pension), including market risk, life insurance risk and operational risk. The insurance risk framework is governed by Danica Pension's Board of Directors. On a daily basis, Danica Pension's Risk Management function monitors its Board of Directors' risk limits as well as solvency capital requirements, follows up on investment limits and calculates key risk figures for asset-liability management ("ALM") purposes.

Operating under the Solvency II rules, Danica Pension provides pensions as well as life and health insurance products in Denmark and Norway, while the sale of the Swedish activities was completed on May 2, 2019.

As part of its product offerings, Danica Pension provides guaranteed life annuities; insurance against death, disability and accident; and cover against adverse investment returns. This exposes the Group to underwriting risks, such as longevity and disability risk, and to market risk.

Underwriting risk is the risk of losses from the insurance business. At Danica Pension, these risks are almost exclusively life insurance risks, and they arise naturally out of the business model. Most underwriting risks materialize over long time horizons during which the gradual changes in biometric factors deviate from those assumed in contract pricing.

Danica Pension has a large offering of life annuities that will pay fixed pension benefits during a policyholder's lifetime, and this makes longevity risk the most prominent type of underwriting risk for the Group. Most pension products come with life and disability insurance, which entails exposure to mortality and disability risk. Health and accident insurance contracts are typically shorter, so slowly materializing risks can be handled by means of repricing.

In with-profits policies, the customers bear the market risk, but in case of large losses where the customer buffers are depleted, the shareholders will have to step in with funds to ensure the benefits guaranteed to the customers. If the customers bear all the investment risk (unit-link), losses may reduce assets under management and thus deplete future asset management fees in the long term.

Governance and Responsibilities

The general strategic goals and the risk management framework for Danica Pension are decided by its Board of Directors. It identifies the material risks to which Danica Pension is exposed and sets limits on measures of aggregate risk. The daily risk management activities are based on Danica Pension's risk management policy issued by its Board of Directors.

Danica Pension's risk management activities are overseen by its All Risk Committee, chaired by Danica Pension's chief risk officer, and it is responsible for monitoring the complete risk profile across all risk types and undertakings.

The All Risk Committee is supplemented by the Asset and Liability Management Committee (the "**ALM Committee**"), which manages the risks arising from the differences in exposures between assets and liabilities and ensures that limits from the Board of Directors are not breached. The ALM Committee is chaired by Danica Pension's CFO, and it has representatives from the risk, actuarial and investments functions.

Furthermore, the Valuation Committee chaired by the CFO has the purpose to, on an ongoing basis, assess the valuation of Danica Pension's illiquid investments such as real estate, unlisted equity investments, illiquid bonds and direct lending activities.

Risk Related to Danish With-profits Products

The main risk source at Danica Pension is the Danish with-profits pension product. This product offers policyholders an annuity of a guaranteed minimum amount in nominal terms, but lets customers participate in a collective investment pool where returns may lead to higher benefits than those guaranteed. The present value of the guaranteed benefits depends on the level of interest rates used for discounting. If the value of the assets falls below this level, the Bank as the only shareholder will have to cover the shortfall. Managing this product thus involves a combination of managing the risks on behalf of the policyholders and managing the risk that the Bank will have to cover losses.

Danica Pension uses interest rate hedging to maintain customer buffers and considers any duration mismatch between assets and liabilities to be an active investment decision. The interest rate used for discounting the technical provisions is the Solvency II discount curve. It is based primarily on the euro swap rate and also takes into account yields on Danish mortgage bonds and government bonds. It is not possible for Danica Pension to invest in instruments that completely hedge the liabilities using this discount curve, and therefore some basis risk remains. The level of the long end of the discount curve, for which no reliable market data are available, is determined by the European Insurance and Occupational Pensions Authority ("**EIOPA**"). The EIOPA updated the method for computing the volatility adjustment ("**VA**") to the liquid part of the discount curve in 2018. The update took effect on January 1, 2019 and has caused the Danish VA to decrease by around 12 basis points. The change did not have a material impact on the total provisions but increased the solvency capital requirement by DKK 1.5 billion.

Derivatives used for hedging may give rise to counterparty credit risk, but this is mitigated by requiring counterparties to provide full collateral and by using many counterparties with high ratings. Furthermore, Danica Pension uses central clearing.

The guaranteed life annuities included in the with-profits product give rise to longevity risk. Danica Pension generally does not hedge this risk since it is a natural element of the business model, but rather focuses on prudent pricing of the risk.

Longevity risk is managed by means of an internal model approved by the DFSA for use in solvency reporting. This model is based on the DFSA's life expectancy benchmark and longevity observations of Danica Pension's policyholders.

Risk Related to Unit-linked Products

Approximately 80 percent of unit-linked policies have no financial guarantees. In these policies, the policyholders bear all the investment risk. In the rest of the unit-linked policies, which consist mainly of Danica Balance policies, the

policyholders have investment guarantees. The guarantees do not apply until the time of retirement, and they are paid for by an annual fee.

The risk on these guarantees is managed by adjusting the asset allocation to high-risk assets for each individual policy. The adjustments ensure that sufficient funds are available to cover guarantees even after a substantial decline in asset prices.

Danica Pension's activities in Norway and Sweden accounted for 16 percent of its total provisions as at December 31, 2018. In these markets, Danica Pension offers mainly unit-linked products without guarantees, and this gives rise to relatively little risk.

Financial Risks

Market risk involves the risk of losses on assets in which the shareholders' equity of Danica Pension is invested and the risk of losses on policies with guaranteed benefits because of changes in the fair value of assets and liabilities allocated to these contracts. Such changes in fair value can be caused by changes in interest rates, exchange rates, equity prices, property prices, credit spreads and market liquidity and also by issuer or counterparty defaults. Insurance obligations carry interest rate risk owing to the guarantees issued. For example, if market interest rates drop, the fair value of insurance obligations increases.

Danica Pension monitors the market risk on an ongoing basis and has set maximum risk targets for each asset class. Danica Pension conducts internal stress tests to ensure that it can withstand significant losses on its equity and credit exposure and substantial changes in interest rates.

Concentration risk and counterparty credit risk are limited because of internal investing restrictions and the use of collateral management agreements for derivatives. Furthermore, Danica Pension uses central clearing to mitigate counterparty default risk.

Danica Pension hedges most of its foreign exchange risk. As at December 31, 2018, 55 percent was hedged (December 31, 2017: 62 percent; December 31, 2016, 90 percent).

Early surrender by policyholders may force Danica Pension to sell some of its investment assets at a low price. Danica Pension reduces this liquidity risk by investing a substantial portion of funds in liquid bonds and shares. The liquidity risk is also modest since Danica Pension can, to some extent, adapt the timing of payment upon surrender of pension schemes to the situation in the financial markets.

Policyholders assume the risk on investment assets under unit-linked contracts with the exception of policies with investment guarantees. As at December 31, 2018, approximately 18 percent (December 31, 2017: 16 percent) of policyholders had investment guarantees, related to Danica Balance, Danica Link and Tidspension. Danica Pension hedges the risks arising from guarantees in Danica Link and Tidspension. It manages the risk on Danica Balance guarantees by adjusting the investment allocation for the individual policies. Because of these hedging and risk management strategies, Danica Pension considers the investment risk on guarantees in unit-linked products to be minor.

Danica Pension has set a separate investment strategy for assets in which its shareholders' equity is invested.

Life Insurance Risks

Life insurance risks are linked to trends in mortality, disability, illness and similar factors. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, changes in mortality, illness and recoveries affect life insurance and disability benefits. Longevity, or increased life expectancy, is the most significant life insurance risk.

The various risk elements are subject to ongoing actuarial assessment for the purpose of calculating insurance obligations and making relevant business adjustments. Life insurance obligations are calculated on the basis of expected future mortality rates. Estimates are based on the DFSA's benchmark. The rates reflect a likely increase in future life expectancy.

For health and personal accident policies, insurance obligations are calculated on the basis of expected future recoveries and reopenings of old claims. Estimates are based on empirical data from Danica Pension's own portfolio of insurance contracts and are updated regularly.

To mitigate life insurance risk, Danica Pension reinsures large individual policy exposures. Danica Pension also reinsures the risk of losses due to disasters.

Sensitivity Analysis

Danica Pension continues to monitor its sensitivity to various shocks from market and underwriting risk, and a number of these shocks are presented in the table below. Losses borne by the shareholders in these scenarios are generally limited since most of the losses are absorbed by buffers or borne by the policyholders themselves.

The following table sets forth the effect on shareholders' equity of separate changes in interest rates, equity prices, real property prices, foreign exchange rates and counterparty defaults as at the dates indicated:

	As at December 31,		
	2018	2017	2016
	(DKK in billions)		
Change in equity			
Interest rate increase of 0.7–1.0 of a percentage point.....	0.1	(0.2)	(0.3)
Interest rate decrease of 0.7–1.0 of a percentage point.....	(0.3)	0.0	0.1
Decline in equity prices of 12 percent.....	(0.3)	(0.1)	(0.1)
Decline in property prices of 8 percent.....	(0.2)	(0.3)	(0.3)
Foreign exchange risk (VaR 99.0 percent).....	0.0	0.0	0.0
Loss on counterparties of 8 percent.....	(0.4)	(0.1)	(0.2)

Pension Risk

Pension risk arises from the Group's liability for defined benefit pension plans established for current and former employees. The Group's risk management strategy is for the plans to maintain a high concentration of fixed income assets that match liabilities to a high degree.

The Group's defined benefit pension obligations consist of pension plans in Northern Ireland, the Republic of Ireland and Sweden as well as a number of small pension plans in Denmark. In addition, the Group has unfunded defined benefit pension plans that are recognized directly on the balance sheet. All of the plans are closed to new members.

Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies, including Danica Pension. The Group has, to a minor extent, entered into defined benefit pension plans. Under defined benefit pension plans, the Group is under an obligation to pay defined future benefits from the time of retirement. The Group's defined benefit pension plans contain provisions stipulating the pension benefits that the individual employee will be entitled to receive on retirement. As the pension benefits will typically be payable for the rest of the employee's life, this increases the Group's uncertainty about the amount of future obligations since the liability and pension expenses are measured actuarially.

The following table sets forth an overview of the Group's pension plans as at December 31, 2018:

	As at December 31, 2018			
	Northern Ireland	Ireland	Denmark	Sweden
Pension plan for new employees.....	Defined contribution	Cash balance	Defined contribution	Defined contribution
Status of defined benefit pension plan.....	Closed to new members in 2004	Closed to new members in 2008	Closed to new members	Closed to new members in 2013
Gross liability, DKK in millions.....	9,348	3,828	765	1,838
Assets at fair value, DKK in millions.....	10,598	4,135	201	1,829
Net assets, DKK in millions.....	1,250	307	(564)	(9)
Number of members:				
Active.....	–	26	109	794
Deferred.....	2,315	832	–	1,435
Pensioners.....	2,368	571	159	731
Total.....	<u>4,683</u>	<u>1,429</u>	<u>268</u>	<u>2,960</u>

Note: In Norway, Finland and the Baltics, the Group operates defined contribution plans under which it pays fixed contributions into separate, legally independent entities and afterwards has no further obligations. The Group wound up its Norwegian defined benefit plan in 2005, but still has an early retirement pension obligation. The obligation amounted to DKK 22 million as at December 31, 2018. During 2016, part of the pension risk was transferred to Danica Pension in the form of a qualifying annuity covering pension liabilities of DKK 710 million. The annuity represents a pension plan asset and is eliminated in the financial statements of the Group.

As at December 31, 2018, the Group's IFRS aggregate net pension assets amounted to DKK 962 million, as compared to DKK 1,204 million as at December 31, 2017, and DKK 545 million as at December 31, 2016.

The Group's defined benefit plans are funded by contributions from the Group and individual contributions from employees. Each pension plan is managed by a separate supervisory board.

The Group monitors interest rate sensitivities and manages them within set boundaries. It uses derivative instruments as an additional tool to manage interest rate risks.

Market risk on pension plans is managed according to special follow-up and monitoring objectives. Procedures are in place to be followed in case of deviations from these objectives. Due to the complexity of pension obligations, the normal limit structure is not used for monitoring pension risk.

The Group All Risk Committee has defined risk targets for the Group's pension funds. To follow up on the objectives, the Group prepares quarterly risk reports that stress the individual plans' net obligations calculated on the basis of swap rates rather than actuarial discount rates. These levels are used in the Group's VaR model.

The Group calculates the market risk on defined benefit plans on a quarterly basis. The risk is expressed as VaR at a confidence level of 99.97 percent and on a one-year horizon. In this scenario, equity price volatility and the correlation between interest rates and equity prices are set at values reflecting normal market data. The duration of the pension obligations is reduced by half to take into account inflation risk. This is a widely accepted proxy that is also used by the DFSA, among others. The calculations are subject to ongoing review in order to ensure that the values of the volatility and correlation parameters are set appropriately. As at December 31, 2018, the Group's VaR was DKK 1,253 million (December 31, 2017: DKK 1,394 million).

The following table sets forth the sensitivity of the IFRS net pension obligation to changes in equity prices, interest rates and life expectancy:

	<u>Change</u>	<u>Effect 2018</u>	<u>Effect 2017</u>	<u>Effect 2016</u>
		(DKK in millions)		
Equity prices.....	-20 percent	(360)	(526)	(581)
Interest rates	+1/-1 percent	393/(152)	665/(220)	847/(470)
Life expectancy	+1 year	(330)	(354)	(442)

Pension obligations are measured in the Group's solvency calculations at fair value. Pension risk is covered by the ICAAP, and it is measured by VaR at a confidence level of 99.9 percent and on a one-year time horizon.

DESCRIPTION OF THE GROUP

Overview

The Group is the leading financial service provider in Denmark (source: the DFSA) measured by total working capital as at September 30, 2018, and one of the largest in the Nordic region measured by total assets as at March 31, 2019. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Bank is the largest bank in Denmark (source: the DFSA), is one of the larger banks in Finland and Northern Ireland and has challenger positions in Sweden and Norway. As at March 31, 2019, the Group's total assets amounted to DKK 3,715 billion and the Group employed 20,978 full-time equivalent employees. As at the same date, the Group had approximately 3.3 million customers and approximately 2.2 million customers used the Group's online services. The Group had 234 branches as at March 31, 2019.

The Bank is the parent company of the Group. Danske Bank is a Nordic bank with bridges to the world, and its core markets are Denmark, Sweden, Norway and Finland. In these countries, it serves all types of customers, from retail and commercial customers to large corporate and institutional customers. It also operates in Northern Ireland, where it serves both retail and commercial customers. The Group has additional offices in several other European countries including a subsidiary in Luxembourg and branch offices in Poland, Germany and the U.K., where its main offerings are solutions for Nordic and local businesses as well as private banking clients. The Group also conducts broker-dealer activities in the United States. See *“Operating and Financial Review and Prospects—Recent Developments—Strategic Business Review”* for an update on the Baltics and Russia.

The Group's History and Development

Danske Bank A/S was founded in Denmark and registered on October 5, 1871 and has, through the years, merged with a number of financial institutions. The Bank is a commercial bank with limited liability and carries on business under the Danish Financial Business Act. The Bank is registered with the Danish Business Authority.

In the period from 1997 to 2007, the Bank strengthened its position in the Nordic region through acquisitions. In 1997, it acquired Östgöta Enskilda Bank in Sweden, in 1999, Fokus Bank A/S in Norway and, in 2000, RealDanmark and its subsidiaries BG Bank A/S and Realkredit Danmark A/S. Furthermore, on March 1, 2005, the Bank acquired Northern Bank Limited in Northern Ireland and National Irish Bank in the Republic of Ireland, and, on February 1, 2007, it acquired Sampo Bank plc in Finland (now Danske Bank A/S, Finland Branch), including Sampo Bank plc's activities in the three Baltic countries and a subsidiary in St. Petersburg, Russia.

Effective June 1, 1998, all branches of Östgöta Enskilda Bank were converted into branches of the Bank and, effective April 1, 2007, Fokus Bank A/S and National Irish Bank were converted into branches of the Bank and, in June 2008, the three Baltic banks, AS Sampo Bank in Estonia, AS Sampo Banka in Latvia and AB Sampo bankas in Lithuania, were converted into branches of the Bank. In November 2012, the Group rebranded its banking units and since then it has marketed all its banking operations under the Danske Bank brand name. With effect from January 1, 2014, the Group refocused its activities in the Republic of Ireland to serve exclusively C&I clients. All other activities in the Republic of Ireland were transferred to the Non-core business unit. With effect from January 1, 2015, the Group refocused its activities in the Baltic countries to serve Business Banking customers. All personal banking customers in the Baltic countries were transferred to the Non-core business unit.

In October 2017, the Danish MobilePay activities were transferred from the Bank to the wholly owned subsidiaries MobilePay A/S and MobilePay Denmark A/S, which hold the intellectual property rights to MobilePay and the Danish MobilePay customers, respectively.

On June 26, 2017, Danske Hypotek was granted a license by the Swedish Financial Supervisory Authority to conduct financing business as a credit market company in Sweden as well as a license to issue covered bonds under the Swedish Covered Bonds Act. Danske Hypotek is a wholly owned subsidiary of the Bank and has been established for the purpose of managing the Group's issuance of covered bonds under the Swedish Covered Bonds Act. The Bank will originate mortgage loans to be contained in the cover pool of Danske Hypotek under the terms of a mortgage loan sale agreement. In addition to acquiring mortgage loans originated by the Swedish Branch of the Bank, Danske Hypotek may, in the future, originate its own Swedish mortgage loans as an original lender. All properties that constitute security for the mortgage loans in the Danske Hypotek cover pool will be located in Sweden.

On October 31, 2017 the mortgage credit banking business of Danske Bank Plc, including the outstanding covered bonds issued by Danske Bank Plc and the relevant mortgage loans contained in the respective cover pool, was transferred to a new company, Danske Mortgage Bank Plc. Danske Mortgage Bank Plc is a wholly owned subsidiary of the Bank and holds a license as a mortgage credit bank under the Finnish Act on Mortgage Credit Bank Operations. Following the completion of this demerger, and as part of efforts to simplify the organization and improve efficiency, the Group merged its remaining activities in Finland, consisting of Danske Bank Plc and Danske Bank A/S, Helsinki Branch, into a single branch, Danske

Bank A/S, Finland Branch. Following the completion of this cross-border merger in December 2017, the Bank will originate mortgage loans to be contained in the cover pool of Danske Mortgage Bank Plc under the terms of a servicing agreement. All properties that constitute security for the mortgage loans in the Danske Mortgage Bank Plc cover pool will be located primarily in Finland.

In December 2017, Danica Pension entered into an agreement to purchase all shares of the Danish companies SEB Pensionsforsikring A/S (including the property subsidiaries SEB Ejendomme I A/S and SEB Ejendomme II A/S) and SEB Administration A/S (together, “**SEB Pension Danmark**”). Regulatory approvals were received on May 30, 2018, and the transaction was finalized on June 7, 2018. The companies have subsequently been renamed Danica Pensionsforsikring A/S and Danica Administration A/S. Danica Pensionsforsikring A/S is a major player in the Danish pension and commercial market. The principal activities of Danica Administration A/S are to provide administrative and agency services to Danica Pensionsforsikring A/S and other support function services.

In April 2018, the Bank announced changes to its organization effective as of May 2, 2018 in order to move the Group closer to its customers and strengthen its business development activities. Personal Banking and Business Banking, which had operated as separate business units, were merged into country organizations within two new units: Banking DK and Banking Nordic. The C&I and Wealth Management business units maintain their global organizations. In order to strengthen its business development activities, the Group gathered all development and strategy competencies in a new unit called Group Development.

In April 2018, the Group announced that it had decided to align its business activities in the Baltic countries in accordance with the Group’s strategy of focusing on customers in the Nordic region. As a result, all other local Baltic customers were transferred to the Non-core business unit.

On December 11, 2018, the Group announced the sale of Danica Pension Försäkringsaktiebolag (publ) (Danica Pension Sweden). The sale was completed on May 2, 2019.

Following the investigation into suspicious transactions in Estonia in the period from 2007 to 2015, it was announced on February 19, 2019 that the Estonian FSA has ordered the Bank to cease banking operations in Estonia. Independent of the notification from the Estonian FSA and in line with its strategy of focusing on its Nordic core markets, the Bank has for some time considered the future of its remaining activities in Estonia, Latvia and Lithuania, as well as the activities in Russia. The Bank has decided to close down all of these activities. However, the Bank’s shared services center in Lithuania, which undertakes a number of administrative functions for the Bank, will continue its operations.

Group Strategy

On May 2, 2018, the Group began to implement its new strategy called “Nordic Integrator.” Integration will be key to realizing the Group’s vision of being recognized as the most trusted financial partner. With its new strategy, the Bank is working towards becoming a Nordic Integrator bank, taking an even more active role in making its customers financially confident and contributing to societal growth and stability. The Group wants to become integral to its customers’ lives, more closely integrated into the Nordic societies and more integrated internally across its organization.

Business Units

The following table sets forth certain information regarding the business units of the Group (based on the Group’s financial highlights and business segment presentation) as at the dates and for the periods indicated:

	As at and for the three months ended March 31, 2019		As at and for the year ended December 31, 2018	
	Total assets	Profit before tax	Total assets	Profit before tax
	(DKK in millions)			
Banking DK.....	1,163,093	1,331	1,148,734	7,340
Banking Nordic.....	651,004	1,165	640,397	5,642
C&I.....	3,093,795	1,111	3,003,883	4,322
Wealth Management.....	751,242	736	697,012	3,183
Northern Ireland.....	82,372	227	78,207	744
Non-core.....	15,319	(288)	14,346	(282)
Other Activities ⁽¹⁾	3,053,865	(385)	2,921,576	(1,743)
Eliminations.....	(5,095,776)	116	(4,925,689)	516
Group total.....	<u>3,714,914</u>	<u>4,012</u>	<u>3,578,467</u>	<u>19,722</u>

(1) “Other Activities” includes Group Treasury and Group support functions as well as eliminations, including the elimination of returns on own shares.

As of May 2, 2018, the Group has five business units (Banking DK, Banking Nordic, C&I, Wealth Management and Northern Ireland), a Non-core unit and Other Activities. From January 1, 2016 until May 2, 2018, the Group had five business units (Personal Banking, Business Banking, C&I, Wealth Management and Northern Ireland), a Non-core unit and Other Activities. The Wealth Management business unit includes Danica Pension, Danske Capital and parts of the private banking operations.

Banking DK

Banking DK serves retail and commercial customers in Denmark. The unit offers retail customers advice tailored to their financial needs and is a leading provider of daily banking, home financing, investment and retirement planning solutions. For commercial customers, the unit provides targeted advice and solutions based on the size and situation of the customers' businesses. Services include strategic advice on, for instance, international expansion, and acquisitions. The unit offers digital solutions to facilitate daily operations, including cross-border transfers and cash management. As at March 31, 2019, the Banking DK business unit had 3,393 full-time equivalent employees.

Banking Nordic

Banking Nordic serves retail and commercial customers in Sweden, Norway and Finland, providing customer offerings similar to those of Banking DK. In addition, the unit encompasses the Group's global asset finance activities, such as lease activities. As at March 31, 2019, the Banking Nordic business unit had 2,461 full-time equivalent employees.

Corporates & Institutions

C&I is the wholesale banking division of the Group. It serves all of the Group's corporate and institutional customers by offering expertise within financing, general banking, investment services and corporate finance advisory services. In addition, the unit operates globally, supported by global product areas and local customer coverage, and acts as a bridge to the world for Nordic customers as well as a gateway into the Nordics for international customers. The unit bridges the financial needs of the institutional and corporate sectors, connecting issuers and investors. The unit is organized in four areas: a customer unit, named General Banking, and three product areas; named Capital Markets, FI&C and Transaction Banking & Investor Services. As at March 31, 2019, the C&I business unit had 1,702 full-time equivalent employees.

Wealth Management

Wealth Management serves private individuals, companies and institutional investors in the markets in which the Group operates. The unit offers a broad range of products and services within wealth and asset management, investments, pension savings and insurance. The unit encompasses expertise from Danica Pension, Danske Invest, Asset Management and Private Banking. As at March 31, 2019, the Wealth Management business unit had 2,206 full-time equivalent employees, and the assets managed by Wealth Management amounted to DKK 1,642 billion.

Northern Ireland

Northern Ireland serves retail and commercial customers through a network of branches and business centers in Northern Ireland alongside digital channels. As at March 31, 2019, the Northern Ireland business unit had 1,356 full-time equivalent employees.

Non-core

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core business unit is responsible for the controlled winding-up of this part of the loan portfolio. The portfolio consists primarily of loans to retail and commercial customers in the Baltics and liquidity facilities for special purpose vehicles and conduit structures. As at March 31, 2019, Non-core had 326 full-time equivalent employees.

Other Activities

Other Activities consists of the following Group resource and service functions: Group Development (including Strategy, Development and Marketing); Group Risk Management (including Group Legal); the CFO area (including Group Treasury); the COO area (including IT and Services); Group HR; the Chief of Staff unit (including Group Communications & Relations); and Group Compliance. These service areas support the main business units, performing tasks that span various customer groups and markets. As at March 31, 2019, Other Activities had 9,534 full-time equivalent employees.

Products and Services

The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

The Group's products and services include day-to-day private customer banking services, including mortgages and consumer loans, credit and debit cards, and a wide range of savings and life insurance products. For corporate customers, the Bank offers traditional corporate banking products and services such as loans, cash management, payment and account services as well as risk management and advisory services. In addition, the Bank offers debt and equity capital market products, including corporate finance services. Within asset management and life insurance, the Group offers both private and corporate customers a wide range of investment and life insurance products and services.

Digitalization is a key part of the Group's strategy as it promotes the Group's ability to ensure its competitiveness and improve efficiency. The Group's digitalization strategy includes exploring new technologies to disrupt existing service models. For example, the Group launched the mobile payment solution MobilePay in Denmark in 2013, and the Group subsequently launched the solution in Finland and Norway. As at March 31, 2019, there were approximately 5.0 million MobilePay registrations. In October 2016, the Group announced a new partnership model for MobilePay. The Group opened the platform for all interested Nordic banks, and Nordea joined in Denmark and Norway. However, the Group announced in October 2017 that it had decided to terminate MobilePay in Norway. The Group converted MobilePay into a subsidiary with its own board of directors in 2017, and MobilePay is no longer branded as "by Danske Bank." In 2017, the Group also launched the next generation of Sunday.dk, an online solution for Danish consumers that allows them to get a full overview of their finances, mortgage loans and the value of their current and future homes. However, the Group has decided to integrate the Sunday.dk platform into its home purchase universe and phase out the Sunday brand during 2019.

Distribution Channels

As at March 31, 2019, the Group served approximately 3.3 million customers. The Group serves its customers through various distribution channels, including nationwide branch networks, contact centers, the internet and mobile telephony, depending on the complexity of customers' needs. As at March 31, 2019, the Group had 234 branches, including 94 in Denmark, 34 in Sweden, 25 in Norway, 39 in Finland and 42 in Northern Ireland.

The Group's digitalization strategy also includes improving processes to make the Group more customer-centric and digitizing existing processes to improve efficiency. The Group's services are based on a single IT and service platform that lays the foundation for an efficient centralization of risk management, financial follow-up and product development. As at March 31, 2019, approximately 2.2 million customers used the Group's online services and approximately 90 percent of the eBanking customers in Denmark used mobile or tablet banking.

Competitive Position and Main Markets

The markets where the Group operates are highly competitive. The Group's principal competitors include several large regional banks active in its key markets, including the four Nordic countries in which the Group operates and Northern Ireland. In these markets, competitors of the Group aiming to increase their penetration of the relevant markets together with the expected implementation of new capital adequacy rules, have put pressure on both the Group's and its competitors' lending margins in recent years. To support its competitive position, the Group seeks to utilize its extensive operational network and distribution channels when providing banking and other financial services to its customers in various countries. See also "*Operating and Financial Review and Prospects—Primary Factors Affecting the Group's Results of Operations.*"

The following table sets forth a breakdown of the Group's loans and deposits by country (based on the Group's financial highlights and business segment presentation) as at the dates indicated:

	Loans as at December 31,			Deposits as at December 31,		
	2018	2017	2016	2018	2017	2016
	(DKK in billions)					
Denmark	958	940	926	330	315	307
Sweden	265	229	208	82	76	73
Norway	204	175	173	120	82	71
Finland	170	156	150	101	88	85
Northern Ireland	49	46	46	63	59	59
Estonia	—	7	7	—	4	5
Latvia	1	3	2	—	1	2
Lithuania	—	5	5	—	7	7
Other	122	163	173	197	279	250
Total	<u>1,769</u>	<u>1,723</u>	<u>1,689</u>	<u>894</u>	<u>912</u>	<u>859</u>

The following table sets forth the Group's market share of total lending and deposits in the main countries in which the Group operates as at the dates indicated:

	Lending market share as at December 31,			Deposits market share as at December 31,		
	2018	2017	2016	2018	2017	2016
	(percent)					
Denmark ⁽¹⁾	26.6	26.6	26.6	27.8	27.9	28.7
Sweden ⁽²⁾	5.9	5.6	5.2	4.1	4.1	3.6
Norway	6.0	6.1	5.9	6.4	6.6	5.4
Finland	9.5	9.6	9.5	11.0	13.5	12.7
Northern Ireland ⁽³⁾	n/a	n/a	n/a	n/a	n/a	n/a
Estonia ⁽⁴⁾	n/a	7.0	6.9	n/a	4.5	4.8
Latvia ⁽⁴⁾⁽⁵⁾	n/a	2.4	2.0	n/a	1.0	1.4
Lithuania ⁽⁴⁾	n/a	4.1	4.0	n/a	5.3	5.0

Note: The market shares for Denmark, Finland, Sweden and Norway are based on the MFI3 reporting to the respective central banks. Market shares for Denmark, Finland and Sweden are as at February 28 / December 31, while the market shares for Norway are as at December 31.

(1) Denmark: market shares exclude repo lending and deposits, but include Realkredit Danmark.

(2) Sweden: market shares exclude repo lending and deposits.

(3) Comparable market share information for Northern Ireland is not available as there is no central bank for Northern Ireland alone.

(4) All banking activities in the Baltics have been transferred to the Non-core unit.

(5) The non-core portfolio was sold in June 2016.

Denmark

The Danish Kroner is pegged to the euro. As Denmark experiences currency inflow from its current account surplus as well as foreign investor interest, the interest rate level in Denmark is slightly lower than in the eurozone. The certificate of deposit rate at the Danish Central Bank is negative 0.65 as at the date of this Base Prospectus, just slightly higher than the negative 0.75 it reached during the strong appreciation pressure on the Danish Kroner in early 2015. As the euro has strengthened against the British pound sterling and against the U.S. dollar, so has Danish Kroner.

Growth in 2018 was negatively affected by the warm and dry weather, as a poor harvest subtracted some 0.2 percent from GDP. An extraordinary sale of a patent right in 2017 counted as export for that year, causing GDP growth and exports growth to be extraordinarily high for 2017, but correspondingly lower in 2018. Ordinary exports disappointed in the first half of 2018, but rebounded along with industrial production in the second half of 2018, supported by, among other things, the pharmaceutical industry. Private consumption continued to grow less than incomes.

In 2017, the Danish economy continued recovering at a moderate pace. Growth was supported by broad progress across public spending, investments, exports and private consumption although the latter two have not increased as much as would be expected considering the increases in real income and exports. In some areas, notably central Copenhagen, strong growth in housing prices has continued, which could reverse. As at December 31, 2017, the Group's market share of lending in Denmark (excluding repo loans and including Realkredit Danmark) was 26.6 percent, while its share of deposits (excluding repo deposits and including Realkredit Danmark) was 27.9 percent.

The Danish economy continued its moderate recovery in 2016 marked by continued job growth but modest GDP growth compared to previous recoveries. The recovery was supported in 2016 by consumer spending as real incomes grew; however, household borrowing experienced very low growth. Low interest rates and real income growth stimulated moderate growth in overall house prices. As at December 31, 2016, the Group's market share of lending in Denmark (excluding repo loans and including Realkredit Danmark) was 26.6 percent, while its share of deposits (excluding repo deposits and including Realkredit Danmark) was 28.7 percent.

The following table sets forth percentage changes for certain key economic indicators for Denmark for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
	(annual growth, percent)		
GDP	1.4	2.3	2.4
Private consumption	2.3	2.1	2.1
Government consumption	0.8	0.7	0.2
Gross fixed investments	5.1	4.6	7.6
Exports	0.6	3.6	3.9
Imports	2.7	3.6	4.2

Source: Statistics Denmark, Danske Bank Research.

The following table sets forth certain additional economic indicators for Denmark for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
		(percent)	
Inflation, CPI ⁽¹⁾	0.8	1.1	0.3
Unemployment rate	3.9	4.2	4.1
General government budget balance, as percentage of GDP	0.5	1.4	(0.9)
Current account (4Q sum), as percentage of GDP	5.7	8.0	7.9

Source: Statistics Denmark, Danske Bank Research.

(1) Consumer price index.

Sweden

The Swedish economy was negatively affected in 2018 by a slowdown in housing investment following the decline in housing prices the year before, but other components of demand still allowed for enough growth to cause the Swedish central bank to announce an increase in its repo rate from negative 0.5 to negative 0.25 towards the end of the year. Export performance remained strong despite the global slowdown in the manufacturing sector.

2017 started off on a strong note in Sweden as growth was supported by solid private consumption and strong exports and investments, particularly in housing. In the third quarter of 2017, house prices started declining. The economy remained supported by an accommodative stance from the Swedish central bank and weakening of the Swedish Kronor. As at November 30, 2017, the Group's market share of lending in Sweden (excluding repo loans) was 5.6 percent, while its share of deposits (excluding repo deposits) was 4.1 percent.

Growth in Sweden slowed in 2016, but remained on the strong side as compared to other European countries. Domestic consumption was supported by growth in real wages and employment, as well as house price growth, which, in turn, was supported by low interest rates. The repo rate was decreased from negative 0.35 percent to negative 0.5 percent in April 2016 as inflation remained below the Swedish central bank target. Low rates contributed to a significant weakening of the Swedish Kronor during most of 2016. House price growth slowed in 2016 following years of substantial increases. As at November 30, 2016, the Group's market share of lending in Sweden (excluding repo loans) was 5.2 percent, while its share of deposits (excluding repo deposits) was 3.6 percent.

The following table sets forth percentage changes for certain key economic indicators for Sweden for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
	(annual growth, percent)		
GDP	2.4	2.4	2.5
Private consumption	1.2	2.4	2.8
Government consumption	1.1	0.4	3.2
Gross fixed investments	3.5	6.5	3.9
Exports	3.7	3.7	2.6
Imports	3.1	5.2	3.9

Source: Statistics Sweden, Danske Bank Research.

The following table sets forth certain additional economic indicators for Sweden for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
		(percent)	
Inflation, CPI ⁽¹⁾	2.0	1.8	1.0
Unemployment rate	6.3	6.7	6.9
General government budget balance, as percentage of GDP	0.9	1.4	1.0
Current account (4Q sum), as percentage of GDP	2.1	2.8	4.4

Source: Statistics Sweden, Danske Bank Research.

(1) Consumer price index.

Norway

In 2018, the economic recovery continued despite warm and dry weather affecting agriculture, hydroelectric plants and private consumption, as higher electricity prices eroded household spending power. The economy was supported, among other things, by increasing investments in the energy sector, while a large decline in housing investment subtracted from overall demand. The central bank increased its policy rate from 0.5 to 0.75 percent in 2018, and again to 1 percent in March 2019.

Growth in Norway picked up through 2017 as headwinds from oil investments reversed and private consumption remained strong. During 2017, house prices began to decrease moderately, which caused weakening of the Norwegian Kroner. High levels of household debt, combined with variable mortgage rates, mean that debt-servicing capacity is vulnerable to rapid interest rate increases. As at November 30, 2017, the Group's market share of lending in Norway was 5.9 percent, while its share of deposits was 6.5 percent.

The decline in oil prices since 2014 and related marked decline in oil investments continued to materially impact the Norwegian economy in 2016. However, oil prices increased somewhat towards the end of 2016. Growth has remained positive, supported by lower interest rates, a weaker currency, government spending and continued growth in household consumption despite higher inflation. House price growth in 2016 was high, supported by low interest rates and supply constraints. Regulatory measures have been taken to slow growth in house prices. As at November 30, 2016, the Group's market share of lending in Norway was 5.9 percent, while its share of deposits was 5.4 percent.

The following table sets forth percentage changes for certain key economic indicators for Norway for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
	(annual growth, percent)		
GDP (mainland)	2.2	2.0	1.1
Private consumption	2.0	2.2	1.3
Government consumption.....	1.2	2.5	2.1
Gross fixed investments (total).....	1.0	3.6	5.1
Exports	(0.7)	(0.2)	1.1
Imports	0.6	2.1	3.1

Source: Statistics Norway, Danske Bank Research.

The following table sets forth certain additional economic indicators for Norway for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
	(percent)		
Inflation, CPI ⁽¹⁾	2.7	1.8	3.6
Unemployment rate (NAV)	2.4	2.7	3.0
General government budget balance, as percentage of GDP	7.9	5.1	4.0
Current account (4Q sum), as percentage of GDP	8.8	5.9	4.0

Source: Statistics Norway, Danske Bank Research.

(1) Consumer price index.

Finland

Economic growth in Finland slowed during 2018 from its unusually strong performance the year before, but was still supported by increasing demand for Finnish goods and services both at home and abroad. Overall, house prices increased moderately, but with large regional variations. The recovery in the labor market continued as above-trend economic growth allowed unemployment to decline.

2017 was a strong year for the Finnish economy. The government pursued a policy of "internal devaluation" that culminated in the so-called competitiveness pact, formed together with labor organizations. Private consumption was strong, but the main drivers of growth were private investment and exports as export industries benefited from growth in the eurozone and improved domestic price competitiveness. As at November 30, 2017, the Group's market share of lending in Finland was 9.6 percent, while its share of deposits was 12.8 percent.

After a prolonged financial crisis, growth in Finland accelerated in 2016, supported by private consumption and investments. A plan to restore competitiveness should improve longer-run growth prospects. House prices increased at a moderate pace nationwide but more markedly in urban centers. As at November 30, 2016, the Group's market share of lending in Finland was 9.5 percent, while its share of deposits was 12.7 percent.

The following table sets forth percentage changes for certain key economic indicators for Finland for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
	(annual growth, percent)		
GDP.....	2.3	2.7	2.8
Private consumption.....	1.4	1.5	2.2
Government consumption.....	1.4	(0.4)	1.8
Gross fixed investments.....	3.2	4.3	8.6
Exports.....	1.5	7.7	3.5
Imports.....	4.2	3.8	5.4

Source: Statistics Finland, Danske Bank Research.

The following table sets forth certain additional economic indicators for Finland for the periods indicated:

	For the year ended December 31,		
	2018	2017	2016
	(percent)		
Inflation, CPI ⁽¹⁾	1.1	0.8	0.4
Unemployment rate.....	7.4	8.6	8.8
General government budget balance, as percentage of GDP.....	(0.7)	(0.8)	(1.7)
Current account (4Q sum), as percentage of GDP.....	(1.9)	(0.3)	(0.7)

Source: Statistics Finland, Danske Bank Research.

(1) Consumer price index.

Legal and Arbitration Proceedings

Owing to its business volume, the Group is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the DFSA. The outcome of claims, lawsuits or other legal proceedings against the Bank or the Group cannot be predicted with certainty. Except as described below, neither the Bank nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of the Bank or of the Group.

The Group's Investigation into the Bank's Estonian Branch

In September 2017, the Group launched an investigation into the Bank's Estonian branch on the basis of suspicions that the branch was used to launder billions of Danish Kroner (in various currencies including U.S. dollars, euro and other currencies) in the period from 2007 to 2015. The Group had previously concluded that it was not sufficiently effective in preventing the Bank's Estonian branch from potentially being used for money laundering in the period from 2007 to 2015 and that this was due to critical deficiencies in governance and controls.

In December 2017, the Board of Directors mandated Bruun & Hjejle to lead the investigation, which comprises two parts. See "Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Group Operates—The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business. The Group is subject to a variety of ongoing investigations and litigation in connection with the AML matters at the Bank's Estonian branch, which could have a material adverse effect on the Bank—The Group mandated an investigation into AML matters at the Bank's Estonian branch, which has found a significant volume of transactions that are expected to be suspicious and critical deficiencies in governance and controls as well as certain employees that failed to fulfill certain legal obligations" for more information on the two parts of the Bruun & Hjejle investigation. On September 19, 2018, the Group announced the findings of the investigation, which have been published in a detailed report by Bruun & Hjejle on the investigation and its principal findings. The key findings published on September 19, 2018 regarding causes and accountability included:

- a series of major deficiencies in the Group's governance and control systems made it possible to use the Bank's Estonian branch for suspicious transactions;
- for a long time, from when the Bank acquired Sampo Bank in 2007 until the Bank terminated the Estonian branch's non-resident customer portfolio in 2015, the Bank had a large number of non-resident customers in Estonia that it should have never had, and that they carried out large volumes of transactions that should have never happened;
- only part of the suspicious customers and transactions were historically reported to the authorities as they should have been;
- in general, the Bank's Estonian branch had insufficient focus on the risk of money laundering, and branch management was more concerned with procedures than with identifying actual risk;

- the Estonian control functions did not have a satisfactory degree of independence from the Estonian organization;
- that the Bank's Estonian branch operated too independently from the rest of the Group with its own culture and systems without adequate control and management focus from the Group;
- there is suspicion that employees in Estonia have assisted or colluded with customers;
- there have been breaches at management level in several Group functions;
- there were a number of more or less serious indications during the years, that were not identified or reacted on or escalated as could have been expected by the Bank; and
- as a result, the Bank was slow to realize the problems and rectify the shortcomings. Although a number of initiatives were taken at the time, it is clear that such initiatives were not sufficient.

Of the investigation into customers in Estonia, the findings published on September 19, 2018 highlighted the following (for the period from 2007 to 2015):

- the investigation identified a total of approximately 10,000 customers as belonging to the Estonian branch's non-resident portfolio. To seek to ensure that all relevant aspects were covered, the investigation covered a total of approximately 15,000 customers with non-resident characteristics (*i.e.*, a further 5,000 customers);
- the approximately 10,000 customers carried out a total of approximately 7.5 million payments;
- the approximately 15,000 customers carried out a total of approximately 9.5 million payments;
- for all of the customers covered by the investigation (*i.e.*, approximately 15,000 customers) the total flow of payments amounted to approximately EUR 200 billion (the majority of the total amounts being in U.S. dollars and euro); and
- at the time the findings were announced, the investigation has analyzed a total of approximately 6,200 customers found to have exhibited the most risk indicators. Of these, the vast majority had been found to be suspicious and almost all of these customers have now been reported to the authorities. A customer having been found to have suspicious characteristics does not mean that there is a basis for considering all payments in which the customer in question was involved to be suspicious. Overall, the Group expects a significant part of the payments to be suspicious.

The Portfolio Investigation is ongoing.

As part of the Accountability Investigation, Bruun & Hjejle assessed that a number of former and current employees, both at the Bank's Estonian branch and at the Group level, had not fulfilled their legal obligations forming part of their employment with the Group. Based on the findings of the investigation, the Group has taken actions in respect of the employees and managers involved in Estonia and Denmark in the form of, among other things, warnings, dismissals, loss of bonus payments and reporting to the authorities. The majority of these employees and managers are no longer employed by the Group.

Bruun & Hjejle also assessed, as part of the Accountability Investigation, that the Board of Directors, the Chairman and Thomas F. Borgen, the Bank's CEO between September 16, 2013 and October 1, 2018, did not breach their legal obligations towards the Bank. Thomas F. Borgen announced his resignation as the Bank's CEO on September 19, 2018 in connection with the Group's presentation of the findings of the investigation into the Bank's Estonian branch. On October 1, 2018, the Group announced that Thomas F. Borgen had been relieved of his duties. Further, the Chairman of the Board of Directors and the Chairman of the Audit Committee were replaced in December 2018 and two further members of the Board of Directors stepped down in connection with the 2019 annual General Meeting. As reported by the Bank in September 2018, eight former employees of the Bank's Estonian branch had been reported to the police, and a further 42 employees and agents had been reported to the Estonian FIU.

In the third quarter of 2018, the Bank recognized a provision of DKK 1.5 billion based on the estimated gross income from its Estonian branch's non-resident customer portfolio in the period from 2007 to 2015. The amount is based on the Bank's decision not to benefit financially from suspicious transactions that took place in the Estonian non-resident customer portfolio in the period from 2007 to 2015. The Board of Directors has decided to donate the estimated gross income to an independent foundation that will be set up to support initiatives aimed at combating international financial crime. If any income from the Estonian non-resident customer portfolio becomes subject to confiscation or disgorgement by relevant authorities, the amount confiscated or disgorged will be deducted from the amount to be donated.

Assessment by the DFSA of the Bank's Management and Governance in Relation to the AML case at its Estonian Branch

On May 3, 2018, the DFSA published the May Decision Document regarding the Bank's management and governance in relation to the AML case at its Estonian branch. The assessment related to whether rules relating to management and controls, and other Danish rules, had been complied with and stated that it had uncovered serious weaknesses in the Group's governance in a number of areas, and contains criticism of the Group's governance, internal controls and responses. The DFSA concluded that, based on the information available, there were not sufficient grounds to bring actions under the fit and proper rules against the Bank's current members of management or staff. In the May Decision Document, the DFSA issued eight orders and eight reprimands principally relating to the Bank's management, internal controls and governance in relation to the AML case at its Estonian branch as well as its handling of the matter from the process and information delivery perspective. The DFSA did not assess compliance with rules on measures to prevent money laundering (AML measures) as, pursuant to EU regulation, the Estonian FSA supervises compliance by branches in Estonia with such rules. Among other things, the DFSA ordered the Board of Directors and the Executive Board to reassess the Bank's and the Group's solvency need in order to ensure an adequate internal capital coverage of compliance and reputational risks as a result of weaknesses in the Group's governance. The DFSA initially estimated that a Pillar II add-on should amount to at least DKK 5 billion.

As required by the May Decision Document, the Board of Directors and the Executive Board submitted a written report to the DFSA on June 29, 2018 stating how the Group has ensured compliance with the orders. In the October Decision Document, the DFSA found that the Bank did not fully comply with its order in the May Decision Document regarding, *inter alia*, satisfactory documentation of the decision-making basis, discussions at meetings and decisions made, and it required the Board of Directors and Executive Board to account for initiatives taken with a view to generally strengthening the Bank's governance in relation to decision-making processes, including governance at levels below the Board of Directors and the Executive Board. In respect of the other seven orders in the May Decision Document, the DFSA found that the Bank either had complied with the orders by the end of June 2018 or had initiated suitable initiatives to ensure compliance. Furthermore, the DFSA again ordered the Board of Directors to reassess the Bank's solvency need as it assessed that the Bank's compliance and reputational risks were higher than prior to the May Decision Document. In the October Decision Document, the DFSA initially estimated that the Group, as an absolute minimum, should increase the Pillar II add-on to a total of DKK 10 billion, or 1.3 percent of the Group's total REA as at June 30, 2018. The Board of Directors agreed with the DFSA's order and has, therefore, reassessed and increased the solvency need by an additional DKK 5 billion, such that the total Pillar II add-on for compliance and reputational risk has been increased to DKK 10 billion. The add-on of DKK 10 billion has been met with CET1 capital. The DFSA noted that the October Decision Document does not contain the DFSA's assessment of the Group's investigation into the Bank's Estonian branch, and that the DFSA has initiated an assessment to establish whether the basis underlying the May Decision Document has changed and may warrant new supervisory actions by the DFSA.

Various Investigations and Proceedings Related to the Bank's Estonian Branch

The Bank is in continuous dialogues with the supervisory authorities in the markets where the Group is active. The Bank is in dialogue with various authorities regarding the terminated non-resident customer portfolio at the Bank's Estonian branch. This includes investigations by the DFSA and the Estonian FSA as well as SØIK and the Estonian FIU. The Bank has also received an inquiry from the SEC, which is also carrying out an investigation in relation to the Estonian case and requests for information from the DOJ in connection with a criminal investigation relating to the Bank's Estonian branch being conducted by the DOJ. The Bank is cooperating with these and certain other authorities in relation to requests for information related to the AML matters at the Bank's Estonian branch and the handling of the matter. As part of the ongoing dialogue with the authorities in various markets, the Bank has discussed the AML matters at its Estonian branch, including the findings of the Bruun & Hjejle report, and several other authorities have asked questions pertaining to the Bank's alleged involvement in the so-called "Russian Laundromat" and "Azerbaijan Laundromat" and the findings in the Bruun & Hjejle report. The investigations regarding the non-resident customer portfolio at the Bank's Estonian branch could lead to settlements or fines, which could be material, or other adverse consequences for the Bank as well as for management and employees of the Group.

On November 28, 2018, the Bank announced that it had been preliminarily charged by SØIK with violating the Danish Anti-Money Laundering Act on four counts all relating to the Bank's Estonian branch in the period from February 1, 2007 to the end of January 2016. SØIK preliminarily charged that:

- the Bank's Estonian branch did not have, in view of the risk assessment of the business, adequate written procedures and controls, extensive risk management, know-your-customer procedures, investigation, registration and reporting duties, storing of information and internal controls to effectively prevent, mitigate and manage risks of money laundering and financing of terrorism;
- the Bank's Estonian branch established business relations with the branch's non-resident customers without the Bank having sufficient knowledge of the customers;

- the Bank's Estonian branch did not have established procedures to determine whether its non-resident customers or the beneficial owners of its non-resident customers were politically exposed persons; and
- the Bank's Estonian branch did not perform on a regular basis adequate investigations into the business and transactions of the branch's non-resident customers, including transactions processed by the Bank's systems in Denmark, not storing or registering the results of such investigations and not reporting customer relations and a significant number of suspicious transactions executed for the branch's non-resident customers to the Danish or the Estonian authorities, as well as not investigating, suspending and reporting transactions from at least the end of 2013, when it is alleged that it must have been clear to the Bank on the basis of aggregate information from internal and external sources that such investigations and reporting should be done.

The preliminary charges are the result of an investigation initiated by SØIK in August 2018.

In note 11 "Contingent liabilities" to the Interim Financial Statements, the Bank noted that the timing of completion and the outcome of the investigations regarding the terminated non-resident customer portfolio at the Bank's Estonian branch by, and subsequent discussions with, the authorities are uncertain, and that it is not yet possible to reliably estimate the timing or amount of potential settlement or fines, if any, which could be material. Accordingly, no provision in respect of any investigation or proceeding related to these matters has been recognized, except for the provision of DKK 1.5 billion discussed under "*The Group's Investigation into the Bank's Estonian Branch*" above. In its independent auditors' review report in respect of the Interim Financial Statements, Deloitte drew attention to this statement in note 11 "Contingent liabilities." See note 11 "Contingent liabilities" to the Interim Financial Statements on pages 52–53 of the Interim Report – First Quarter 2019 and the independent auditors' review report on page 74 of the Interim Report – First Quarter 2019.

In March 2016, after an on-site AML inspection, the DFSA issued eight orders to the Bank, and in September 2016, the Bank submitted a statement to the effect that, in its assessment, the Bank was in compliance with the orders. The final statement from the DFSA included a notification to SØIK, and the Bank was reported to the police for non-compliance with AML legislation on correspondent banks. On December 21, 2017, the Bank accepted a fine in the amount of DKK 12.5 million for violation of Danish AML legislation. The fine was given for not having monitored transactions executed as part of business relations in the period from November 2012 to the issuing of an order on March 15, 2016 (which was to be implemented by August 1, 2016) to ensure that the transactions matched the undertaking's or the person's knowledge of the customer and the customer's business and risk profile, including, where necessary, the origin of the funds since the Bank in relation to transactions executed in connection with its correspondent bank relationships did not monitor transactions where the transactions did not involve a customer of the Bank. In October 2017, the DFSA conducted a follow-up inspection at the Bank. The purpose of the inspection was to assess the Bank's compliance with the DFSA's AML orders from March 2016. At the inspection, the DFSA found that the Bank had complied with all orders except the aspect of the order on the establishment of correspondent bank relationships that involves ensuring that the information obtained by the Bank is included to a sufficient degree in the decision-making basis for the Bank's management. The DFSA noted that the Bank, after the follow-up inspection, has taken initiatives to ensure that the Bank's management is informed in a sufficiently clear manner about the risk associated with the establishment of a correspondent bank relationship.

As announced in October 2017, the Bank was placed under investigation by the French court Tribunal de Grande Instance de Paris in relation to suspicions of money laundering concerning transactions carried out by customers of Danske Bank Estonia from 2008 to 2011. The investigation related to transactions in the amount of approximately EUR 15 million that was transferred to France during 2008 to 2011 by former customers at Danske Bank Estonia. The customers were part of the Bank's Estonian branch's non-resident portfolio. The Bank has subsequently terminated all accounts in that portfolio. The transactions are included in the Bank's ongoing investigation of the situation at its Estonian branch, as discussed above. On January 25, 2018, the French court Tribunal de Grande Instance de Paris changed the status of the Bank in the investigation to that of an assisted witness and no longer placed under formal investigation. On February 7, 2019, the Bank was again placed under formal investigation ("*mise en examen*") by the investigating judge at the French court Tribunal de Grande Instance de Paris in connection with an investigation into suspicion of money laundering related to certain transactions in the terminated portfolio of non-resident customers of the Bank's Estonian branch in the period from 2007 to 2014. The investigation covers transactions amounting to around DKK 160 million. In May 2019, the Bank posted bail in the amount of approximately DKK 80 million.

On January 9, 2019, the Bank learned that a class action lawsuit had been filed against the Bank and certain of its officers and former officers and/or directors in the Southern District of New York purportedly on behalf of purchasers of the Bank's American Depositary Receipts representing its ordinary shares. In an amended complaint filed April 26, 2019, the plaintiffs allege that the defendants violated the Securities Exchange Act of 1934, as amended, by, *inter alia*, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters. The amended complaint seeks unspecified damages on behalf of a putative class of purchasers of the Bank's American Depositary Receipts between January 9, 2014 and February 21, 2019. The Bank intends to defend against these claims. The timing of the completion of the lawsuit and the outcome is uncertain. Further similar claims may be filed.

On March 3, 2019, a court case was initiated against the Bank in the City Court of Copenhagen for approval of a class action led by a newly formed association with the aim to represent former and current shareholders of the Bank in a liability action relating to the Estonian AML matter. The potential quantum of such class action lawsuit is not yet known. On March 14, 2019, 169 separate cases were further initiated simultaneously in the City Court of Copenhagen concerning shareholder claims relating to the Estonian AML matter with claims totaling approximately DKK 3.5 billion. Recent reports in the media have pointed to potential further legal actions being raised against the Bank in connection with the Estonian case, and the Bank has received claim letters for compensation threatening litigation. The timing of completion of any such lawsuits (pending or threatened) and their outcomes are uncertain. The Bank intends to defend itself against the claims.

Facilities and Equipment

The Group's property portfolio typically consists of property located in prime locations in major cities in the countries where the Group operates. The portfolio mainly consists of leased office premises, including the Group's headquarters in Copenhagen, Denmark, but also includes a small proportion of other commercial property and residential property.

As at March 31, 2019, the Group's total assets included tangible assets of DKK 7.8 billion, investment property of DKK 3.1 billion and right-of-use lease assets of DKK 6.1 billion, including domicile property of DKK 5.0 billion and other tangible assets of DKK 1.1 billion, which together represented 0.3 percent of the Group's total assets.

In addition, the Group has recognized assets held for sale of DKK 69.1 billion as at March 31, 2019, consisting of assets of Group undertakings, loans and tangible assets actively marketed for sale within 12 months, for example assets and businesses taken over under non-performing loan agreements. The properties comprise properties in Denmark and properties in other countries.

Investment property is real property, including real property let under operating leases, which the Group owns for the purpose of receiving rent and/or obtaining capital gains. Plant and equipment covers equipment, vehicles, furniture, fixtures and leasehold improvements. Lease assets consist of assets let under operating leases, except real property.

As at the date of this Base Prospectus, the Group has no material planned investments in tangible assets and investment property.

The Group's balance sheet also included investment property under insurance contracts of DKK 13.5 billion as at March 31, 2019, which are earmarked for policyholders, that is, assets on which most of the return accrues to policyholders.

Information Technology

For more than 15 years, the "One Group – one system" motto has been the guiding principle of the Group's IT strategy. The "One Group – one system" means that almost all of the Group's brands and subsidiaries, except for the subsidiaries in the Baltic countries, operate on the same platform, where systems, products and processes are integrated and used across national borders and companies. In addition to streamlining products that can be combined on the basis of customer wishes and needs, this platform also seeks to ensure high efficiency for all business units.

Employees

As at March 31, 2019, the Group had a total of 20,978 full-time equivalent employees.

The following tables set forth the number of full-time equivalent employees by business unit as at the dates indicated:

	As at March 31, 2019	As at December 31,	
		2018	2017
			(restated) ⁽¹⁾
Banking DK.....	3,393	3,341	3,380
Banking Nordic	2,461	2,442	2,723
C&I.....	1,702	1,858	2,136
Wealth Management.....	2,206	2,201	1,851
Northern Ireland	1,356	1,322	1,260
Non-core.....	326	259	122
Other Activities	<u>9,534</u>	<u>9,260</u>	<u>8,296</u>
Total	<u>20,978</u>	<u>20,683</u>	<u>19,768</u>

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2017 were restated in the Group's Annual Report 2018 to reflect the Group's new business segments structure effective as of May 2, 2018. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2018."

	As at December 31,	
	2017	2016
Personal Banking	4,517	4,623
Business Banking.....	2,625	2,662
C&I.....	1,808	1,796
Wealth Management.....	1,851	1,948
Northern Ireland.....	1,260	1,289
Other Activities.....	7,586	6,831
Non-core	<u>122</u>	<u>153</u>
Total.....	<u>19,768</u>	<u>19,303</u>

In Denmark, collective bargaining agreements are made periodically between The Danish Employers' Association for the Financial Sector (FA) and Financial Services Union Denmark (in Danish: *Finansforbundet*). In Finland, Sweden, Norway, Northern Ireland and the Republic of Ireland, collective bargaining agreements are also periodically entered into by the relevant local employee and employer organizations. The Bank believes that good relationships with the Group's employees and the unions are important.

THE DANISH BANKING SYSTEM AND REGULATION

The Danish Banking System

Central Bank of Denmark

The Danish Central Bank is organized under, and its operations are governed by, Danmarks Nationalbank Act (No. 116, April 7, 1936), as amended from time to time. Although ultimately subject to the legislative control of the Danish parliament (in Danish: *Folketinget*), the Danish Central Bank is an autonomous institution.

The objective of the Danish Central Bank is to ensure a stable and well-functioning financial system in Denmark. The Danish Central Bank has a number of responsibilities not shared by other banks. The Danish Central Bank produces and distributes Danish banknotes and coins; conducts monetary and foreign-exchange policies to ensure the stability of the Danish Kroner in relation to the euro; manages the foreign-exchange reserve; acts as a banker to the banks and mortgage-credit institutions and to the central government; handles overall tasks in relation to payment systems; analyzes financial stability; collects, collates and publishes financial statistics; and represents Denmark internationally in a number of areas.

The Danish Central Bank participates in the management of the central government debt. This is primarily the responsibility of the Ministry of Finance. The Ministry of Finance and the Danish Central Bank are together responsible for the management of the central government debt.

The Danish Central Bank undertakes the administrative tasks, while the Ministry of Finance is responsible for the central government's borrowing and debt management, including relations with the Danish parliament.

Monetary Policy

Danish monetary policy is conducted in accordance with the principle of substantial freedom of capital movements. Emphasis is placed primarily on market-oriented instruments. Interest policy is determined in light of the objective of keeping the exchange rate of the Danish Kroner stable against the euro within the Exchange Rate Mechanism 2 framework.

The liquidity impact of the central government deficit is offset by sales of government securities. Short-term changes in liquidity may be absorbed by the Danish Central Bank by the issuance of 14-day certificates of deposit, which can be traded among the banks. Liquidity will mainly be supplied through the repurchase of certificates of deposit or through Treasury bill and government bond repurchase agreements.

Foreign Exchange Regulation

The Consolidated Act on Foreign Exchange Regulations etc. (No. 279, April 11, 1988) grants authority to the Danish Ministry of Business and Growth and the Danish Central Bank to regulate the import and export of goods, purchase and sale of foreign currencies and cross-border payment transactions, including transactions to and from Danish and foreign banks. At present, a very liberal system is in existence based upon an Executive Order (No. 658, July 11, 1994) pursuant to which a free cross-border flow is permitted for practically all transactions. Due to an increased focus on measures to prevent money laundering and financing of terrorist activities, the Danish Customs Act was amended in 2002 to include a provision pursuant to which anyone who enters or leaves the Danish customs area carrying "money, etc." exceeding EUR 10,000 in value must, at their own initiative, go through a customs check and declare all "money, etc." to the customs and tax authorities. The expression "money, etc." comprises cash, as well as bearer instruments such as traveler's checks.

Banking and Other Financial Institutions

Denmark's banking system includes commercial banks, such as the Bank, savings banks (in Danish: *sparekasser*) and cooperative savings banks (in Danish: *andelskasser*). As at June 30, 2018, there were 60 commercial and savings banks in Denmark with total assets totaling approximately DKK 3,425 billion.

Other principal financial institutions in Denmark include mortgage credit institutions, insurance companies and pension funds. As at June 30, 2018, the aggregate principal amount of bonds outstanding issued by mortgage credit institutions was approximately DKK 2,900 billion.

Regulation

Overview of the Regulation Framework

Danish banks are subject to the CRR and the CRD IV Directive, which were implemented into the Danish Financial Business Act in March 2014. Each of the CRR and the CRD IV Directive, which implemented, among other things, Basel III in the EU, covers a wide range of prudential requirements for banks across Member States, including capital requirements, stricter and aligned definitions of capital, REA, large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual risk

assessment) and other measures, such as the combined capital buffer requirements, SIFI, governance and remuneration requirements. Further, banks are subject to the Danish Companies Act (Consolidated Act. No. 1089 of September 14, 2015, as amended) (the “**Danish Companies Act**”) and a number of other legal acts.

The DFSA is the public agency responsible for the supervision of credit institutions (including banks and mortgage credit institutions), insurance companies, pension funds, insurance brokers, the Danish Labor Market Supplementary Pension (ATP), the Danish Employees’ Capital Fund (LD), the Danish Labor Market Occupational Diseases Fund (AES), investment companies, investment management companies and investment associations (UCITS and AIFM).

The CRR and the CRD IV Directive and the regulations issued pursuant thereto set up safeguards to protect depositors by establishing total capital ratios that require banks to have sufficient own funds such as common equity or subordinated debt in relation to assets. In addition, liquidity rules require banks to maintain sufficient liquid assets to meet depositor claims on demand or otherwise. To further protect the assets of banks, the Danish Financial Business Act establishes rules limiting the ability of a bank to concentrate its assets in lending or other exposures to single customers or customer groups. See “*Risk Management—Credit Risk*.” The solvency rules apply to Danish banks individually as well as on a consolidated basis.

The total capital requirement applicable to a bank is established by measuring all exposures weighted according to credit, market, counterparty and operational risk (as defined in the regulations) against the capital of the relevant bank. Accordingly, the capital of a bank must amount to a certain minimum percentage (as described below) of the risk-weighted exposure amount (which includes the calculated items associated with market risk) of such bank (see below), subject to a minimum of EUR 5 million.

The standard method for credit risk assessment is based on the defined credit risks of various groups of assets, taking into consideration the nature of the counterparty and the counterparty’s obligation. The CRR allows a bank to apply a standard method or an advanced IRB method to calculate credit risks. According to the standard method, claims on OECD governments and Danish local authorities are given a risk weighting of zero, whereas unsecured claims on corporate and private customers are typically risk weighted within a range of 20 percent to 150 percent. The advanced method normally varies between these two extremes. In 2016, the Group also expanded the use of internal models for the calculation of the total REA. In January 2016, the Group received approval from the DFSA to implement revised internal models according to the 2013 DFSA orders.

In addition to credit risk assessment, Danish banks are required to maintain a certain minimum capital with respect to the market risks that may arise from changes in interest rates, exchange rates and share prices. Market risks include the risk of loss with respect to on- and off-balance sheet positions resulting from market price movements involving debt instruments and equity securities in a bank’s trading portfolio, as well as foreign exchange risk and commodities risk incurred by such bank. The CRR allows internal models in an institution to be approved by the DFSA for the purpose of calculation of market risk. The Bank has obtained such approval that requires strict back testing.

For purposes of complying with the capital requirements of the CRR, the capital base is divided into three main categories, namely CET1 capital, additional tier 1 capital and tier 2 capital. CET1 capital consists of equity capital adjusted for statutory deductions whereas the tier 1 capital consists of CET1 capital plus additional tier 1 capital adjusted for statutory deductions. CET1 capital primarily includes paid-up share capital and reserves (excluding revaluation reserves), and is reduced by, among other items, losses (if any) incurred during the current financial year and the bank’s holdings of its own shares. Certain capital interests in other financial institutions in excess of certain limited amounts have to be deducted from the total amount of CET1 capital, additional tier 1 capital and tier 2 capital. Under the CRR, institutions are required to hold a minimum amount of regulatory capital equal to 8 percent of REA (of which at least 4.5 percent must be CET1 capital, and at least 6 percent must be tier 1 capital). In addition to these so-called “minimum own funds” Pillar I requirements, the CRD IV Directive introduces capital buffer requirements, which must be met with CET1 capital. The capital buffer is comprised of five elements (referred to collectively as the “combined buffer”): (i) the capital conservation buffer; (ii) the institution-specific countercyclical buffer; (iii) the G-SII-buffer; (iv) the other systemically important institutions buffer; and (v) the systemic risk buffer.

Tier 2 capital for banks consists of subordinated debt instruments that may be issued by a bank. Subordinated debt instruments are debt obligations, which, in case of a bankruptcy or liquidation, are subordinated to ordinary claims on the issuing bank (which in turn are at least equal to the claims of depositors). Subordinated debt instruments must include interest deferral and principal reduction features, and can, therefore, be applied towards covering losses of the issuing bank even if that bank is allowed to carry on its business. However, the subordinated debt instruments may not contain any incentive to redeem or repurchase before five years after the date of issuance. In addition, the instrument must be amortized beginning on the first day of the final five-year period of the contractual maturity. The CRR and the CRD IV Directive provide for another form of capital, denominated additional tier 1 capital instruments, which may be included in tier 1 capital to meet the solvency/total capital requirements, subject to certain conditions and limitations. The limitations and conditions are that additional tier 1 capital must be converted during emergency situations and may be converted at the

initiative of the competent authority or if a certain contractual capital trigger is reached. Additionally, additional tier 1 capital instruments may not contain any incentive for the credit institution to redeem and must be perpetual.

Under the CRR, institutions are required to hold a minimum amount of regulatory capital equal to 8 percent of REA (of which at least 4.5 percent must be CET 1 capital, and at least 6 percent must be tier 1 capital). In addition to these so-called minimum own funds Pillar I requirements, the CRD IV Directive (including, but not limited to, Article 104(i)(a)128) contemplates that competent authorities may require additional Pillar II capital to be maintained by an institution relating to elements of risks which are not fully captured by the minimum own funds Pillar I requirements or to address macro-prudential requirements.

Pursuant to the Danish Financial Business Act, the board of directors and management of a bank shall ensure that the bank has adequate base capital and has internal procedures for risk measurement and risk management for regular assessments and maintenance of a base capital of a size, type and distribution adequate to cover the risks of the institution.

The board of directors and management of a bank shall, on the basis of the above-mentioned assessment pursuant to the Danish Financial Business Act, calculate the individual solvency need of the bank (ICAAP procedure). The solvency need shall be expressed as the adequate base capital as a percentage of the REA. The solvency need may not be less than the solvency requirement and the minimum capital requirement.

The DFSA may lay down a higher individual solvency requirement than 8 percent if the DFSA finds that the calculated solvency need does not reflect the risk of the bank's activities.

The Bank discloses to the public its total capital ratio as a note to its balance sheet statements as at March 31, June 30, September 30 and December 31 of each year. Prior to such disclosure, the total capital ratio and the basis for the calculation thereof must be filed with the DFSA. The Bank is also obliged to submit the total capital ratio to the DFSA and publish the individual solvency need that the Bank has calculated with the same intervals.

CRD IV introduced a combined buffer that applies in addition to the Pillar I and Pillar II capital requirement and will be phased in from 2015 to 2019. For the Bank, the combined buffer consists of a countercyclical buffer, a capital conservation buffer and a SIFI buffer.

The capital conservation buffer and the countercyclical capital buffer are designed to ensure that credit institutions accumulate a sufficient capital base during periods of economic growth to absorb losses during periods of stress. The capital conservation buffer is being gradually phased in to a final level of 2.5 percent in 2019. The countercyclical buffer requirement is calculated as a weighted average of the national buffers in effect in the jurisdictions in which a bank has credit exposures.

Since June 2014, the DFSA has designated the Bank as a SIFI in Denmark. Consequently, the Bank is subject to stricter capital requirements than non-SIFI banks. The fully phased-in SIFI buffer requirement in 2019 for the Bank will be 3 percent. The intention is for the capital requirements imposed on Danish SIFIs to be on a par with the requirements set in other comparable European countries.

Under Article 141 of the CRD IV Directive, EU member states must require that institutions that fail to meet the combined buffer requirement will be subject to restrictions on "discretionary payments" (which are defined broadly by the CRD IV Directive as distributions in connection with CET1 capital, payments on additional tier 1 instruments and payments of variable remuneration). The restrictions will be scaled according to the extent of the breach of the combined buffer requirement.

According to the current implementation of the CRD IV Directive in Denmark, the combined buffer requirement is stacked on top of the Pillar II capital requirements. If the combined buffer requirement is breached, the institution must submit a capital conservation plan for approval by the DFSA. However, for the purpose of determining automatic restrictions on discretionary payments (*i.e.*, the MDA), Pillar II capital requirements should not be taken into account. Nonetheless, the DFSA may choose to impose restrictions on discretionary payments on the basis of the submitted capital conservation plan. There can be no assurance as to the relationship between any of the aforementioned or future incremental own funds requirements, any combined buffer requirement and the associated restrictions on discretionary payments. According to the European Commission's proposal to amend the CRD IV Directive in the EU Banking Reform, the Pillar II capital requirements should be taken into account when the combined buffer requirement is breached and the MDA is determined.

In addition, a new Article 16(a) is proposed to be included in the BRRD to further clarify the stacking order between the combined buffer and the MREL requirement. Pursuant to this new provision, a resolution authority shall have the power to prohibit an entity from distributing more than the M-MDA, where the combined buffer requirement and the MREL requirement are not met. The proposed Article 16(a) in its current form envisages a potential nine-month grace period whereby the resolution authority assesses on a monthly basis whether to exercise its powers under the provision, before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions).

In addition, the CRD IV Directive includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their tier 1 capital as a percentage of their total exposure measure. According to the current rules defined in the CRR, the Bank had a leverage ratio of 4.6 percent as at December 31, 2018. A minimum leverage ratio requirement will be implemented at the EU level with the implementation of the EU Banking Reform and is expected to take effect during 2021, and until such time regulators may apply such measures as they consider appropriate. In Denmark, the risk of excessive leverage is addressed as part of the Pillar II capital requirements. A new Article 141(b) is proposed to be included in the CRD IV Directive which introduces a restriction on distributions in the case of a failure to meet the leverage ratio buffer, with provision for a new L-MDA to be calculated. The leverage ratio buffer is applicable for global SIFIs and, therefore, the L-MDA does not apply for the Issuer. However, according to the revised CRR, further analysis should be done to determine whether it would be appropriate to apply the leverage ratio buffer requirement to O-SIFIs, which would include the Issuer. The M-MDA and the L-MDA are both proposed to limit the same distributions as the “maximum distributable amount” and so may limit the aggregate amount of interest payments, reinstatement amounts and redemption amounts on the additional tier 1 capital instruments issued by the Issuer. It is not yet clear how and to what extent the aforementioned proposals will be implemented in Denmark.

As regards liquidity, the CRR currently contains the LCR. The LCR stipulates that banks must have a liquidity buffer that ensures a survival horizon of at least 30 calendar days in the case of a seriously stressed liquidity situation. Further, the above-mentioned review of the CRR contains a proposal for NSFR. The NSFR is a structural stable funding ratio requirement and is intended to ensure a sound funding structure by promoting an increase in long-dated funding. The NSFR stipulates that at all times banks must have stable funding at least equal to the amount of their illiquid assets for one year ahead. The NSFR requirement is expected to be applicable in the second quarter of 2021.

As of January 1, 2018 all EU credit institutions must have an LCR of at least 100 percent. Danish SIFIs, including the Bank, were however subject to a LCR requirement of at least 100 percent from October 2015. With an LCR of 121 percent at the end of 2018, the Group complied with the LCR requirement as defined by the European Commission. The Group also complied with all other liquidity requirements. Stress tests show that the Group has sufficient liquidity buffer for more than the coming twelve months.

In accordance with EU directives, Denmark established a deposit protection scheme in 1987. Payments under the scheme will be met by the Danish Guarantee Fund. The scheme covers in full deposits made on certain pension accounts established according to Danish law, and up to EUR 100,000 of a customer’s aggregate ordinary deposits with any bank. Certain types of deposits are provided with a temporary coverage above EUR 100,000 (six to twelve months, respectively). Investors who hold securities in institutions that are not able to redeliver the securities to the investors as a result of suspended payment or the filing for compulsory winding-up are covered up to the equivalent of EUR 20,000 per investor.

In 2010, the DFSA introduced the “Supervisory Diamond” (in Danish: *Tilsynsdiamanten*), which identifies a series of special risk areas with associated limits. The limits are included in the DFSA’s organization of supervisory activities. The DFSA makes an individual and specific assessment of whether there should be issued a so-called “risk warning” in situations where the institution exceeds the “Supervisory Diamond” limits. This risk warning must be published.

Danish insurance companies are subject to the rules set forth in the Danish Financial Business Act and the Danish Companies Act. The DFSA is the public agency responsible for the supervision of insurance companies.

Danish mortgage institutions are subject to the rules set forth in the CRR and the CRD IV Directive, the Danish Mortgage Credit Act and, if organized as a limited liability company, the Danish Companies Act, and they are supervised by the DFSA.

Pursuant to the Danish Financial Business Act, Danish banks must adopt the form of a public limited company and, accordingly, are subject to the rules of the Danish Companies Act, except for certain areas that are governed by special provisions of the Danish Financial Business Act.

The Group is subject to similar regulation in jurisdictions other than Denmark, including other Member States, including Finland, Ireland, Luxembourg, Norway, Sweden, and the U.K. that have also implemented the EU directives mentioned above. Typically, the Group is subject to stand-alone requirements in each of the jurisdictions in which it operates, but according to the cooperation agreement between EU regulators, the Bank is mainly regulated by the DFSA.

Regulatory Initiatives to Secure Financial Stability

The Bank Recovery and Resolution Directive (BRRD)

On May 15, 2014, the European Parliament and the Council of the EU adopted a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (*i.e.*, the BRRD). The BRRD, including the general bail-in tool and MREL, was implemented into Danish law and entered into force as of June 1, 2015 by the Danish Recovery and Resolution Act and by amendments to the Danish Financial Business Act.

The BRRD is designed to provide authorities designated by Member States with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimizing the impact of an institution's failure on the economy and financial system. If the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest, the relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the institution's creditors, including the Holders: (i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in relating to eligible liabilities – which gives resolution authorities the power to write down or convert to equity all or a part of certain claims of unsecured creditors, including the Holders, and to write-down or convert to equity certain unsecured debt claims (including the Notes) (*i.e.*, the general bail-in tool), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and applied the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution or, under certain conditions, a group will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorization; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further statutory power to permanently write down (or convert into equity) tier 1 and tier 2 capital instruments at the point of non-viability and before any other resolution action is taken (non-viability loss absorption). Any shares issued to holders of such capital instruments upon any such statutory conversion into equity may also be subject to subsequent application of resolution tools, which may result in cancellation or dilution of the shareholding.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution or, under certain conditions, the group meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, under certain conditions, the group will no longer be viable unless the relevant tier 1 and/or tier 2 capital instruments are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution or, under certain conditions, the group would no longer be viable.

The BRRD also provides resolution authorities with broader powers to implement other resolution measures with respect to distressed institutions, or under certain conditions, groups, which may include (without limitation) the replacement or substitution of the institution or group as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

With the implementation of the BRRD, European banks are required to have bail in-able resources in order to fulfill MREL. There is no minimum EU-wide level of MREL – each resolution authority is required to make a separate determination of the appropriate MREL requirement for each banking group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution.

In February 2019, the DFSA published its annual decision to set the MREL for the Group. As expected, the requirement was set to be equivalent to two times the capital requirement including capital buffer requirements. However, as a result of the soon to be adopted revisions to the BRRD, the countercyclical buffer is excluded from the recapitalization amount. Danish mortgage credit institutions are exempt from MREL and are instead subject to a so-called debt buffer requirement of 2 percent of their unweighted loans. Due to this exemption, Realkredit Danmark is not included in the consolidation when determining the MREL for the Group. Furthermore, liabilities and own funds used to fulfill MREL cannot be simultaneously used to fulfill the capital and debt buffer requirements that apply to Realkredit Danmark. The DFSA also requires that all the MREL eligible liabilities and own funds must bear losses before other senior unsecured claims in both resolution and insolvency. Danish SIFs must fulfil their MREL from July 1, 2019, but in transition to January 1, 2022, they can also include senior preferred liabilities issued before January 1, 2018. The MREL requirement may require Danish SIFs and other banks to issue own funds instruments or debt eligible for MREL in accordance with the BRRD, the latter of which includes unsecured non-preferred senior debt with residual maturity of at least one year. If an institution does not fulfill the MREL requirement after July 1, 2019, the relevant authority may withdraw its banking license. Also, a

comparable concept for loss absorption, TLAC, has been set for G-SIIs. The TLAC requirement has taken effect from 2019. The Group is currently not identified as a G-SII and thus not subject to a TLAC requirement.

On May 29, 2018, a law stipulating that, effective from January 1, 2022, the total resolution related requirements for each individual Danish SIFI group would always constitute at least 8 percent of all liabilities, including own funds, was adopted by the Danish Parliament. Consequently, if the sum of MREL for the Bank and the debt buffer requirement for Realkredit Danmark is lower than 8 percent of the Group's total liabilities, the DFSA is expected to increase the MREL requirement for the Bank. However, based on current projections, the sum of MREL for the Bank and the debt buffer requirement for Realkredit Danmark will exceed the 8 percent backstop measure.

The powers set out in the already adopted BRRD impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The BRRD outlines the priority ranking of certain deposits in an insolvency hierarchy, which required changes to the insolvency hierarchy in Denmark as described above. The BRRD establishes a preference in the ordinary insolvency hierarchy, firstly, for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in EEA or non-EEA branches of an EEA bank. These preferred deposits rank ahead of all other unsecured senior creditors of the Bank, including the Holders, in the insolvency hierarchy. Furthermore, the insolvency hierarchy could be changed in the future.

In accordance with the BRRD and the Danish act on restructuring and resolution of certain financial undertakings, a Danish resolution fund was established in 2015. Under certain conditions, the Danish resolution fund can make contributions in case of resolution of a financial institution. The assets of the Danish resolution fund must amount to at least 1 percent of the covered deposits of all Danish financial institutions by December 31, 2024. Each Danish financial institution must make annual contributions to the Danish resolution fund on the basis of its size and risk relative to other financial institutions in Denmark. The first contributions to the Danish resolution fund were paid in the fourth quarter of 2015. If the Danish resolution fund incurs losses, the annual contribution may be increased or continued/resumed after December 31, 2024. In addition and in accordance with the Revised Deposit Guarantee Schemes Directive as implemented into Danish law, Danish credit institutions are required to make contributions to the Danish Guarantee Fund, which covers losses incurred on covered deposits in distressed credit institutions. Similarly, the Group's entities in Finland, Luxembourg and the U.K. are required to contribute to resolution funds that have been established in the respective countries.

On December 12, 2017, the European Parliament and the Council of the EU adopted Directive 2017/2399/EU amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy. The directive enables banks to issue debt in a new statutory category of unsecured debt that ranks below the most senior debt and other senior liabilities for the purposes of resolution (a so-called "non-preferred senior debt"). On May 29, 2018, the Danish Parliament adopted a law implementing the directive; the law entered into force on July 1, 2018 and introduced a new layer in the creditor hierarchy for financial institutions in the form of non-preferred senior debt. According to the adopted law, the rules will not affect the existing stock of bank debt and will apply to issuances of bank debt made from January 1, 2018 or later in the concerned category following the date of application of the law.

Bank Packages

In Denmark, certain schemes have been introduced in recent years to facilitate the orderly resolution of distressed banking institutions. After the implementation of the BRRD as described above, only Bank Package IV (as described below) remains in force as at the date of this Base Prospectus. The Act on a Depositor and Investor Guarantee Scheme, Act No. 334 of March 31, 2015, amending, *inter alia*, the Act on Financial Stability (Consolidated Act No. 875 of September 15, 2009 on Financial Stability, as further amended from time to time), allows for the Danish Guarantee Fund to contribute – under certain conditions – with a financial inducement to encourage a sound bank to take over all activities of a distressed bank, including all unsubordinated and unsecured claims.

Solvency II (Insurance)

The new international insurance rules, Solvency II, took effect on January 1, 2016. The rules are intended to protect customer funds, and they will generally increase capital requirements. Danica Pension was well prepared. While the previous Solvency I capital requirements were volume based, the Solvency II requirements are risk based. As a forerunner of the Solvency II rules, the DFSA introduced individual solvency need requirements in 2007. Under these requirements, which are also risk based, Danish insurance companies were required to meet the higher of Solvency I and individual solvency need requirements. The individual solvency need requirements have been changed gradually in the period up to 2014 to bring Danish requirements closer to the Solvency II requirements.

Other Regulatory Initiatives

On December 7, 2017, the BCBS published revised standards for measuring credit and operational risk, constraints on the use of internal model approaches and the possible implementation of a broad REA floor based on the standardized approaches for measuring credit, market and operational risk. The amendments of the Basel standards may increase the Group's REA, but it is still too early to assess the impact of these potential changes as the political dialogue on how and

when to implement the revised standards in the EU has not yet been initiated. The stipulations of EU legislation are not expected to be fully known until 2020–2021 at the earliest. On the basis of the strong earnings capacity and capitalization, the Group is confident that it will be able to adapt smoothly to the future changes in EU regulatory requirements in relation to the revised Basel standards.

ORGANIZATION AND MANAGEMENT

General Meeting

According to the Articles of Association, the annual General Meeting must be held every year not later than April 30. Extraordinary General Meetings may be held if so decided by the Board of Directors or requested by one of the auditors appointed at the General Meeting or by shareholders who jointly hold at least 5 percent of the shares in the Bank.

The Board of Directors calls the General Meeting by announcement on the Group's website. Written notice of the General Meeting is given to all registered shareholders who have filed a request to receive written notice. The General Meeting must be called at three to five weeks' notice.

Shareholders are entitled to propose business to be transacted at the General Meeting. Proposals under the fixed items on the agenda may be made at the General Meeting. Any shareholder is entitled to have special business added to the agenda of the General Meeting. The shareholder must submit a written request to the Board of Directors, and the request must reach the Board of Directors at least six weeks before the General Meeting takes place or within one week of the publication of the annual report.

Shareholders are entitled to attend the General Meeting if they have requested an admission card at least two days before the General Meeting. At the General Meeting, they are entitled to one vote for each share they hold on the registration date, that is, one week before the date of the General Meeting.

The Bank has one class of shares, and there are no limitations on holdings, voting rights or other opportunities for shareholders to influence decisions.

The chairman of the General Meeting, who is appointed by the Board of Directors, ensures that the General Meeting is conducted in an orderly manner. For this purpose, the Articles of Association vest the chairman of the General Meeting with the authority needed, including the right to arrange discussions, issues to be voted upon and voting methods and to conclude debates.

A shareholder who cannot attend the General Meeting can vote by postal ballot before the General Meeting. Resolutions of the General Meeting are made by a simple majority of votes unless otherwise provided by law or the Articles of Association.

Resolutions to amend the Articles of Association that, under Danish law, cannot be made by the Board of Directors, are passed only if adopted by at least two-thirds of the votes cast and by at least two-thirds of the share capital represented at the General Meeting and entitled to vote. A resolution to wind up the Bank by merger or voluntary liquidation can be passed only if adopted by at least three-quarters of the votes cast and by at least three-quarters of the share capital represented at the General Meeting and entitled to vote.

Bank's Board of Directors

The Board of Directors has the overall responsibility for the management of the Bank and supervises the Executive Board. Under the current management structure, the Board of Directors outlines the overall principles governing the affairs of the Group, whereas the Executive Board is in charge of the day-to-day management, observing the guidelines and regulations issued by the Board of Directors. The Board of Directors must give specific authorization to transactions which are unusual or of great significance for the Bank. The Board of Directors must also consider from time to time whether the financial position of the Bank is sound in the context of the Bank's operations and ensure that the book-keeping and asset management is controlled in a satisfactory manner.

The Board of Directors, which consists of non-executive directors, is elected by the shareholders of the Bank at the General Meeting with the exception of those directors who are elected pursuant to prevailing law concerning employee representation on the Board of Directors (currently four). Under Danish law, employees of companies that have employed an average of at least 35 employees in the preceding three years are entitled to elect directors corresponding to one-half the number of directors elected by the General Meeting. The members of the Board of Directors elected by the employees are elected for terms of four years and they hold the same rights and obligations as any member of the Board of Directors elected by the General Meeting. The members of the Board of Directors elected by the General Meeting are elected for a one-year term and the number of such directors may range from six to ten (currently eight). Directors are eligible for re-election. According to Danish law, the members of the Executive Board may not also be members of the Board of Directors of the Bank.

The Board of Directors appoints and dismisses the members of the Executive Board, the Group Chief Auditor and the Secretary to the Board of Directors. The Board of Directors has established Rules of Procedure for the Executive Board and for the Board of Directors itself, which lay down guidelines for their work, specify the duties of the Board of Directors

and the Executive Board, the powers of authority, and the framework of the Group's financial reporting and planning, controls and organization. Head of Group Internal Audit reports directly to the Board of Directors.

On March 18, 2019, the annual General Meeting re-elected Lars-Erik Brenøe, Karsten Dybvad, Jan Thorsgaard Nielsen, Jens Due Olsen and Carol Sergeant as members of the Board of Directors and elected Bente Avnung Landsnes, Christian Sagild, and Gerrit Zalm as new members of the Board of Directors.

The members of the Board of Directors as at the date of this Base Prospectus are as follows:

	First elected to the Board of Directors	Expiration of current term
Karsten Dybvad, Chairman.....	2018	2020
Jan Thorsgaarden Nielsen, Vice Chairman	2018	2020
Carol Sergeant, Vice Chairman	2013	2020
Bente Avnung Landsnes	2019	2020
Lars-Erik Brenøe	2016	2020
Jens Due Olsen	2018	2020
Christian Sagild	2019	2020
Gerrit Zalm	2019	2020
Bente Bang ⁽¹⁾	2018	2022
Kirsten Ebbe Brich ⁽¹⁾	2014	2022
Thorbjørn Lundholm Dahl ⁽¹⁾	2018	2022
Charlotte Hoffmann ⁽¹⁾	2006	2022

(1) Elected by the Bank's employees.

The business address for the current members of the Board of Directors is Danske Bank A/S, 2–12 Holmens Kanal, DK-1092 Copenhagen K, Denmark.

Karsten Dybvad has been a member of the Board of Directors since 2018 and has been the Chairman of the Board of Directors since 2018. Mr. Dybvad is the chairman of the boards of directors of Bygnings- og udviklingsfonden DTM 4.0 and Copenhagen Business School. Mr. Dybvad is also a vice chairman of the boards of directors of PensionDanmark Pensionsforsikringsaktieselskab and PensionDanmark Holding.

Within the last five years, Mr. Dybvad has been the director general and CEO of Confederation of Danish Industry.

Jan Thorsgaard Nielsen has been a member of the Board of Directors since 2018 and has been the Vice Chairman of the Board of Directors since 2018. Mr. Nielsen is a member of the boards of directors of APMH Invest, A.P. Møller Capital P/S, A.P. Møller Capital GP ApS and LEGO A/S. Mr. Nielsen is also the chief investment officer of A.P. Møller Holding A/S.

Within the last five years, Mr. Nielsen has been the senior managing director, private equity and COO of Blackstone Asia of Blackstone Group Hong Kong Ltd.

Carol Sergeant has been a member of the Board of Directors since 2013 and has been the Vice Chairman of the Board of Directors since 2018. Ms. Sergeant is a member of the board of directors, chairman of the risk committee and member of the audit committee of BNY Mellon SA/NV. Ms. Sergeant is also a company director of Threadneedle Solutions Ltd, the chairman of the British Standards Institute Policy, a trustee and member of the audit and investment committee of the Lloyds Register Foundation and a trustee of The Governing Council of the Centre for the Study of Financial Innovation (CSFI).

Within the last five years, Ms. Sergeant has been a financial services non-executive director and special adviser to Bank CEOs, Chairmen and Government. Ms. Sergeant has also held a number of public policy positions as well as charity and academic positions.

Bente Avnung Landsnes has been a member of the Board of Directors since 2019. Ms. Landsnes is the vice chairman of the board of directors of NORBIT and a member of the board of directors of the Federation of European Exchanges (FESE).

Within the last five years, Ms. Landsnes has been the CEO and President of Oslo Børs ASA and Oslo Børs VPS Holding ASA, the chairman of the board of directors of Fish Pool ASA, and a member of the board of directors of BITS AS.

Lars-Erik Brenøe has been a member of the Board of Directors since 2016. Mr. Brenøe is the executive vice president, head of chairman's office of A.P. Møller Maersk A/S, a member of the board of directors of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, the chairman or vice chairman of the boards of directors of six affiliated undertakings of Maersk Broker A/S and a member of the board of directors or the executive boards of eight affiliated undertakings of the A.P. Møller and Chastine Mc-Kinney Møller Foundation. Mr. Brenøe is also a member of the boards of directors of LINDØ

port of Odense A/S, the chairman of the board of directors of Navigare Capital Partners A/S, a member of the central board of The Confederation of Danish Industry and the vice chairman of The Danish Committee on Foundation Governance.

Within the last five years, Mr. Brenøe has been the chairman of the boards of directors of Estemco A/S and Aktieselskabet Klema, the CEO and a member of the board of directors of Bramsløkke Landbrug A/S and a member of the board of directors of Lindø Industripark A/S. Moreover, Mr. Brenøe has been a chairman or a member of the executive boards or the boards of directors of a number of subsidiaries of A.P. Møller-Mærsk A/S.

Jens Due Olsen has been a member of the Board of Directors since 2018. Mr. Olsen is the chairman of the boards of directors of KMD Holding A/S, NKT A/S, Nilfisk A/S, HusCompagniet and BørneBasketFonden. Mr. Olsen is also the vice chairman of the Danish Committee on Corporate Governance, the executive officer of JDO Invest ApS and JDO Invest 2 ApS and the chairman of the boards of directors of four affiliated undertakings of KMD Holding A/S and one affiliated undertaking of NKT A/S.

Within the last five years, Mr. Olsen has been the interim CFO of Sivantos Inc.

Christian Sagild has been a member of the Board of Directors since 2019. Mr. Sagild is a member of the boards of directors of Blue Ocean Robotics A/S, Royal Unibrew A/S and AMBU A/S. Mr. Sagild is also the chairman of the boards of directors of Nordic Solar Energy A/S and Nordic Solar Global A/S and the executive officer of Sagild ApS.

Within the last five years, Mr. Sagild has been the group CEO of Topdanmark A/S and a member of the board of directors of SDG Invest.

Gerrit Zalm has been a member of the Board of Directors since 2019. Mr. Zalm is a member of the boards of directors of Moody's Corporation and Royal Dutch Shell. Mr. Zalm is a member of the advisory board of Y-Group, the chairman of the advisory board of Central Bureau of Statistics, Netherlands, a member of the supervisory council of Stichting VU MC Fonds and the chairman of the boards of directors of Foundation Schuldenlab.nl and Trustees of the National Academy for Finance and Economics. Mr. Zalm is also the chairman of the advisory council of Wigo4it.

Within the last five years, Mr. Zalm has been the CEO and chairman of the boards of directors of ABM AMRO Group and ABN AMRO Bank.

Bente Bang has been elected by the Bank's employees and has been a member of the Board of Directors since 2018. Ms. Bang is a member of the boards of directors of Danske Kreds Jubilæumsfond and Danske Banks Velfærdsfond af 1993.

Within the last five years, Ms. Bang has held no other relevant positions.

Kirsten Ebbe Brich has been elected by the Bank's employees and has been a member of the Board of Directors since 2014. Ms. Brich is the chairman of Danske Kreds Jubilæumsfond and Danske Unions, a member of the boards of directors of Bikubens Personaleforening, Danske Banks Pensionskasse for Førtidspensionister and Danske Banks Velfærdsfond af 1993 as well as a member of the executive committee of the Financial Services Union in Denmark.

Within the last five years, Ms. Brich has held no other relevant positions.

Thorbjørn Lundholm Dahl has been elected by the Bank's employees and has been a member of the Board of Directors since 2018. Mr. Dahl is team lead of Regulation & CX, Business Banking at Danske Bank.

Within the last five years, Mr. Dahl has held no other relevant positions.

Charlotte Hoffmann has been elected by the Bank's employees and has been a member of the Board of Directors since 2006. Ms. Hoffmann is a personal adviser at Danske Bank.

Within the last five years, Ms. Hoffmann has held no other relevant positions.

Bank's Executive Board

The Executive Board is in charge of the day-to-day management of the Group as laid down in the Rules of Procedure.

The members of the Executive Board as at the date of this Base Prospectus are as follows:

	Position	Year of birth	Year employed by the Bank⁽¹⁾	Appointed to the Executive Board
Chris Vogelzang	CEO	1962	2019	2019
Jesper Nielsen	Head of Banking DK	1968	1996	2016
Christian Baltzer	Chief Financial Officer	1978	2018	2018
Glenn Söderholm	Head of Banking Nordic	1964	1998	2013
Jakob Groot	Head of Corporates & Institutions	1967	2015	2018
Jacob Aarup-Andersen	Head of Wealth Management	1977	2012	2016
Frederik Gjessing Vinten	Head of Group Development	1979	2011	2018
Jim Ditmore	Chief Operating Officer (Head of Group Services & Group IT)	1960	2014	2014
Carsten Rasch Egeriis	Head of Group Risk Management	1976	2017	2017
Philippe Vollot	Chief Compliance Officer	1967	2018	2018

(1) Includes employment in Group companies and entities acquired by the Bank.

The business address for the current members of the Executive Board is Danske Bank A/S, 2-12 Holmens Kanal, DK-1092 Copenhagen K, Denmark.

Chris Vogelzang joined the Executive Board as CEO on June 1, 2019.

Within the last five years, Mr. Vogelzang has been a member of the management board and the head of global retail and private banking activities at ABN AMRO and acted in advisory roles in Boston Consulting Group and Blackstone.

Jesper Nielsen joined the Executive Board in 2016 and is the Head of Banking Denmark. Mr. Nielsen is the chairman of the boards of directors of E-Nettet A/S, Realkredit Danmark A/S, MobilePay A/S and MobilePay Denmark A/S, Finanssektorens Arbejdsgiverforening and second vice chairman of Finans Danmark. Mr. Nielsen is a member of the board of directors of Danske Banks Fond and Grænseforeningen.

Within the last five years, Mr. Nielsen has been the interim CEO from October 1, 2018 to June 1, 2019 as the former CEO Thomas F. Borgen had been relieved of his duties. Mr. Nielsen has also been the Head of Personal Banking, Executive Vice President of Personal Banking and the Head of Business Development of Personal Banking at the Bank.

Christian Baltzer joined the Executive Board in 2018 and is the CFO. Mr. Baltzer is a member of the boards of directors of Danica Pension Livsforsikringsaktieselskab, Danica Pensionsforsikring, Forsikringsselskabet Danica, Skadesforsikringsaktieselskab af 1999 and Realkredit Danmark A/S.

Within the last five years, Mr. Baltzer has been the group CFO, director of analytics, the director of financial management and the director of strategic business development, all positions at Tryg A/S.

Glenn Söderholm joined the Executive Board in 2013 and is the Head of Banking Nordic. Mr. Söderholm is the chairman of the boards of directors of Danske Hypotek AB, Danske Leasing A/S and Danske Mortgage Bank PLC. Mr. Söderholm is also a member of the board of directors of NASDAQ Nordic Ltd.

Within the last five years, Mr. Söderholm has been the Head of C&I at the Bank and a member of the board of directors of Danish Ship Finance A/S (Danmarks Skibskredit A/S).

Jakob Groot joined the Executive Board in 2018 and is the Head of C&I. Mr. Groot is a member of the boards of directors of Realkredit Danmark A/S and International Capital Market Association.

Within the last five years, Mr. Groot has been the global head of FI&C at the Bank. Mr. Groot has also been the global head of institutional distribution of UniCredit, London.

Jacob Aarup-Andersen joined the Executive Board in 2016 and is the Head of Wealth Management. Mr. Aarup-Andersen is the chairman of the boards of directors of Danica Pension, Livsforsikringsaktieselskab, Danica Pensionsforsikring A/S, Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Danske Bank International, Danske Invest Management A/S and Kreditforeningen Danmarks Pensionsafviklingskasse. Mr. Aarup-Andersen is also the vice chairman of the board of directors of Realkredit Danmark A/S and a member of the board of directors of Danish Venture Capital & Private Equity Association.

Within the last five years, Mr. Aarup-Andersen has been the CFO of the Bank, the CFO of Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and its subsidiary Danica Pension, Livsforsikringsaktieselskab and the chief portfolio manager in the Bank, Danske Capital.

Frederik Gjessing Vinten joined the Executive Board in 2018 and is the Head of Group Development. Mr. Gjessing Vinten is a member of the boards of directors of GateTu, MobilePay A/S and MobilePay Denmark A/S.

Within the last five years, Mr. Gjessing Vinten has been the head of Group strategy and the head of business development, business banking, both positions at the Bank. Mr. Gjessing Vinten has also been the senior director and head of strategy of Maersk Line and the first vice president, Group executive office at the Bank.

Jim Ditmore joined the Executive Board in 2014 and is the COO (Group Services & Group IT). Mr. Ditmore is a member of the board of directors of Northern Bank Limited and a member of the customer advisory board of ITPeopleNetwork. Mr. Ditmore is also a member of the boards of directors of MobilePay A/S and MobilePay Denmark A/S and the owner of A&R Farms 11c.

Within the last five years, Mr. Ditmore has been the chief technology officer of Allstate Insurance.

Carsten Rasch Egeriis joined the Executive Board in 2017 and is the Head of Group Risk Management. Mr. Egeriis is a member of the boards of directors of Northern Bank Limited and Realkredit Danmark A/S.

Within the last five years, Mr. Egeriis has been the chief risk officer of Barclays UK, the chief risk officer of Personal and Corporate Bank and the chief risk officer of UK and Europe Retail and Business Banking, all positions at Barclays Bank in London.

Philippe Vollot joined the Executive Board in 2018 and is the Chief Compliance Officer.

Within the last five years, Mr. Vollot has been the Global Head of Anti-Financial Crime & Group Anti-Money Laundering Officer at Deutsche Bank. Mr. Vollot has also been Global COO Compliance and Anti-Financial Crime and Regional COO, Middle East & North Africa, both positions at Deutsche Bank.

The following former members of the Executive Board have resigned, but are employed by the Bank as at the date of this Base Prospectus:

Thomas F. Borgen resigned from his position as CEO of the Group on September 19, 2018 and was relieved of his duties on October 1, 2018. Thomas F. Borgen's employment with the Group ends on September 30, 2019.

Tonny Thierry Andersen resigned from his position as a member of the Executive Board on April 6, 2018. Effective from May 2, 2018, Tonny Thierry Andersen was no longer a member of the Executive Board. Tonny Thierry Andersen's employment with the Group ends on October 30, 2019.

Lars Mørch resigned from his position as a member of the Executive Board on April 5, 2018. Effective from April 21, 2018, Lars Mørch was no longer a member of the Executive Board. Lars Mørch's employment with the Group ends on October 30, 2019.

Conflict of Interest

No actual or potential conflict of interests exists between any of the duties of the members of the Board of Directors and the Executive Board and their private interests or other duties.

Remuneration and Benefits

Remuneration of the Board of Directors

Members of the Board of Directors of the Group receive a fixed fee. Members of the Board of Directors are not covered by incentive programs and do not receive performance-based remuneration. The fee is set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size and complexity, the responsibilities and the time the members of the Board of Directors are expected to allocate to discharge their obligations as members of the Board of Directors. No pension contributions are payable on fees of the members of the Board of Directors.

The members of the Board of Directors receive a basic fee. The Chairman of the Board of Directors receives three and a half times the amount of the basic fee and the Vice Chairman one and a half times the amount of the basic fee. In addition to the basic fee, members receive compensation if they serve as members of one or more of the board committees. The Chairman of a board committee receives an additional fee. The remuneration of the Board of Directors is subject to the approval of the annual General Meeting.

The following table sets forth the remuneration of the members of the Board of Directors for the year ended December 31, 2018:

	For the year ended December 31, 2018 (DKK in thousands)
Karsten Dybvad ⁽¹⁾	154
Jan Thorsgaard Nielsen ⁽¹⁾	65
Carol Sergeant	1,149
Ingrid Bonde ⁽²⁾	690
Lars-Erik Brenøe	660
Jens Due Olsen ⁽²⁾	687
Rolv Erik Ryssdal	657
Hilde Tonne	706
Bente Bang ⁽²⁾	403
Kirsten Ebbe Brich	534
Thorbjørn Lundholm Dahl ⁽²⁾	403
Charlotte Hoffman	657
Ole Andersen ⁽³⁾	2,270
Urban Bäckström ⁽⁴⁾	227
Jørn P. Jensen ⁽³⁾	810
Martin Tivéus ⁽⁴⁾	176
Dorte Annette Bielefeldt ⁽⁴⁾	131
Carsten Eilertsen ⁽⁴⁾	131
Total remuneration	<u>10,511</u>
of which remuneration for committee work	2,320

(1) Member of the Board of Directors from December 7, 2018.

(2) Member of the Board of Directors from March 15, 2018.

(3) Member of the Board of Directors until December 7, 2018.

(4) Member of the Board of Directors until March 15, 2018.

Remuneration of the Executive Board

According to the Group's remuneration policy (the "**Remuneration Policy**"), the remuneration of the members of the Executive Board is intended to ensure the Group's continued ability to attract and retain the most qualified Executive Board members. In connection with the annual assessment of the remuneration of the members of the Executive Board, developments in market practice are assessed.

The Remuneration Committee makes recommendations on adjustments of the remuneration of the members of the Executive Board to the Board of Directors. The remuneration of the members of the Executive Board may consist of fixed salary and supplements, fixed salary payable in shares, short- and long-term incentive programs and pension schemes. Subject to individual agreement, the members of the Executive Board are also entitled to a company car, phone and other fixed benefits.

The variable remuneration of the Executive Board is provided as part of a short-term incentive program (the "**Short-term Incentive Program**") and a long-term incentive program (the "**Long-term Incentive Program**"). The Short-term Incentive Program is structured as the program for other material risk takers, with short-term (one year) goals, including goals at Group, business unit and individual levels as well as financial and non-financial goals. The performance of the members of the Executive Board is assessed once a year based on written performance agreements containing both financial and non-financial KPIs. Payments under the Short-term Incentive Program are split into cash and equity shares and, according to EBA regulations, the rights to the shares are deferred for five years, followed by a one-year retention period before the shares are available to trade. The Long-term Incentive Program is based on total shareholder return performance relative to peers over a three-year performance period. The first pay-out was in 2018, based on the performance in 2015, 2016 and 2017. The current 2018 Long-term Incentive Program vests in three years (2018–2020) and will be settled and paid out in 2021. After the vesting period, part of the shares will be paid out. The remaining shares are deferred for five years from grant date, followed by a one-year retention period before the shares are available to trade. The deferred remuneration is subject to back-testing and claw-back. The individual total performance-based pay cannot exceed 50 percent of the individual's fixed compensation, not including the value of benefits.

The members of the Executive Board are subject to rules for material risk takers. A significant part of the performance-based remuneration is deferred and may be forfeited pursuant to applicable regulation and the Remuneration Policy. The deferral period is at least five years, compared to at least three years for other material risk takers. Shares granted as part

of performance-based remuneration are subject to a lock-up period of six months. Any trading of such shares is subject to the Group's procedures for insiders.

The agreements on performance-based remuneration for the individual members of the Executive Board ensure that all or part of the deferred performance-based remuneration may be clawed back if the Group's results prove unsatisfactory or the performance-based remuneration has been granted on basis of data that is subsequently proven to be manifestly misstated.

The following table sets forth the remuneration of the members of the Executive Board (as at December 31, 2018) for the year ended December 31, 2018:

	For the year ended December 31, 2018									
	Jesper Nielsen	Jacob Aarup-Andersen	Christian Baltzer ⁽¹⁾	Jim Dimore	Carsten Rasch Egeriis	Henriette Fenger Ellekrog ⁽²⁾⁽³⁾	Jakob Groot ⁽²⁾	Glenn Söderholm	Frederik Gjessing Vinten ⁽²⁾	Philippe Vollot ⁽⁴⁾
						(DKK in millions)				
Fixed salary ⁽⁵⁾	6.5	7.0	1.3	8.0	7.6	2.8	5.1	6.8	3.0	1.2
Pension.....	1.3	1.4	0.3	–	–	0.5	–	1.3	0.5	–
Variable cash payment ⁽⁶⁾	–	–	1.5	–	–	–	–	–	–	10.0
of which remuneration under the Short-term Incentive Program 2018 ⁽⁷⁾	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variable share-based payment.....	0.4	0.6	–	0.7	0.3	0.2	0.1	0.8	0.1	–
of which remuneration under the Short-term Incentive Program 2018 ⁽⁷⁾	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expensed	<u>8.2</u>	<u>9.0</u>	<u>3.1</u>	<u>8.7</u>	<u>7.9</u>	<u>3.5</u>	<u>5.2</u>	<u>8.9</u>	<u>3.6</u>	<u>11.2</u>
Total paid	<u>8.1</u>	<u>8.7</u>	<u>3.1</u>	<u>11.3</u>	<u>7.8</u>	<u>3.3</u>	<u>5.1</u>	<u>9.1</u>	<u>3.5</u>	<u>11.2</u>

(1) Christian Baltzer joined the Executive Board on October 15, 2018.

(2) Henriette Fenger Ellekrog, Jakob Groot and Frederik Gjessing Vinten joined the Executive Board on May 2, 2018.

(3) Henriette Fenger Ellekrog resigned from her position as a member of the Executive Board effective from March 31, 2019.

(4) Philippe Vollot joined the Executive Board on November 26, 2018.

(5) Fixed salary includes fixed cash salary, fixed salary shares and other benefits.

(6) Variable cash payment includes sign-on fees.

(7) In view of the exceptional circumstances in 2018, the Executive Board has waived its right to earned remuneration under the 2018 Short-Term Incentive Program.

Thomas F. Borgen resigned from his position as CEO of the Group on September 19, 2018 and was relieved of his duties on October 1, 2018. In view of the exceptional circumstances in 2018, Thomas F. Borgen has waived his right to earned remuneration under the 2018 Short-term Incentive Program. During his period in 2018 as CEO, Thomas F. Borgen earned remuneration of DKK 11.9 million, which consisted of fixed salary of DKK 9.3 million, pension of DKK 1.6 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the Long-term Incentive Program) of DKK 1.0 million. Paid remuneration amounts to DKK 12.7 million. His employment with the Group ends on September 30, 2019. During this period, Thomas F. Borgen earns a further DKK 15.0 million (of which DKK 3.6 million was paid in 2018). He has forfeited the right to previously earned variable share-based payments under Long-term and Short-term Incentive Programs of DKK 7.2 million (including the DKK 1.0 million earned in 2018 under the Long-term Incentive Program).

Tonny Thierry Andersen resigned from his position as a member of the Executive Board on April 6, 2018. Effective from May 2, 2018, Tonny Thierry Andersen was no longer a member of the Executive Board. In view of the exceptional circumstances in 2018, Tonny Thierry Andersen has waived his right to earned remuneration under the 2018 Short-term Incentive Program. During his period in 2018 as member of the Executive Board, Tonny Thierry Andersen earned remuneration of DKK 3.1 million, which consisted of fixed salary of DKK 2.4 million, pension of DKK 0.4 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the Long-term Incentive Programs) of DKK 0.3 million. Paid remuneration amounts to DKK 3.9 million. His employment with the Group ends on October 30, 2019. During this period, Tonny Thierry Andersen earns a further DKK 14.7 million (of which DKK 5.8 million was paid in 2018).

Lars Mørch resigned from his position as a member of the Executive Board on April 5, 2018. Effective from April 21, 2018, Lars Mørch was no longer a member of the Executive Board. In view of the exceptional circumstances in 2018, Lars Mørch has waived his right to earned remuneration under the 2018 Short-term Incentive Program. During his period in 2018 as member of the Executive Board, Lars Mørch earned remuneration of DKK 2.7 million, which consisted of fixed salary of DKK 2.1 million, pension of DKK 0.3 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the Long-term Incentive Programs) of DKK 0.3 million. Paid remuneration amounts to DKK 3.6 million. His employment with the Group ends on October 30, 2019. During this period, Lars Mørch earns a further DKK 12.6 million (of which DKK 5.6 million was paid in 2018). He has forfeited the right to previously earned variable share-based payments under Long-term and Short-term Incentive Programs of DKK 3.6 million.

Henriette Fenger Ellekrog resigned from her position as a member of the Executive Board on February 8, 2019. Effective from March 31, 2019, Henriette Fenger Ellekrog was no longer a member of the Executive Board. Her employment with the Group ended on May 31, 2019.

For additional information regarding remuneration of the members of the Board of Directors and the Executive Board, see note 34 to the 2018 Financial Statements incorporated by reference into this Base Prospectus.

Severance Terms for the Executive Board

In general, the members of the Executive Board are entitled to a notice period upon termination from the Group of 18 months and to terminate their own position with a notice of nine months (12 months for the CEO). During such notice period, the members of the Executive Board are only entitled to full salary and benefits to the extent the member of the Executive Board does not obtain other income during the notice period. The members of the Executive Board are not entitled to severance pay.

Employee Performance-based Share Remuneration Program

Effective from 2010, the Group has granted rights to conditional shares under the bonus structure for material risk takers and other employees (including members of the Executive Board as discussed under “—*Remuneration of the Executive Board*” above) as part of their performance-based remuneration. Such employees have a performance agreement based on the performance of the Group, the business unit and the individual employee. Between 40 percent and 60 percent of performance-based payments are deferred for a minimum of three years (at least five years for members of the Executive Board), as recommended by the EBA. Rights to the shares in the Bank for material risk takers vest three years after being granted (at least five years for the members of the Executive Board), provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement and before pay-out of deferred shares, back-testing is conducted to assess whether the initial criteria for granting the bonus three years ago (or at least five years ago for members of the Executive Board) are still considered fulfilled, whether the Bank’s economic situation has deteriorated significantly and whether the individual has proven fit and proper. Shares granted as part of performance-based remuneration are subject to a lock-up period of six months.

Management’s Shareholdings and Options

Shareholdings

The following table sets forth the number of the Bank’s shares, share options and conditional shares held by the members of the Board of Directors and the Executive Board and their immediate family as at the date of this Base Prospectus:

	Number of the Bank’s shares	Options	Conditional shares
Board of Directors			
Karsten Dybvad	11,258	—	—
Jan Thorsgaard Nielsen	10,557	—	—
Carol Sergeant	5,073	—	—
Bente Bang	882	—	—
Lars-Erik Brenøe	23,127	—	—
Kirsten Ebbe Brich	2,708	—	—
Thorbjørn Lundholm Dahl	1,488	—	—
Charlotte Hoffman	2,175	—	—
Jens Due Olsen	7,600	—	—
Bente Avnug Landsnes	4,000	—	—
Christian Sagild	50,000	—	—
Gerrit Zalm	—	—	—
Total	<u>118,868</u>	—	—
Executive Board			
Chris Vogelzang	—	—	—
Jesper Nielsen	23,016	—	12,505
Jacob Aarup-Andersen	17,360	—	16,627
Christian Baltzer	17,400	—	—
Jim Ditmore	45,225	—	27,024
Carsten Rasch Egeriis	1,334	—	6,128
Jakob Groot	23,296	—	8,319
Glenn Söderholm	30,709	—	24,425
Frederik Gjessing Vinten	880	—	587
Philippe Vollot	—	—	—
Total	<u>159,220</u>	—	<u>95,615</u>

Under the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse), the acquisition and sale of shares in the Bank by persons discharging managerial responsibility (“PDMRs”) and related parties must be reported to the DFSA promptly and no later than three business days

after the date of the transaction and be publicly disclosed when transactions exceed EUR 20,000 per calendar year. The Bank discloses all additions, disposals and total holdings of members of the Board of Directors and the Executive Board (PDMRs) and their related parties.

Board of Directors Practices

Pursuant to the Articles of Association, the Board of Directors must consist of not less than six and not more than ten members elected by the General Meeting. The members of the Board of Directors elected by the General Meeting are elected for one-year terms and may be re-elected. In addition to the members elected by the General Meeting, the employees of the Group are entitled to elect a number of employee representatives corresponding to one-half the number of members elected by the General Meeting. The employee representatives are elected for a term of four years. Pursuant to the Danish Financial Business Act, a member of the Board of Directors may not serve on the Executive Board. Generally, the members of the Executive Board attend meetings of the Board of Directors.

Following the Bank's General Meeting, the members of the Board of Directors elect a chairman and one or two vice chairmen from among themselves.

The Board of Directors constitutes a quorum when more than half of its members participate in the passing of a resolution. In case of parity of votes, the Chairman or, in his absence, the Vice Chairman chairing the meeting, has the casting vote. Resolutions of the Board of Directors are passed by simple majority of the votes present at the meeting, unless otherwise provided by law, the Articles of Association or the Rules of Procedure.

Members of the Board of Directors and the Executive Board cannot be present during discussions of their own accounts and facilities, or in any discussions regarding lawsuits against them. This also applies to discussions of other matters if a member of the Board of Directors or of the Executive Board has a significant interest that may conflict with the Group's interests. A member of the Board of Directors cannot be present during discussions of accounts and facilities available to a company in which they are members of the board of directors or the executive board. Finally, the Executive Board cannot be present in case the Board of Directors wishes to discuss the business of the Bank without their presence.

The external auditors and the Chief Internal Auditor are entitled to participate in meetings of the Board of Directors where matters relevant to the auditing or the financial reporting of the Group are considered. The external auditors and the Group Chief Auditor are obliged to participate in meetings of the Board of Directors dealing with these matters, if so requested by a member of the Board of Directors.

The Board of Directors is kept informed of the auditors' work on an ongoing basis through submission of audit reports to it, and the Board of Directors evaluates this work upon the signing of the reports.

According to the Danish Financial Business Act, the Board of Directors must (i) determine and continuously consider what business activities the Bank is to perform, (ii) identify and quantify the Bank's risk profile, including assessing the risks that the Bank may assume and (iii) establish internal policies for the management of the Bank's business activities and risk profile. Based on the Bank's risk profile and its internal policies, the Board of Directors must prepare written guidelines for the Executive Board. These guidelines must, as a minimum, contain the following:

- the framework for the risks that the Executive Board may put on the Bank;
- the principles upon which different types of risk are determined;
- which transactions the Executive Board may execute without the approval of the Board of Directors; and
- the procedure for the Executive Board's reporting to the Board of Directors with regard to the risks associated with the Bank's activities.

The Rules of Procedure contain the information required by the Danish Financial Business Act.

Committees

General

The Board of Directors has established five board committees: the Risk Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the recently established Conduct and Compliance Committee. The committees act as preparatory committees for the Board of Directors. Under Danish law, board committees have no decision-making authority but serve in a consulting role only. The tasks of the committees are laid out in charters of each committee, which are reviewed at least once a year.

Audit Committee

The Audit Committee operates as a preparatory committee for the Board of Directors with respect to accounting and auditing, including related risk matters. The committee reviews and submits recommendations to the Board of Directors on financial reports and the assessment of the related risks, accounting principles and procedures, internal controls, and reports from both internal and external auditors. The Audit Committee convenes at least four times a year.

The Audit Committee currently consists of Jens Due Olsen (Chairman), Bente Avnung Landsnes, Jan Thorsgaard Nielsen and Christian Sagild. The Audit Committee held 13 meetings in 2018.

Nomination Committee

The Nomination Committee operates as a preparatory committee for the Board of Directors with respect to the nomination and appointment of candidates to the Executive Board and the Board of Directors. The committee evaluates the work and performance of the Executive Board, the Board of Directors and their individual members. The committee also submits policy proposals to the Board of Directors on succession planning, diversity and inclusion. The Nomination Committee convenes at least twice a year.

The Nomination Committee currently consists of Lars-Erik Brenøe (Chairman), Karsten Dybvad and Gerrit Zalm. The Nomination Committee held three meetings in 2018.

Remuneration Committee

The Remuneration Committee operates as a preparatory committee for the Board of Directors with respect to general remuneration matters, with a focus on the remuneration of the members of the Board of Directors, the Executive Board, material risk takers, key employees and executives in charge of control and internal audit functions, and incentive programs. The committee reviews and submits recommendations to the Board of Directors on remuneration policies and practices developments in remuneration, including variable remuneration. The committee monitors the incentive programs to ensure that they promote ongoing, long-term shareholder value creation as well as compliance with the Remuneration Policy. The Remuneration Committee convenes at least twice a year.

The Remuneration Committee currently consists of Karsten Dybvad (Chairman), Charlotte Hoffmann, Lars Erik-Brenøe and Bente Avnung Landsnes. The Remuneration Committee held two meetings in 2018.

Risk Committee

The Risk Committee operates as a preparatory committee for the Board of Directors with respect to the Group's risk management and related matters. The committee advises the Board of Directors on the Group's risk profile, risk culture, risk appetite, risk strategy and risk management framework. The committee reviews and submits recommendations to the Board of Directors regarding the Group's risk appetites, policies and instructions, its capital, leverage, liquidity, solvency and recovery requirements, its operational resilience framework (former business continuity plans), its impairment levels, its products and services from a risk perspective and the credit quality of the Group's loan portfolio. Furthermore, the Risk Committee reviews the use of internal models, the adequacy and sufficiency of staff resources of the risk management control function and incentive programs from a risk perspective. The Risk Committee convenes at least four times a year.

The Risk Committee currently consists of Carol Sergeant (Chairman), Karsten Dybvad, Christian Sagild and Gerrit Zalm. The Risk Committee held eight meetings in 2018.

Conduct and Compliance Committee

The Conduct and Compliance Committee was established by the Board of Directors in 2019 to separate the dealing with matters related to conduct, compliance and culture from the Audit Committee. The Conduct and Compliance Committee operates as a preparatory committee for the Board of Directors with respect to conduct and reputational risk, compliance and financial crime prevention, and other matters which the Board of Directors may want to have examined by the Conduct and Compliance Committee.

The Conduct and Compliance Committee currently consists of Karsten Dybvad (Chairman), Kirsten Ebbe Brich, Jan Thorsgaard Nielsen and Carol Sergeant.

Declaration on Corporate Governance

By adhering to sound principles of corporate governance, the Bank wishes to maintain the confidence of investors, achieve its financial objectives and act with integrity towards all its stakeholders. The Bank aims to create transparency for shareholders and other stakeholders by describing aspects of its organization and processes.

The Bank is subject to the Recommendations on Corporate Governance issued by the Committee on Corporate Governance in November 2017 (the “**Recommendations**”). On an annual basis, the Board of Directors considers all Recommendations applying the “comply or explain” principle. On its website, the Bank has published a corporate governance report with comments on its compliance with the Recommendations. The conclusion of the last evaluation was that the Bank complies with all of the Recommendations.

RELATED PARTY TRANSACTIONS

Pursuant to IFRS, a related party to the Group is either a party over which the Group has control or significant influence or a party that has control or significant influence over the Group. All entities over which the Group has control are consolidated and are therefore not considered a related party in relation to the Group.

The Group, as a bank, enters into a significant number of transactions with related parties, substantially all of which occur in the normal course of business. Payment services, trading in securities and other instruments, depositing of surplus liquidity and the provision of short- and long-term financing are the primary services provided by the Bank. The Danica Group manages the employer pension plans of a number of related parties, and the Bank manages the assets of a number of the Group's pension funds. Transactions with related parties are settled on an arm's length basis and recognized in the financial statements applying the same accounting policy as for similar transactions with unrelated parties.

Transactions with Associated Undertakings

The following table sets forth the Group's transactions with associated undertakings as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2018	2017	2016
	(DKK in millions)		
Loans and loan commitments	1,886	1,956	2,227
Securities and derivatives	13,997	7,246	6,513
Deposits	240	205	432
Guarantees issued	4	2	2
Guarantees and collateral received.....	266	423	138
Interest income.....	81	78	74
Interest expense	—	—	6
Fee income.....	1	3	2
Dividend income.....	32	93	323
Other income	6	1	1
Loan impairment charges.....	(3)	(1)	6

Transactions with associated companies covers transactions with the following companies: Aquaporin A/S, Automatia Pankkiautomaatit Oy, BAB Bankernas Automatbolag AB, DAN-SEB 1 A/S, DNP Ejendomme Komplementarselskab ApS, E-Nettet A/S, DNP Ejendomme P/S, E/F Store Kongensgade 49, GateTu P/S, Gro Fund I K/S, Gro Fund II K/S, Gro Holding I ApS, Gro Holding II ApS, Gro Holding III ApS, Gro Holding IV ApS, Gro Holding V ApS, Gro Holding VI ApS, Gro Holding VII ApS, Irish Clearing House Ltd., Komplementarselskabet CØ ApS, Komplementarselskabet GateTu ApS, LR Realkredit A/S, Max Schön GmbH, Spiir A/S, MB Equity Fund Ky, Meglerhuset Nylander AS, Sanistål A/S, Tapio Technologies and Udviklingselskabet CØ P/S.

Transactions with Parties with Significant Influence

Related parties with significant influence are shareholders with holdings exceeding 20 percent of the share capital of the Bank. In 2018, 2017 and 2016, the A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller Holding Group, Copenhagen, on a consolidated basis, were such related parties. During this three-year period and in 2019 until the date of this Base Prospectus, no other related parties had significant influence on the Bank.

The following table sets forth the Group's transactions with parties with significant influence as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2018	2017	2016
	(DKK in millions)		
Loans and loan commitments	7,549	10,310	7,318
Securities and derivatives	1,081	1,020	1,655
Deposits	3,861	1,403	415
Derivatives	304	197	167
Guarantees issued	416	615	758
Guarantees and collateral received.....	1,461	524	681
Interest income.....	143	94	50
Interest expense	107	14	25
Fee income.....	8	17	10
Dividend income.....	7	5	19
Other income	6	6	15
Sales of Danske Bank shares	886	2,348	4,143

Transactions with the Board of Directors and the Executive Board

The following table sets forth the Group's transactions with the members of the Board of Directors and the Executive Board as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2018	2017	2016
	(DKK in millions)		
Board of Directors			
Loans and loan commitments	20	21	33
Deposits	87	24	55
Guarantees and collateral received.....	45	20	31
Fee income.....	—	1	—
Acquisitions of Danske Bank shares.....	—	—	1
Executive Board			
Loans and loan commitments	50	52	32
Deposits	38	14	12
Guarantees and collateral received.....	56	49	33
Interest income.....	1	1	1
Acquisitions of Danske Bank shares.....	—	—	1
Sales of Danske Bank shares	—	8	5

The following table sets forth the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board for the years indicated:

	For the year ended December 31,		
	2018	2017	2016
		(percent)	
Board of Directors	2.2	2.1	1.7
Executive Board.....	3.8	2.3	2.0

TERMS AND CONDITIONS OF THE NOTES

This description of the Program contains the Conditions of the Notes which (subject to completion by way of the relevant Final Terms for each Tranche of Notes) will be endorsed upon, or attached to, each Note. The relevant Final Terms in relation to any Tranche of Notes will specify specific terms (including, but not limited to Conditions relating to payment, and the interest rate basis for the Notes) which shall, to the extent so specified or to the extent inconsistent with the following Conditions, complete the following Conditions for the purpose of such Notes. The relevant Final Terms will be endorsed upon, or attached to, each Note.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Clearing and Settlement.”

1. General

- 1.1 Danske Bank A/S (the “**Issuer**”) has established a U.S. Medium-Term Note Program (the “**Program**”) for the issuance of up to U.S.\$ 15,000,000,000 in aggregate principal amount of debt instruments (the “**Notes**”). Where a particular Condition (as defined below) is applicable only to certain classes of Notes, “**Notes**” shall be construed in accordance with the relevant Condition.
- 1.2 Notes issued under the Program are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each, a “**Tranche**”) of Notes. Each Tranche is the subject of a final terms document (the “**Final Terms**”) which completes these Terms and Conditions (the “**Conditions**”). The Conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- 1.3 The Notes are subject to an amended and restated fiscal and paying agency agreement dated as of May 23, 2018 (as supplemented, amended and/or replaced from time to time, the “**Agency Agreement**”) between the Issuer, U.S. Bank National Association as fiscal agent (the “**Fiscal Agent**,” which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agent(s) named therein (the “**Paying Agent(s)**,” which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement). The Notes have the benefit of a deed of covenant dated May 23, 2018 (as supplemented, amended and/or replaced from time to time, the “**Deed of Covenant**”).
- 1.4 All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Final Terms. Copies of the Final Terms applicable to a particular Tranche are available for inspection by Holders (as defined below) of such Tranche during normal business hours at the corporate trust office of the Fiscal Agent. In the case of a Tranche of Notes which is not admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, copies of the Final Terms will only be available for inspection by Holders of such Notes.
- 1.5 Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The holders of the Notes (the “**Holders**”) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Holders during normal business hours at the corporate trust office of the Fiscal Agent.
- 1.6 The Notes will be issued only in registered form and in minimum denominations of U.S.\$ 200,000 (or, in the case of Notes not denominated in U.S. dollars, the equivalent thereof in such foreign currency, rounded down to the nearest 100,000 units of such foreign currency, but so that in no event will the minimum denomination be lower than EUR 100,000 or its equivalent at the Issue Date of the relevant Notes) and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency) in excess thereof.
- 1.7 Unless otherwise specified in the relevant Final Terms, the Notes will be denominated in U.S. dollars and payments of the principal and any premium or interest on the Notes will be made in U.S. dollars. If any of the Notes are denominated in a Specified Currency (as defined below) other than U.S. dollars (a “**Foreign Currency Note**”), payments of the principal and any premium or interest on such Notes will be made in accordance with Condition 11.3 (*Payments on Foreign Currency Notes*).

2. Definitions and Interpretation

- 2.1 Definitions: In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Adjustment Spread**” means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser (if applicable) and

acting in good faith and in a commercially reasonable manner, determines is required to be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as applicable) to the Holders as a result of the replacement of the Original Reference Rate with the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Original Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Reference Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser (if applicable) and acting in good faith and in a commercially reasonable manner, determines is recognized or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by such Successor Reference Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognized or acknowledged, the Issuer, following consultation with the Independent Adviser (if applicable) and acting in good faith and in a commercially reasonable manner, determines is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Original Reference Rate, where such rate has been replaced by the relevant Successor Reference Rate or Alternative Reference Rate (as applicable); or
- (iv) if no such industry standard is recognized or acknowledged, the Issuer, in its discretion, following consultation with the Independent Adviser (if applicable) and acting in good faith and in a commercially reasonable manner, determines to be appropriate;

“**Affiliates**” has the meaning given to such term in paragraph (a)(l) of Rule 144 under the United States Securities Act of 1933, as amended;

“**Alternative Reference Rate**” means an alternative benchmark or screen rate that the Issuer (following consultation with an Independent Adviser (if applicable)) determines has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of debt securities denominated in the Specified Currency and of a comparable duration to the relevant Interest Periods, or, in any case, if the Issuer (in consultation with an Independent Adviser (if applicable)) determines that there is no such rate, such other rate as the Issuer (in consultation with an Independent Adviser (if applicable)) determines in its discretion is most comparable to the Original Reference Rate;

“**Applicable Business Center(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Applicable Financial Center(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Applicable MREL/TLAC Regulations**” means, at any time, the laws, regulations, requirements, guidelines and policies then in effect in Denmark giving effect to any MREL/TLAC Requirement or any successor regulations then applicable to the Issuer and/or the Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies giving effect to any MREL/TLAC Requirement or any successor regulations then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the Group);

“**Articles of Association**” means the articles of association of the Issuer;

“**BBSW**” means the Bank Bill Swap Reference Rate;

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate stating that it will, by a specified date within the following six months, cease to publish the Original Reference Rate, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

- (iii) a public statement by the supervisor or the administrator of the Original Reference Rate stating that the Original Reference Rate has been or will be, by a specified date within the following six months, permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor or the administrator of the Original Reference Rate stating that the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (v) it has or will prior to the next Interest Determination Date become unlawful for the Fiscal Agent or any other agents party to the Agency Agreement to calculate any payments due to be made to the Holders using the Original Reference Rate;

“Broken Amount” has the meaning given in the relevant Final Terms;

“BRRD” means Directive (2014/59/EU) of the European Parliament and of the Council on resolution and recovery of credit institutions and investment firms dated May 15, 2014 and published in the Official Journal of the EU on June 12, 2014 (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time;

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for business (including dealing in foreign exchange and foreign currency deposits) in each Applicable Business Center, and if TARGET is an Applicable Business Center, a TARGET Settlement Day;

“Business Day Convention,” in relation to any particular date, shall be as specified in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **“FRN Convention,” “Floating Rate Convention”** or **“Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“Calculation Amount” has the meaning given to such term in the relevant Final Terms, provided that if the Outstanding Principal Amount of each Note is reduced as required by the current legislation and/or regulations applicable to the Issuer, the Calculation Agent shall (a) adjust the Calculation Amount on a *pro rata* basis to account for such reduction and (b) notify the Holders in accordance with Condition 21 (*Notices*) and the Fiscal Agent (if the Fiscal Agent is not the Calculation Agent) of the details of such adjustment;

“**Call Option**” has the meaning given in the relevant Final Terms;

“**CIBOR**” means the Copenhagen interbank offered rate;

“**Clearstream, Luxembourg**” means Clearstream Banking S.A.;

“**Contractual Currency**” has the meaning given to such term in Condition 22 (*Currency Indemnity*);

“**CRD IV**” means, as the context requires, any or any combination of the CRD IV Directive, the CRR and any CRD IV Implementing Measures;

“**CRD IV Directive**” means Directive (2013/36/EU) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated June 26, 2013 and published in the Official Journal of the EU on June 27, 2013 (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time;

“**CRD IV Implementing Measures**” means any regulatory capital rules or regulations or other requirements, which are applicable to the Issuer and which prescribe (alone or in conjunction with any other rules, regulations or other requirements) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer (on a non-consolidated or consolidated basis) to the extent required by the CRD IV Directive or the CRR, including for the avoidance of doubt and without limitation any regulatory technical standards released from time to time by the European Banking Authority (or any successor or replacement thereof);

“**CRR**” means Regulation (2013/575) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated June 26, 2013 and published in the Official Journal of the EU on June 27, 2013, as amended or replaced from time to time;

“**Danish Bankruptcy Act**” means the Danish Bankruptcy Act (Consolidated Act No. 11 of January 6, 2014, as amended or replaced from time to time) (in Danish: *konkursloven*);

“**Danish Financial Business Act**” means the Danish Financial Business Act (Consolidated Act No. 457 of April 24, 2019, as amended or replaced from time to time);

“**Danish Statutory Loss Absorption Powers**” means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Denmark, relating to (i) the transposition of the BRRD (or, as the case may be, any provision of Danish law transposing or implementing such Directive) as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified or converted into Ordinary Shares, other securities or other obligations of the Issuer or any other Person (or suspended for a temporary period);

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year; and
 - (ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year;
- (ii) if “**Actual/365**,” “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; and

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if “**30E/360 (ISDA)**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

“**Designated Maturity**” means, in respect of a Series of Notes for which (i) the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and (ii) Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the period of time designated in the relevant Reference Rate;

“**Determination Date(s)**” has the meaning given in the relevant Final Terms;

“**DFSA**” means the Danish Financial Supervisory Authority;

“**DTC**” means The Depository Trust Company;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or calculated or determined in accordance with, these Conditions or the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or calculated or determined in accordance with, these Conditions or the relevant Final Terms;

“**EURIBOR**” means the eurozone interbank offered rate;

“**Euroclear**” means Euroclear Bank SA/NV;

“**Euronext Dublin**” means The Irish Stock Exchange plc trading as Euronext Dublin;

“**Events of Default**” has the meaning given to such term in Condition 13 (*Events of Default*);

“**Final Redemption Amount**” means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**Fixed Interest Amount**” has the meaning given in the relevant Final Terms;

“**Group**” means the Issuer together with its Subsidiaries and other entities that are consolidated in the Issuer’s calculation of the Common Equity Tier 1 Capital Ratio on a consolidated level in accordance with CRD IV requirements;

“**HIBOR**” means the Hong Kong interbank offered rate;

“**IA Determination Cut-off Date**” means the date that is no later than five Business Days prior to the Interest Determination Date relating to the next Interest Period;

“**Independent Adviser**” means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

“**Interest Accrual Period**” means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due;

“**Interest Amount**” means, in relation to the Calculation Amount and an Interest Period, the amount of interest payable in respect of the Calculation Amount for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Note or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” has the meaning given in the relevant Final Terms;

“LIBOR” means the London interbank offered rate;

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Member States” means the member states of the European Economic Area;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

“MREL/TLAC Disqualification Event” means, in respect of a Series of Non-Preferred Senior Notes, the determination by the Issuer that, as a result of:

- (i) the implementation of any Applicable MREL/TLAC Regulations on or after the date of issue of the last Tranche of such Notes; or
- (ii) a change in any Applicable MREL/TLAC Regulations becoming effective on or after the date of issue of the last Tranche of such Notes,

it is likely that all or part of the Outstanding Principal Amounts of such Series of Notes will be excluded from the “eligible liabilities” (or any equivalent or successor term) available to meet any MREL/TLAC Requirement (however called or defined by then Applicable MREL/TLAC Regulations) if the Issuer and/or the Group is/are then or, as the case may be, will be subject to such MREL/TLAC Requirement, provided that a MREL/TLAC Disqualification Event shall not occur where such exclusion:

- (A) is or will be caused by (1) the remaining maturity of such Notes being less than any period prescribed by any applicable eligibility criteria under the Applicable MREL/TLAC Regulations, or (2) any applicable limits on the amount of “eligible liabilities” (or any equivalent or successor term) permitted or allowed to meet any MREL/TLAC Requirement(s) being exceeded; and/or
- (B) was reasonably foreseeable at the date of issue of the last Tranche of such Notes;

“MREL/TLAC Eligible Liabilities” means “eligible liabilities” (or any equivalent or successor term) which are available to meet any MREL/TLAC Requirement (however called or defined by the then Applicable MREL/TLAC Regulations) of the Issuer and/or the Group under Applicable MREL/TLAC Regulations;

“MREL/TLAC Requirement” means the total loss-absorbing capacity requirement and/or the minimum requirement for own funds and eligible liabilities, in each case which is or, as the case may be, will be, applicable to the Issuer and/or the Group;

“NIBOR” means the Norwegian interbank offered rate;

“Non-Preferred Senior Liabilities” means any unsubordinated and unsecured liabilities of the Issuer which rank below (i) any Preferred Senior Notes and (ii) any obligations of the Issuer that rank *pari passu* with any Preferred

Senior Notes upon an insolvency of the Issuer in accordance with Section 13(3) of the Danish Act on Restructuring and Resolution of Certain Financial Undertakings (Consolidated Act No. 24 of January 4, 2019, as amended or replaced from time to time) (the “**Danish Recovery and Resolution Act**”);

“**Non-Preferred Senior Notes**” means the Notes (i) specified as such in the relevant Final Terms and (ii) having the status set out in Condition 5.2 (*Status – Non-Preferred Senior Notes*);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its Outstanding Principal Amount, or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its Outstanding Principal Amount, or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Ordinary Shares**” means fully paid-up ordinary shares in the capital of the Issuer;

“**Original Reference Rate**” means:

- (i) the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) of the relevant Notes; or
- (ii) any Successor Reference Rate or Alternative Reference Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of Condition 8 (Reference Rate Replacement),

as applicable;

“**Outstanding Principal Amount**” means, in respect of a Note, the outstanding principal amount of such Note, as adjusted from time to time for any reduction of the principal amount of such Note as required by then current legislation and/or regulations applicable to the Issuer;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Applicable Financial Center specified in the relevant Final Terms and, if TARGET is an Applicable Financial Center, a TARGET Settlement Day;

“**Permission Withdrawal Early Redemption Restriction**” has the meaning given to such term in Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*);

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;

“**Preferred Senior Notes**” means the Notes (i) specified as such in the relevant Final Terms and (ii) having the status set out in Condition 5.1 (*Status – Preferred Senior Notes*);

“**Private Placement Legend**” means the legend set forth in the form of Notes scheduled to the Agency Agreement;

“**Put Option**” has the meaning given in the relevant Final Terms;

“**Put Option Notice**” means a notice, in the form available from the corporate trust office of the Paying Agent(s) which must be delivered to a Paying Agent by any Holder wanting to exercise its right to require the Issuer to redeem a Note;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Holder upon deposit of a Note with such Paying Agent by any Holder wanting to exercise its right to require the Issuer to redeem a Note;

“Qualifying Non-Preferred Senior Notes” means, in respect of a Series of Non-Preferred Senior Notes, at any time, any securities (other than such Notes) issued or guaranteed by the Issuer that:

- (i) contain terms which comply with the then current requirements for “eligible liabilities” (or any equivalent or successor term) provided for in the Applicable MREL/TLAC Regulations in relation to the relevant MREL/TLAC Requirement(s) (which, for the avoidance of doubt, may result in the relevant securities (a) not including, or restricting for a period of time the application of, one or more of the early redemption rights which are included in the relevant Notes, and (b) including change(s) compared to the terms of the relevant Notes which are necessary to ensure the effectiveness and enforceability of Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*)); and
- (ii) if the relevant substitution and variation of the relevant Notes pursuant to Condition 10.10 (*Substitution and variation of Non-Preferred Senior Notes*) is to ensure the effectiveness and enforceability of Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*), contain terms which include change(s) compared to the terms of the relevant Notes which are necessary to ensure the effectiveness and enforceability of Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*); and
- (iii) carry the same rate of interest as the relevant Notes prior to the relevant substitution or variation pursuant to Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*); and
- (iv) have the same Specified Denomination(s) and Outstanding Principal Amounts as the relevant Notes prior to the relevant substitution or variation pursuant to Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*); and
- (v) have the same Maturity Date and the same Interest Payment Dates as the relevant Notes prior to the relevant substitution or variation pursuant to Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*); and
- (vi) have at least the same ranking as the relevant Notes prior to the relevant substitution or variation pursuant to Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*); and
- (vii) shall not, immediately following the relevant substitution or variation pursuant to Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*) be subject to a MREL/TLAC Disqualification Event and/or a tax event referred to in Condition 10.2 (*Early Redemption Following a Tax Event*); and
- (viii) have terms not otherwise materially less favorable to the Holders than the terms of the relevant Notes, as determined by the Issuer in its sole and absolute discretion, and provided that the Issuer shall have delivered a certificate to that effect signed by two of its directors to the Fiscal Agent (and copies thereof will be available at the specified office of the Fiscal Agent during its normal business hours) not less than 5 Business Days prior to (a) in the case of a substitution of the relevant Notes pursuant to Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*), the issue date of the relevant securities or (b) in the case of a variation of the relevant Notes pursuant to Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*), the date such variation becomes effective; and
- (ix) if (A) the relevant Notes were listed or admitted to trading on a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on a Regulated Market or (B) the relevant Notes were listed or admitted to trading on a recognized stock exchange other than a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on any recognized stock exchange (including, without limitation, a Regulated Market), in either case as selected by the Issuer;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“Record Date” has the meaning given to such term in Condition 11 (*Payments – Notes*);

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Outstanding Principal Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, these Conditions or the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms, subject as provided in Condition 8 (*Reference Rate Replacement*), and shall be any one of Weighted Average SOFR, LIBOR, EURIBOR, NIBOR, STIBOR, CIBOR, SHIBOR, BBSW, HIBOR, CMT Rate, Commercial Paper Rate, Treasury Rate, Prime Rate, Eleventh District Cost of Funds Rate or Federal Funds Rate, subject as provided in Condition 8 (*Reference Rate Replacement*);

“Regular Period” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“Regulated Entity” means any entity to which the BRRD (or any other Danish legislation relating to the Danish Statutory Loss Absorption Powers) applies, which includes certain credit institutions, investment firms, and certain of their parent or holding companies;

“Regulated Market” means a regulated market for the purposes of Directive 2014/65/EU;

“Relevant Amounts” means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts (as described in Condition 12 (*Taxation*)) due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority;

“Relevant Banking Day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in the place of presentation of the relevant Note or in connection with the transfer of Notes only, the place of the Fiscal Agent;

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Applicable Financial Center of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders;

“Relevant Financial Center” has the meaning given in the relevant Final Terms;

“Relevant Nominating Body” means, in respect of an Original Reference Rate:

- (i) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which such Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

“Relevant Regulator” means the DFSA and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer, and/or (in the case of

Non-Preferred Senior Notes) the Relevant Resolution Authority (if applicable), in any case as determined by the Issuer;

“Relevant Resolution Authority” means the resolution authority with the ability to exercise any Danish Statutory Loss Absorption Powers in relation to the Issuer;

“Relevant Screen Page” means the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Time” has the meaning given in the relevant Final Terms;

“Restricted Securities” has the meaning given to such term in Rule 144(a)(3) under the United States Securities Act 1933;

“SHIBOR” means the Shanghai interbank offered rate;

“SOFR” has the meaning given to such term in Condition 7.3(C) (*Screen Rate Determination – where the applicable Reference Rate is Weighted Average SOFR*);

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms;

“Specified Period” has the meaning given in the relevant Final Terms;

“STIBOR” means the Stockholm interbank offered rate;

“Subsidiary” means, in relation to any Person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“Successor Reference Rate” means the rate that the Issuer (following consultation with an Independent Adviser (if applicable)) determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

“TARGET Settlement Day” means any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (**“TARGET2”**) System which was launched on November 19, 2007 or any successor thereto is open;

“Tax Event” has the meaning given to such term in Condition 10.2 (*Early Redemption Following a Tax Event*);

“Treaty” means the Treaty establishing the European Communities, as amended; and

“Zero Coupon Note” means a Note specified as such in the relevant Final Terms.

2.2 Interpretation: In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;

- (iv) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes;
- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes; and
- (vi) if the relevant Final Terms specify any Redemption Amount on a per Calculation Amount basis, the relevant Redemption Amount in respect of a Note shall be deemed to be the product of the relevant Redemption Amount per Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination.

3. **Book Entry, Delivery and Form**

- 3.1 The Notes will be issued only in registered form. The Notes will be in substantially the form (subject to amendment and completion) scheduled in the Agency Agreement.
- 3.2 Notes are issued in the Specified Denominations and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency) in excess thereof. The Holder of each Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Note) and no Person shall be liable for so treating such Holder. Title to Notes will pass by transfer and registration in the register which the Issuer shall procure to be kept by the Fiscal Agent.
- 3.3 The Notes sold pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) (“**Rule 144A**”) initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Rule 144A Global Notes**”).
- 3.4 The Notes sold pursuant to Regulation S under the Securities Act (“Regulation S”) initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”).
- 3.5 Upon issuance, the Global Notes will be deposited with the Fiscal Agent or the Paying Agent as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.
- 3.6 Except as set forth below, the Global Notes may be transferred, in whole but not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in definitive form, except in the limited circumstances described under “*Clearing and Settlement*.”
- 3.7 Notes sold to QIBs in reliance on Rule 144A (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “*Transfer and Transfer Restrictions*.” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear or Clearstream, Luxembourg), which may change from time to time.

4. **Transfer of Notes**

- 4.1 A Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part (provided that such part is, or is an integral multiple of, the Calculation Amount specified in the relevant Final Terms) only upon the surrender of the Note to be transferred, together with the form of transfer endorsed on it (the “Certificate of Transfer”) duly completed and executed, at the corporate trust office of the Fiscal Agent. A new Note will be issued to the transferee and, in the case of a transfer of part only of a Note, a new Note in respect of the balance not transferred will be issued to the transferor.
- 4.2 Subject to such reasonable procedures as it may prescribe, the Issuer will keep a note register (the “**Note Register**”) for the exchange, registration and registration of transfer of Notes at the principal corporate trust office of the Fiscal Agent in the Borough of Manhattan in the City of New York, the Fiscal Agent acting as the Issuer’s agent for such purposes. The Fiscal Agent will keep the Note Register at said office and will make such Note Register available for inspection upon the request of the Issuer. Included in the Note Register will be the name and address of the Holder of each Note, the amount of each Note, notations as to whether such Notes have been paid or canceled, and, in the case of mutilated, destroyed, stolen or lost Notes, whether such Notes have been

replaced. In the case of the replacement of any of the Notes, the Fiscal Agent will keep a record of the Note so replaced, and the Note issued in replacement thereof. In the case of the cancellation of any of the Notes, the Fiscal Agent will keep a record of the Note so canceled and the date on which such Note was canceled. The Fiscal Agent and the Issuer may treat the person in whose name the Note is registered as the owner of such Note for all purposes.

- 4.3 All Notes issued upon any transfer or exchange of Notes shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under the Agency Agreement as the Notes surrendered upon such transfer or exchange. Each Note authenticated and delivered upon any transfer or exchange for or in lieu of the whole or any part of any Note shall carry all the rights to interest (if any) and additional amounts (if any) in each case accrued and unpaid and to accrue, which were carried by the whole or such part, as the case may be, of such Note.
- 4.4 The Issuer or Fiscal Agent may decline to exchange or register the transfer of any Note during the period of 15 days preceding (i) the due date for any payment of principal of or interest on or additional Amounts with respect to the Notes or (ii) the date on which Notes are scheduled for redemption pursuant to Condition 10 (*Redemption and Purchase*).
- 4.5 Transfer, registration and exchange shall be permitted and executed as provided in this Condition 4 without any charge to the Holder other than any taxes or governmental charges payable on transfers or any expenses of delivery by other than regular mail, but subject to such reasonable regulations as the Issuer and the Fiscal Agent may prescribe. Registration of the transfer of a Note by the Fiscal Agent shall be deemed to be the acknowledgment of such transfer on behalf of the Issuer.
- 4.6 Upon the transfer, exchange or replacement of Notes not bearing the Private Placement Legend, the Fiscal Agent shall deliver Notes that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of Notes bearing the Private Placement Legend, the Fiscal Agent shall deliver only Notes that bear the Private Placement Legend unless such transfer is, in the case of Rule 144A Global Notes, at least one year (or such other period as shall constitute the required holding period pursuant to Rule 144 under the Securities Act) after the later of (i) the issue date of such Note (or any predecessor of such Note) and (ii) the sale of such Note (or any predecessor of such Note) by the Issuer or an Affiliate of the Issuer (computed in accordance with paragraph (d) of Rule 144 under the Securities Act) and the Holder of such Note is not at the proposed date of such transfer and was not during the three months preceding such proposed date of transfer an Affiliate of the Issuer.

5. Status of the Notes

In respect of this Condition 5, reference is also made to statutory loss absorption as more fully described in the risk factor in this Base Prospectus entitled “The Bank may be subject to bail-in under the BRRD, and the exercise of any power under the BRRD could have a material adverse effect on Holders.”

- 5.1 *Status – Preferred Senior Notes:* The Preferred Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank:
- (i) *pari passu* without any preference among themselves;
 - (ii) at least *pari passu* with all other ordinary, unsubordinated and unsecured obligations of the Issuer, present and future, save for certain mandatory exceptions provided by law (including obligations benefitting from a preferred ranking to the Preferred Senior Notes); and
 - (iii) senior to any Non-Preferred Senior Liabilities as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer.
- 5.2 *Status – Non-Preferred Senior Notes:* The Non-Preferred Senior Notes are intended to constitute MREL/TLAC Eligible Liabilities.

The Non-Preferred Senior Notes constitute direct, unconditional and unsecured Non-Preferred Senior Liabilities and will at all times rank:

- (i) *pari passu* without any preference among themselves;
- (ii) *pari passu* with all other Non-Preferred Senior Liabilities, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
- (iii) senior to holders of the Ordinary Shares and any subordinated obligations or instruments that rank or are expressed to rank junior to the Non-Preferred Senior Liabilities, in each case as regards the right to

receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and

- (iv) junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Non-Preferred Senior Liabilities, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer.

5.3 *Waiver of Set-off (Non-Preferred Senior Notes)*

This Condition 5.3 is only applicable in relation to Non-Preferred Senior Notes.

Subject to applicable law, no Holder, who shall in the event of the liquidation or bankruptcy of the Issuer be indebted to the Issuer, shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Notes held by such Holder.

6. **Fixed Rate Note Provisions**

- 6.1 This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

- 6.2 *Accrual of Interest:* The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of:

- (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder; and
- (ii) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent non-payment).

- 6.3 *Fixed Interest Amount:* The Interest Amount payable in respect of the Calculation Amount for any Interest Period shall be the relevant Fixed Interest Amount. Where the Specified Denomination of a Note is the Calculation Amount, the amount of interest payable in respect of such Note shall be the Fixed Interest Amount. Where the Specified Denomination of a Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the Fixed Interest Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination. Payments of interest on any Interest Payment Dates will, if so specified in the applicable Final Terms, amount to the Broken Amount, so specified.

- 6.4 *Calculation of Interest Amount:* The Interest Amount payable in respect of the Calculation Amount for any period for which a Fixed Interest Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than U.S. dollar, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of U.S. dollars, means one cent. Where the Specified Denomination of a Note is the Calculation Amount, the amount of interest payable in respect of such Note shall be the Interest Amount. Where the Specified Denomination of a Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the Interest Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

7. **Floating Rate Note Provisions**

- 7.1 This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

- 7.2 *Accrual of Interest:* The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment

of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of:

- (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder; and
- (ii) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent non-payment).

7.3 *Screen Rate Determination:*

(A) *Screen Rate Determination – where the applicable Reference Rate is other than Weighted Average SOFR*

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the applicable Reference Rate is a rate other than Weighted Average SOFR, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of Condition 7.3(A)(i) above, such rate does not appear on that page or, in the case of Condition 7.3(A)(ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (a) request the principal Relevant Financial Center office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Center interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (b) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial center of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial center of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or, as the case may be, the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or, as the case may be, an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or, as the case may be, the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(B) *Screen Rate Determination – where the applicable Reference Rate is Weighted Average SOFR*

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the applicable Reference Rate is Weighted Average SOFR, the Rate of Interest applicable to the Notes for each Interest Accrual Period will be the sum of the Margin and Weighted Average SOFR determined by the Calculation Agent in relation to such Interest Accrual Period.

where:

“Weighted Average SOFR” means the arithmetic mean of the SOFR in effect for each SOFR Reset Date during the relevant Interest Accrual Period, calculated by multiplying the relevant SOFR by the number of calendar days such SOFR is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period, provided however, that the last four SOFR Reset Days of such Interest Accrual Period shall be a **“Suspension Period.”** During a Suspension Period, the SOFR for each day during such Suspension Period will be the value for the SOFR Reset Date immediately prior to the first day of such Suspension Period;

“SOFR” means, with respect to any SOFR Reset Date:

- (a) the Secured Overnight Financing Rate published at 5.00 p.m. (New York City time) on the New York Federal Reserve’s Website on such SOFR Reset Date for trades made on the related SOFR Determination Date;
- (b) if the rate specified in (a) above does not so appear, and a SOFR Index Cessation Event and SOFR Index Cessation Date have not both occurred, the Secured Overnight Financing Rate published on the New York Federal Reserve’s Website for the first preceding United States Government Securities Business Day for which the Secured Overnight Financing Rate was published on the New York Federal Reserve’s Website;
- (c) if the rate specified in (a) above does not so appear, and a SOFR Index Cessation Event and a SOFR Index Cessation Date have both occurred, the rate that was recommended as the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank of New York or other designated administrator, and which rate may include any adjustments or spreads) or, if no such rate has been recommended within one United States Government Securities Business Day of the relevant SOFR Index Cessation Event, the Overnight Bank Funding Rate (published on the New York Federal Reserve’s Website at or around 5.00 p.m. (New York City time) on the relevant New York City Banking Day) for any SOFR Reset Date falling on or after the SOFR Index Cessation Date (it being understood that the Overnight Bank Funding Rate for any such SOFR Reset Date will be for trades made on the related SOFR Determination Date); or
- (d) if the Calculation Agent is required to use the Overnight Bank Funding Rate in paragraph (c) above and an OBFR Index Cessation Event and an OBFR Index Cessation Date have both occurred, then for any SOFR Reset Date falling on or after the later of the SOFR Index Cessation Date and the OBFR Index Cessation Date, the short-term interest rate target set by the Federal Open Market Committee, as published on the Federal Reserve’s Website and as prevailing on such SOFR Reset Date, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee, as published on the Federal Reserve’s Website and as prevailing on such SOFR Reset Date (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range);

“Federal Reserve’s Website” means the website of the Board of Governors of the Federal Reserve System, currently at <http://www.federalreserve.gov>, or any successor website of the Board of Governors of the Federal Reserve System;

“New York Federal Reserve’s Website” means the website of the Board Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org/>, or any successor website of the Federal Reserve Bank of New York;

“New York City Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City;

“OBFR Index Cessation Event” means the occurrence of one of more of the following events:

- (a) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased or will cease to publish or provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that

time, there is no successor administrator that will continue to publish or provide an Overnight Bank Funding Rate; or

- (b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) has ceased or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate;

“OBFR Index Cessation Date” means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Overnight Bank Funding Rate), ceases to publish the Overnight Bank Funding Rate, or the date as of which the Overnight Bank Funding Rate may no longer be used;

“SIFMA” means the Securities Industry and Financial Markets Association or any successor thereto;

“SOFR Determination Date” means, with respect to any SOFR Reset Date and with respect to (i) the Secured Overnight Financing Rate and (ii) the Overnight Bank Funding Rate: (A) in the case (i) the first United States Government Securities Business Day immediately preceding such SOFR Reset Date; and (B) in the case of (ii), the first New York City Banking Day immediately preceding such SOFR Reset Date;

“SOFR Index Cessation Date” means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used;

“SOFR Index Cessation Event” means the occurrence of one or more of the following events:

- (a) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a Secured Overnight Financing Rate; or
- (b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate;

“SOFR Reset Date” means each United States Government Securities Business Day during the relevant Interest Accrual Period, provided however that if both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, it shall mean: (i) in respect of the period from, and including, the first day of the Interest Accrual Period in which the SOFR Index Cessation Date falls (such Interest Accrual Period, the **“Affected Interest Period”**) to, but excluding the SOFR Index Cessation Date (such period, the **“Partial SOFR Period”**), each United States Government Securities Business Day during the Partial SOFR Period; (ii) in respect of the period from, and including, the SOFR Index Cessation Date to, but excluding, the Interest Payment Date in respect of the Affected Interest Period (such period, the **“Partial Fallback Period”**), each New York City Banking Day during the Partial Fallback Period; and (iii) in respect of each Interest Accrual Period subsequent to the Affected Interest Period, each New York City Banking Day during the relevant Interest Accrual Period; and

“United States Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

- 7.4 *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that

interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

7.5 *Linear Interpolation:* Where Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the relevant Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such next shorter or (as the case may be) next longer rate as last determined.

7.6 *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

7.7 *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of the Calculation Amount for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit (as defined in Condition 6.4 (*Calculation of Interest Amount*)) of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of a Note is the Calculation Amount, the amount of interest payable in respect of such Note shall be the Interest Amount. Where the Specified Denomination of a Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the Interest Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

7.8 *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

7.9 *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

7.10 *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Calculation Agent (if applicable) and the Holders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent or, if applicable, the Issuer in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Reference Rate Replacement:

8.1 *Application:* This Condition 8 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms and Screen Rate Determination is specified in the relevant Final Terms as the manner in

which the Rate(s) of Interest is/are to be determined, in each case, to one or more Interest Periods and if Reference Rate Replacement is also specified in the relevant Final Terms.

If notwithstanding the provisions of Condition 7.3 (*Screen Rate Determination*), the Issuer determines that a Benchmark Event has occurred when any Rate of Interest (or any component thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply to the relevant Series of Notes:

- (a) the Issuer shall use reasonable endeavors, as soon as reasonably practicable, to appoint and consult with an Independent Adviser with a view to the Issuer determining (without any requirement for the consent or approval of the Holders) (A) a Successor Reference Rate or, failing which, an Alternative Reference Rate, for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread;
- (b) if the Issuer is unable to appoint an Independent Adviser prior to the relevant IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may still determine (A) a Successor Reference Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread in accordance with this Condition 8. Without prejudice to the definitions thereof, for the purposes of determining any Successor Reference Rate, Alternative Reference Rate and/or any Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;
- (c) if a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (a) and (b) above, such Successor Reference Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 8);
- (d) if the Issuer, following consultation with the Independent Adviser (if applicable) and acting in good faith and in a commercially reasonable manner, determines that an Adjustment Spread is required to be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;
- (e) if the Issuer, following consultation with the Independent Adviser (if applicable) and acting in good faith and in a commercially reasonable manner, determines a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) and/or an Adjustment Spread in accordance with the above provisions, the Issuer may (without any requirement for the consent or approval of the Holders) also specify changes to these Conditions, the Agency Agreement and/or the Deed of Covenant in order to ensure the proper operation of such Successor Reference Rate or Alternative Reference Rate or any Adjustment Spread (as applicable), including, but not limited to (1) the Applicable Business Center(s), Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Reference Banks, Relevant Financial Center, Relevant Screen Page and/or Relevant Time (as applicable) applicable to the Notes and (2) the method for determining the fallback to the Rate of Interest in relation to the Notes if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available (such amendments, the “**Reference Replacement Amendments**”). For the avoidance of doubt, the Fiscal Agent and any other agents party to the Agency Agreement shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to the application of this Condition 8. No consent shall be required from the Holders in connection with determining or giving effect to the relevant Successor Reference Rate or Alternative Reference Rate or any Adjustment Spread (as applicable) or such other changes, including for the execution of any documents or other steps to be taken by the Fiscal Agent (if required or useful); and
- (f) the Issuer shall promptly, following the determination of any Successor Reference Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable) give notice thereof to the Fiscal Agent and, in accordance with Condition 21 (*Notices*), the Holders. Such notice shall specify the effective date(s) for such Successor Reference Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement, the Deed of Covenant and these Conditions (if any).

An Independent Adviser appointed pursuant to this Condition 8 shall act in good faith and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Fiscal Agent or the Holders for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 8.

Without prejudice to the obligations of the Issuer under this Condition 8, the Rate of Interest for the next Interest Period shall be determined by reference to the fallback provisions of Condition 7.3 (*Screen Rate Determination*) (i) if the Issuer, following consultation with the Independent Adviser (if applicable), is unable to or does not determine a Successor Reference Rate or an Alternative Reference Rate in accordance with this Condition 8, and (ii) where the Issuer determines a Successor Reference Rate or Alternative Reference Rate, unless and until the Fiscal Agent has been notified of such Successor Reference Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement, the Deed of Covenant and these Conditions (if any).

Notwithstanding any other provision of this Condition 8, in the case of Non-Preferred Senior Notes only, no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 8, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to:

- (i) prejudice the qualification of the Notes as MREL/TLAC Eligible Liabilities; and/or
- (ii) result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

8.2 *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent or, in the circumstances described above, the Issuer, will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Calculation Agent (if applicable) and the Holders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent or, if applicable, the Issuer in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. Zero Coupon Note Provisions

9.1 This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2 *Late Payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of:
 - (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder; and
 - (b) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent non-payment).

10. Redemption and Purchase

10.1 *Scheduled Redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Notes*).

10.2 *Early Redemption Following a Tax Event*: If, in relation to any Series of Notes:

- (i) as a result of any official change in the laws, regulations or rulings of Denmark or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of the first Tranche of such Series of Notes or any other date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 12 (*Taxation*); and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

any such event, a “**Tax Event**,”

the Issuer (including any successor entity) may, at its option (but subject, in the case of Non-Preferred Senior Notes, to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*)) at any time and having given no less than thirty nor more than sixty days’ notice (ending, in the case of the Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable, subject to the Permission Withdrawal Early Redemption Restriction (in the case of Non-Preferred Senior Notes)), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their Early Redemption Amount (Tax), together with accrued interest (if any) thereon, provided, however, that no such notice of redemption may be given earlier than ninety days (or, in the case of Notes which bear interest at a floating rate, a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus sixty days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the relevant Notes then due.

The Issuer may not exercise any such option in respect of any Note which is the subject of the prior exercise by the Holder of its Put Option (if applicable) pursuant to Condition 10.6 (*Redemption at the Option of Holder*).

- 10.3 *Early Redemption upon the Occurrence of a MREL/TLAC Disqualification Event*: This Condition 10.3 is only applicable to Non-Preferred Senior Notes.

In relation to a Series of Non-Preferred Senior Notes, if the MREL/TLAC Disqualification Event Redemption Option is specified in the relevant Final Terms as being applicable, upon the occurrence of a MREL/TLAC Disqualification Event, the Issuer may, at its option (but subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*)) at any time and having given no less than thirty nor more than sixty days’ notice (ending in the case of such Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of such Notes in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable, subject to the Permission Withdrawal Early Redemption Restriction), redeem all (but not some only) of such outstanding Notes comprising the relevant Series at their Outstanding Principal Amounts, together with accrued interest (if any) thereon.

- 10.4 *Redemption at the Option of the Issuer*: If a Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer but in the case of Non-Preferred Senior Notes, subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*) in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call), together with accrued interest (if any) thereon, upon the Issuer’s giving not less than the minimum period nor more than the maximum period of notice specified in the relevant Final Terms to the Holders in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable, subject to the Permission Withdrawal Early Redemption Restriction (in the case of Non-Preferred Senior Notes) and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call)).

The notice to Holders referred to in this Condition 10.4 shall specify the serial numbers of the Notes so to be redeemed.

If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder of its Put Option pursuant to Condition 10.6 (*Redemption at the Option of Holder*).

- 10.5 *Partial Redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10.4 (*Redemption at the Option of the Issuer*), the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the Specified Denomination thereof or an integral multiple thereof, subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange or quotation system on which the relevant Notes may be listed, traded or quoted.

In the case of the redemption of part only of a Note, a new Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfer of Notes*) which shall apply as in the case of a transfer of Notes as if such new Note were in respect of the untransferred balance.

- 10.6 *Redemption at the Option of Holder*: This Condition 10.6 is only applicable to Preferred Senior Notes. If a Put Option is specified in the relevant Final Terms as being applicable, upon a Holder of any Preferred Senior Note

giving not less than the minimum period nor more than the maximum period of notice specified in the relevant Final Terms to the Issuer, the Issuer will redeem such Note on the Optional Redemption Date (Put) at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date.

In order to exercise the option contained in this Condition 10.6, the Holder of such Note must, within the notice period set out above, deposit at the corporate trust office of a Paying Agent such Note and a duly completed Put Option Notice in the form obtainable from any Paying Agent specifying the aggregate Outstanding Principal Amount in respect of which such option is exercised. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Holder. No Preferred Senior Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10.6, may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Holder at such address as may have been given by such Holder in the relevant Put Option Notice and shall hold such Note at its corporate trust office for collection by the depositing Holder against surrender of the relevant Put Option Receipt. For so long as any outstanding Preferred Senior Note is held by a Paying Agent in accordance with this Condition 10.6, the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

The Holder of a Preferred Senior Note may not exercise such Put Option in respect of any such Note which is the subject of an exercise by the Issuer of its Call Option.

In the case of the redemption of part only of a Note, a new Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfer of Notes*) which shall apply as in the case of a transfer of Notes as if such new Note were in respect of the untransferred balance.

10.7 *Early Redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or, as the case may be, the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 10.7 or, if none is so specified, a Day Count Fraction of 30E/360.

10.8 *Purchase:* The Issuer or any of its Subsidiaries may (but, in the case of Non-Preferred Senior Notes, subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*)) purchase Notes whether in the open market, in the context of market making, or otherwise, at any price.

10.9 *Cancellation:* All Notes which are redeemed will forthwith (but, in the case of Non-Preferred Senior Notes, subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*)) be cancelled. All Notes so cancelled, and any Notes purchased pursuant to Condition 10.8 (*Purchase*) above that are cancelled, shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

10.10 *Substitution and Variation of Non-Preferred Senior Notes:* This Condition 10.10 is only applicable to Non-Preferred Senior Notes.

Subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*), and having given no less than thirty nor more than sixty days' notice to the Holders (in accordance with Condition 21 (*Notices*)), if the MREL/TLAC Disqualification Event Substitution/Variation Option is specified in the relevant Final Terms as being applicable and a MREL/TLAC Disqualification Event has occurred and is continuing, or to ensure the effectiveness or enforceability of Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*), the Issuer may substitute all (but not some only) of the Non-Preferred Senior Notes or vary the terms of all (but not some only) of the Non-Preferred Senior Notes, without any requirement for the consent or approval of the Holders, so that they become or remain Qualifying Non-Preferred Senior Notes.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Holders can inspect or obtain copies of the new terms and conditions of the Qualifying Non-Preferred Senior Notes. Such substitution or variation will be effected without any cost or charge to the Holders.

10.11 *Conditions to Redemption etc. Prior to Maturity Date (if any)*: This Condition 10.11 is only applicable to Non-Preferred Senior Notes.

Such Notes may only be redeemed, purchased, cancelled, substituted, varied or modified (as applicable) pursuant to Condition 10.2 (*Early Redemption Following a Tax Event*), Condition 10.3 (*Early Redemption upon the Occurrence of a MREL/TLAC Disqualification Event*), Condition 10.4 (*Redemption at the option of the Issuer*), Condition 10.8 (*Purchase*), Condition 10.9 (*Cancellation*) or Condition 10.10 (*Substitution and Variation of Non-Preferred Senior Notes*), as the case may be, if:

- (i) in the case of any such substitution, variation or modification, the Issuer has notified the Relevant Regulator of, and the Relevant Regulator has not objected to, such substitution, variation or modification (as applicable) in accordance with the CRD IV requirements;
- (ii) in the case of any such redemption, purchase or cancellation, the Issuer has notified the Relevant Regulator of, and, if then required by CRD IV, the Relevant Regulator has given permission to, such redemption, purchase or cancellation (as applicable) and, if so given by the Relevant Regulator, such permission has not been withdrawn by the Relevant Regulator prior to the date fixed for redemption, purchase or cancellation (as applicable); and
- (iii) in the case of a redemption of such Notes as a result of a MREL/TLAC Disqualification Event or a redemption event occurring under Condition 10.2 (*Early Redemption Following a Tax Event*), the Issuer has delivered a certificate signed by two of its directors to the Fiscal Agent (and copies thereof will be available at the specified office of the Fiscal Agent during its normal business hours) not less than five Business Days prior to the date set for redemption that such event has occurred or will occur no more than 90 days following the date fixed for redemption, as the case may be.

If, after a notice of redemption has been given pursuant to Condition 10.2 (*Early Redemption Following a Tax Event*), Condition 10.3 (*Early Redemption upon the Occurrence of a MREL/TLAC Disqualification Event*) or Condition 10.4 (*Redemption at the Option of the Issuer*) (as applicable), the Relevant Regulator withdraws its permission to the relevant redemption before the relevant redemption date, such notice of redemption shall automatically be revoked and the relevant redemption shall not be made until a new redemption notice is given and all conditions for redemption as described in this Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*) have been fulfilled. The redemption restriction described in this paragraph is referred to as the “**Permission Withdrawal Early Redemption Restriction.**”

Any refusal by the Relevant Regulator to grant its permission to any such redemption, purchase or cancellation (as applicable) pursuant to paragraph (ii) of this Condition 10.11 (or, as the case may be, any withdrawal by the Relevant Regulator of any such permission) will not constitute an event of default under the relevant Notes.

11. Payments – Notes

- 11.1 *Redemption Amount*: Payments of the Redemption Amount (together with accrued interest) due in respect of Notes shall be made in the currency in which such amount is due, and save in the case of partial payment of the Redemption Amount, surrender of the relevant Notes at the corporate trust office of the Fiscal Agent. If the due date for payment of the Redemption Amount of any succeeding Note is not a business day (as defined below), then the Holder will not be entitled to payment until the next business day, and from such day and thereafter will be entitled to payment by check (which may be posted to the address (as recorded in the Note Register) of the Holder thereof (or, in the case of joint Holders, the first-named)) on any Relevant Banking Day, or will be entitled to payment by transfer to a designated account on any day which is a business day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.
- 11.2 *Principal and Interest*: Except as otherwise provided in Condition 11.3 (*Payments on Foreign Currency Notes*) below with respect to Foreign Currency Notes, payments of principal and interest shall be made by check drawn in the currency in which the payment is due to the Holder (or in the case of joint Holders, the first-named) appearing in the Note Register as at the opening of business (as at the local time) on the fifteenth Relevant Banking Day before the due date for payment (the “**Record Date**”), and posted to the address (as recorded in the Note Register) of the Holder (or, in the case of joint Holders, the first-named) on the Relevant Banking Day unless prior to the relevant Record Date such Holder has applied to the Fiscal Agent, and the Fiscal Agent has acknowledged such application, for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to a designated account, if the due date for any such payment is not a Payment Business Day, then the Holder will not be entitled to payment thereof until the next succeeding business day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is

subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

- 11.3 *Payments on Foreign Currency Notes:* Unless otherwise specified in the relevant Final Terms, payments of principal of and interest on Foreign Currency Notes will be made in U.S. dollars unless the Holder thereof elects to receive such payments in the Specified Currency as described below.

Any U.S. dollar amount to be received by a Holder of a Foreign Currency Note will be based on the highest bid quotation in the City of New York received by the Fiscal Agent at approximately 11:00 A.M., New York City time, on the second business day preceding the applicable payment date of such Note from three recognized foreign exchange dealers for the purchase by the quoting dealer of the Specified Currency for U.S. dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Foreign Currency Notes scheduled to receive U.S. dollar payments and at which the applicable dealer commits to execute a contract. If such bid quotations are not available, payments will be made in the Specified Currency. All currency exchange costs will be borne by the Holder of the Foreign Currency Note by deductions from such payments.

Unless otherwise specified in the relevant Final Terms, a Holder of a Foreign Currency Note may elect to receive payment of the principal of and any interest on such Note in the Specified Currency by transmitting a written request for such payment to the Paying Agent at its office in the City of New York on or prior to the relevant Record Date or at least 15 days prior to maturity, as the case may be. Such request, which must include the wire transfer instructions referred to below, may be in writing (mailed or hand-delivered) or by cable or facsimile transmission. A Holder of a Foreign Currency Note may elect to receive payment in the Specified Currency for all principal and any interest payments and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Paying Agent, but written notice of any such revocation must be received by the Paying Agent on or prior to the relevant Record Date or at least 15 days prior to maturity, as the case may be. Holders of Foreign Currency Notes whose Notes are to be held in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in the Specified Currency may be made.

The payment of principal of or interest on Foreign Currency Notes paid in the Specified Currency other than at maturity will be made by check drawn upon a bank office located outside the United States, and any such payments due at maturity will be made by wire transfer of immediately available funds to an account maintained by the Holder with a bank office located in the country which issued the Specified Currency upon presentation of such Notes to the Paying Agent in time for such wire transfer to be made by the Paying Agent in accordance with its normal procedures.

If a Specified Currency is not available for the payment of principal or interest with respect to a Foreign Currency Note due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, the Issuer will be entitled to satisfy its obligations to Holders of Foreign Currency Notes by making such payment in U.S. dollars on the basis of the noon buying rate in the City of New York for cable transfers for such Specified Currency as determined by the Federal Reserve Bank of New York (the “**Market Exchange Rate**”) on the second business day prior to the date of such payment, or if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate.

- 11.4 *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.
- 11.5 In this Condition, “business day” means:
- (i) Relevant Banking Day; or
 - (ii) Payment Business Day.

12. Taxation

- 12.1 *Gross up:* All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Denmark or any political subdivision therein or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been receivable by them had no such

withholding or deduction been required, except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

- (i) to, or to a third party on behalf of, a Holder or beneficial owner which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of it having some connection with Denmark other than:
 - (a) the mere holding of the Note; or
 - (b) the receipt of principal, interest or other amount in respect of such Note; or
- (ii) to, or to a third party on behalf of, a Holder or beneficial owner who fails to comply with the Issuer's request to make a declaration of non-residence (or similar declaration) if such declaration is required under Danish law as a pre-condition to relief or exemption from such withholding or deduction; or
- (iii) presented for payment (where presentation is required) more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of thirty days; or
- (iv) where such withholding or deduction is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing;

nor will additional amounts be paid with respect to any payment of principal or interest on a Note to any Holder that is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the Holder of such Note. The obligation to pay taxes, duties, assessments and governmental charges shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal or interest on the Notes.

- 12.2 *Taxing Jurisdiction:* If the Issuer (including any successor entity) becomes subject at any time to any taxing jurisdiction other than Denmark, references in these Conditions to Denmark shall be construed as references to Denmark and/or such other jurisdiction.
- 12.3 *Non-Preferred Senior Notes:* This Condition 12.3 is only applicable in relation to Non-Preferred Senior Notes. Notwithstanding the foregoing, Condition 12.1 (*Gross up*) will be limited to payments of interest in respect of the Non-Preferred Senior Notes.
- 12.4 References in these Conditions to "interest," "Outstanding Principal Amount" or "Redemption Amounts" shall be deemed to include additional amounts payable under this Condition 12 and references in these Conditions to the "Issuer" shall be deemed to include any successor entity.

13. Events of Default

This Condition 13 is only applicable in relation to Preferred Senior Notes.

- 13.1 The following events or circumstances as modified by, and/or such other events as may be specified in, the relevant Final Terms (each an "**Event of Default**") shall be acceleration events in relation to any Series of Preferred Senior Notes, namely:
 - (i) the Issuer fails to pay any amount of principal or interest in respect of the Preferred Senior Notes of the relevant Series or any of them on the due date for payment thereof and such default continues for a period of five days on which banks are open for business in Copenhagen after written notice has been given by the Fiscal Agent or the Holder of any such Preferred Senior Note to the Issuer; or
 - (ii) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes of the relevant Series of Preferred Senior Notes and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for thirty days after written notice requiring such default to be remedied has been received by the Issuer from the Fiscal Agent or the Holder of any such Preferred Senior Note; or

- (iii) a distress, execution, seizure before judgment or other legal process is levied or enforced or sued out upon or against any part of the property, assets or revenues of the Issuer which is material in its effect upon the operation of the Issuer and is not discharged or stayed within sixty days of having been so levied, enforced or sued out; or
- (iv) (A) an application for the commencement of bankruptcy against the assets of the Issuer is filed and the application has been filed by or on behalf of the Issuer, or (B) a third party has filed an application for the commencement of bankruptcy against the assets of the Issuer and (the earlier of) either (1) the DFSA advises the competent court to open up bankruptcy proceedings, or (2) the competent court opens bankruptcy proceedings against the assets of the Issuer, or (C) under Section 233 of the Danish Financial Business Act, the DFSA permits liquidators of the Issuer appointed pursuant to Sections 227 or 228 of the Danish Financial Business Act to file a petition for bankruptcy under and pursuant to Section 17 of the Danish Bankruptcy Act in relation to the Issuer, or (D) under Sections 233 or 234 of the Danish Financial Business Act, the DFSA files a petition for bankruptcy under and pursuant to Section 17 of the Danish Bankruptcy Act in relation to the Issuer; or
- (v) under Section 238 of the Danish Financial Business Act, the DFSA files a petition for the suspension of payments of the Issuer.

- 13.2 *Acceleration:* If any Event of Default (other than an Event of Default specified in Condition 13.1(iv)) shall occur in relation to any Series of Preferred Senior Notes, unless the principal amount of the relevant Series of Preferred Senior Notes shall have already become due and payable, the Holders of not less than 25 percent in aggregate principal amount of such Series of Preferred Senior Notes then outstanding may, by written notice to the Issuer (effective upon receipt), at the specified office of the Fiscal Agent, declare that such Series of Preferred Senior Notes and (if such Series of Preferred Senior Notes is interest-bearing) together with all interest (if any) accrued thereon, shall be forthwith due and payable, whereupon the same shall become immediately due and payable at the relevant Early Termination Amount, together with all interest (if any) accrued thereon, without presentment, demand, protest or other notice of any kind, all of which the Issuer expressly waives, anything contained in such Preferred Senior Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the relevant Series of Preferred Senior Notes shall have been cured.

14. Enforcement Events

This Condition 14 is only applicable in relation to Non-Preferred Senior Notes.

- 14.1 *No Events of Default:* There are no events of default in respect of the Non-Preferred Senior Notes. Holders of such Notes shall not be entitled at any time to file for bankruptcy or liquidation of the Issuer.
- 14.2 *Enforcement Events:* If an order is made or an effective resolution is passed for the bankruptcy or liquidation of the Issuer (an “**Enforcement Event**”), any Holder may prove or claim in such proceedings in respect of such Note, such claim being for payment of the Outstanding Principal Amount of such Note at the time of commencement of such bankruptcy or liquidation of the Issuer together with any interest accrued and unpaid on such Note from (and including) the Interest Payment Date immediately preceding the occurrence of such Enforcement Event and any other amounts payable on such Note (including any damages payable in respect thereof). Such claim shall rank as provided in Condition 5 (*Status of the Notes*).
- 14.3 *Enforcement of Obligations:* Subject to Condition 14.1 (*No Events of Default*) and without prejudice to Condition 14.2 (*Enforcement Events*), any Holder may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Notes, provided that the Issuer shall not by virtue of the institution of any proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

15. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Notes are presented for payment within five years of the appropriate Relevant Date.

16. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the corporate trust office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by

the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

17. Agents

17.1 *Obligations of Agents:* In acting under the Agency Agreement and in connection with the Notes, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect of its appointment or incidental thereto.

17.2 *Termination of Appointments:* The initial Paying Agents in respect of any Notes shall be specified in the relevant Notes. The Calculation Agent in respect of any Notes shall be specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Calculation Agent and to appoint an additional or successor fiscal agent, paying agent, calculation agent or registrar; provided, however, that:

- (i) the Issuer shall at all times maintain a Fiscal Agent;
- (ii) the Issuer shall at all times maintain a Note Register;
- (iii) the Issuer shall at all times maintain a Paying Agent (which may be the Fiscal Agent) with an office in the City of New York;
- (iv) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent with an office located in such place as may be required by the Conditions; and
- (v) if and for so long as the Notes are admitted to listing and/or to trading and/or quotation on any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) with a specified office in the place required by such listing authority, stock exchange and/or quotation system.

18. Meetings of Holders; Modification and Waiver

18.1 *Meetings of Holders:* The Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of Holders of Notes of any Series to consider matters relating to such Series of Notes, including (without limitation) the modification by the Holders of a majority in principal amount of Notes of any such Series then outstanding or 66 2/3 percent in principal amount of the Notes of any such Series represented and voting at a meeting; or in the case of a written consent without a meeting, the consent of the Holders of at least a majority in aggregate principal amount of the Notes of any such Series outstanding at the time, of any provision of these Conditions as they apply to such Series; provided that the following modifications in respect of any Notes may only be made with the consent of the Holder of each of the Notes affected thereby: (i) a change in the stated maturity of any Note, or the date for any payment on any Note; (ii) the reduction of the principal amount of, or the rate or amount of interest on, any Note or the reduction of the amount payable thereon in the event of redemption or default, or the reduction of any additional amounts which are otherwise payable under Condition 12 (*Taxation*); or (iii) a change in the currency of payment of principal of, or interest on, any Note or any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) payable with respect thereto; or (iv) a change in the obligation of the Issuer to pay any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) (except as otherwise permitted by such Note); or (v) the impairing of the right to institute suit for the enforcement of any such payment on, or with respect to, any Note; or (vi) a reduction in the percentage of the aggregate principal amount of any Notes outstanding, the consent of whose Holders is required for any such modification or to waive any future compliance or past default or reduce the quorum required at any meeting of Holders or reduce the percentage of aggregate principal amount of Notes outstanding necessary to rescind or annul any declaration of the principal of and accrued interest on any Note to be due and payable. Any modifications, amendments or waivers to the Agency Agreement or to these Conditions will be conclusive and binding on all Holders of the Notes of the applicable Series, whether or not they have given a consent or were present at such meeting, and on all future Holders of the applicable Series, whether or not notation of such modifications, amendments or waivers is made upon the Notes of the applicable Series. Any instrument given by or on behalf of any Holder in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note of the applicable Series.

The persons entitled to vote a majority in principal amount of the Notes of any Series at the time outstanding shall constitute a quorum for the purpose of any action to be taken at a meeting of Holders of Notes with respect to the

Notes of such Series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting may be adjourned (or an adjourned meeting may be further adjourned) for a period of not less than 10 days as determined by the chairman of the meeting. At the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25 percent in principal amount of the Notes at the time outstanding shall constitute a quorum.

In the case of Non-Preferred Senior Notes, any modification to these Conditions pursuant to the operation of the provisions described in this Condition 18.1 is subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*).

18.2 *Modification:* The Issuer may make, without the consent of the Holders of Notes of any Series:

- (i) any modification to the Notes of any Series or these Conditions to correct a manifest error with respect to the Notes of the relevant Series; or
- (ii) subject to Condition 10.11 (*Conditions to Redemption etc. Prior to Maturity Date (if any)*) in the case of Non-Preferred Senior Notes, any modification to the Notes of any Series or these Conditions which is not prejudicial to the interests of the Holders of the relevant Series.

19. Merger, Consolidation and Sale of Assets

The Issuer will not consolidate with, or merge with or into, or sell, or convey all or substantially all its assets in one transaction or a related series of transactions, unless (i) either the Issuer is the surviving corporation, or the surviving, resulting or transferee entity (the “successor entity”) irrevocably submits to the jurisdiction of the courts of England, and expressly assumes the due and punctual payment of all obligations on all the Notes and the due and punctual performance of all the covenants and obligations of the Issuer under the Notes, the Agency Agreement and the Deed of Covenant, by a supplemental agreement satisfactory to the Fiscal Agent, and (ii) immediately after such event, the Issuer or such successor entity is not in breach of any covenants or obligations under the Notes, the Agency Agreement or the Deed of Covenant, provided, however, that nothing herein stated shall prevent the Issuer from selling or conveying all or substantially all its assets in one transaction or related series of transactions in connection with any restructuring of the Issuer’s assets or operations insofar as such transaction or transactions are required and approved of by the DFSA or other competent regulatory authority or are otherwise required by Danish law or regulations.

20. Further Issues

The Issuer may from time to time, without the consent of the Holders, create and issue further Notes having the same Terms and Conditions as any Series of Notes in all respects (or in all respects except for the issue date, the issue price or the first payment of interest (if any)) so as to form a single Series with such Series of Notes.

21. Notices

Notices to Holders will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the Note Register) at their respective addresses as recorded in the register kept by the Fiscal Agent, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day and, if such Notes are listed on the Official List of Euronext Dublin and admitted to trading on the regulated market of Euronext Dublin (so long as such Notes are listed on the Official List of Euronext Dublin and the rules of that exchange so permit), if published on the website of Euronext Dublin (www.ise.ie).

Notwithstanding the foregoing, so long as any Notes are represented by a Global Note which is held by or on behalf of DTC for the benefit of participants in DTC, all notices with respect to such Notes shall be sent only to DTC which will communicate such notices to its participants in accordance with its standard and customary procedures in effect at that time, provided that, if the Notes of a Series are listed on a stock exchange then all notices shall also be made in accordance with the standard and customary procedures then in effect at such stock exchange. Any such notice shall be deemed to have been given to the Holders of the relevant Notes on the first Business Day after the day on which the said notice was given to DTC or as otherwise provided by the applicable rules of a stock exchange.

22. Currency Indemnity

The currency in which the Notes are denominated or, if different, payable, as specified in the relevant Final Terms (the “**Contractual Currency**”), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any

jurisdiction or otherwise) by any Holder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount of the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount of the Contractual Currency expressed to be due to any Holder in respect of such Note the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss as aforesaid shall be deemed to constitute a loss suffered by the relevant Holder and no proof or evidence of any actual loss will be required by the Issuer.

23. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 percent being rounded up to 0.00001 percent);
- (ii) all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); and
- (iii) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right in these Conditions shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

25. Governing Law, Jurisdiction and Acknowledgement of Danish Statutory Loss Absorption Powers

- 25.1 *Governing Law:* The Notes, the Agency Agreement and the Deed of Covenant and any non-contractual obligations arising from or in connection with any of them, shall be governed by, and construed in accordance with, English law, except for Condition 5 (*Status of the Notes*), Condition 10.2 (*Early Redemption Following a Tax Event*), Condition 10.3 (*Early Redemption upon the Occurrence of a MREL/TLAC Disqualification Event*), Condition 14 (*Enforcement Events*) and Condition 25.6 (*Acknowledgement of Danish Statutory Loss Absorption Powers*), which shall be governed by, and shall be construed in accordance with, Danish law.
- 25.2 *English Courts:* The Issuer has irrevocably agreed, for the benefit of the Fiscal Agent and the Holders, that the courts of England are to have jurisdiction to hear and determine any suit, action or proceedings which may arise out of or in connection with the Notes, the Agency Agreement and the Deed of Covenant or any non-contractual obligation arising out of or in connection with them (together referred to as "Proceedings") and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 25.3 *Appropriate Forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Proceedings and, accordingly, that it will not argue to the contrary.
- 25.4 *Rights of the Holders to Take Proceedings outside England:* Condition 25.2 (*English Courts*) is for the benefit of the Holders only. As a result, nothing in this Condition 25 prevents any Holder from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, any Holder may take concurrent Proceedings in any number of jurisdictions.
- 25.5 *Service of Process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Issuer at 75 King William Street, London EC4N 7DT or at any address of the Issuer in Great Britain at which service of process may be served on it in accordance with the Companies Act 2006. Nothing in this Condition 25.5 shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

25.6 *Acknowledgement of Danish Statutory Loss Absorption Powers:* Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 25.6, includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Holder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (i) the effect of the exercise of any Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
 - (a) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;
 - (b) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into Ordinary Shares, other securities or other obligations of the Issuer or another Person, and the issue to or conferral on the Holder of such Ordinary Shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;
 - (c) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
 - (d) the amendment of the Maturity Date, the amendment of the amount of interest payable on the Notes (if any), or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (ii) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority.

26. **Rights of Third Parties**

No person shall have any right to enforce any term or Condition in respect of a Note, the Fiscal Agency Agreement or the Deed of Covenant under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Program.

MiFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Details of any negative target market to be included if applicable]*. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”) or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

[Amounts payable under the Notes will be calculated by reference to [LIBOR / EURIBOR / NIBOR / STIBOR / CIBOR / SHIBOR / BBSW / HIBOR / Weighted Average SOFR / CMT Rate / Commercial Paper Rate / Treasury Rate / Prime Rate / Eleventh District Cost of Funds Rate / Federal Funds Rate] which is provided by *[legal name of the benchmark administrator]*. As at the date of these Final Terms, *[legal name of the benchmark administrator]* [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011.

[As far as the Issuer is aware, [LIBOR / EURIBOR / NIBOR / STIBOR / CIBOR / SHIBOR / BBSW / HIBOR / Weighted Average SOFR / CMT Rate / Commercial Paper Rate / Treasury Rate / Prime Rate / Eleventh District Cost of Funds Rate / Federal Funds Rate] [does not fall within the scope of Regulation (EU) 2016/1011 by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of Regulation (EU) 2016/1011 apply] such that *[legal name of the benchmark administrator]* is not currently required to obtain authorization or registration (or, if located outside the EU, recognition, endorsement or equivalence).]

[Date]

DANSKE BANK A/S

U.S.\$ 15,000,000,000

U.S. Medium-Term Note Program

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated June 12, 2019 [and the Prospectus Supplement No. [●] dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]¹ Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at, and copies may be obtained from, the Central Bank of Ireland’s website at www.centralbank.ie for a period of 12 months following the date of the Base Prospectus.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any Final Terms, consideration should be given as to whether any information required to complete the Final Terms constitutes “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

[The following alternative language applies if the first Tranche of an issue of Notes which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated [original date] [together with any supplements which amend the Conditions], which are incorporated in the Base Prospectus dated [current date] [and the Prospectus Supplement No. [●] dated [●]], which [together] constitute[s] a base prospectus (the “**Current Base Prospectus**”) for the purposes of Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Directive and must be read in conjunction with the Current Base Prospectus, including the Conditions which are incorporated by reference in the Current Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Current Base Prospectus. The Current Base Prospectus [(dated [current date])] is available for viewing at, and copies may be obtained from, the Central Bank of Ireland’s website at www.centralbank.ie. The Final Terms are available for viewing at the website of The Irish Stock Exchange plc, trading as Euronext Dublin (“**Euronext Dublin**”) at www.ise.ie.

(1) Remove if the Notes will not be listed.

1. Issuer: Danske Bank A/S
2. (i) Series Number: []
(ii) Tranche Number: []
(iii) Date on which the Notes will be consolidated and form a single Series: [Not Applicable]/[The Notes will be consolidated and form a single Series with [identify earlier Tranche(s)] on the Issue Date.]
3. (i) Specified Currency or Currencies: []
(ii) Indicate Payment in U.S. dollars or Specified Currency: []
4. Aggregate Nominal Amount: []
[(i) Series: []]
[(ii) Tranche: []]
5. Issue Price: [] percent of the Aggregate Nominal Amount [plus [amount] accrued interest from [insert date]] (if applicable)
6. (i) Specified Denomination(s): []

(No Notes may be issued which have a minimum denomination of less than U.S.\$ 200,000 (but so that in no event will the minimum denomination be lower than EUR 100,000 or its equivalent at the date of issue of the relevant Notes) and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency).)

(ii) Calculation Amount: []

(If only one Specified Denomination, insert the Specified Denomination.

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. [(i) Issue Date [and Interest Commencement Date]: []]
- [(ii) Interest Commencement Date (if different from the Issue Date): []]
8. Maturity Date: [specify date] [subject to adjustment in accordance with the Business Day Convention specified in paragraph 16 (ii) below] (Include adjustment wording for Floating Rate Notes)
9. Form of Notes: Registered ([Regulation S]/[Rule 144A]) Global Note(s))
10. Interest Basis: [[] percent Fixed Rate]
[[Weighted Average SOFR][[]-month]
[currency] LIBOR/
EURIBOR/NIBOR/STIBOR/CIBOR/SHIBOR/
BBSW/HIBOR/CMT Rate/ Commercial Paper
Rate/Treasury Rate/Prime Rate/Eleventh District
Cost of Funds Rate/Federal Funds
Rate] +/- [] percent Floating Rate]
[Zero Coupon]
(further particulars specified below at paragraph [[15]
and] [16]/[17]))
11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100.00 percent of their Aggregate Nominal Amount]
12. Change of Interest Basis or Redemption/Payment Basis: [Not Applicable/cross refer to paragraphs [[15] and/or [16 below]] if details are included there]
13. Call/Put Options: [Call Option/Put Option/Not Applicable]
[(see paragraphs [19] and/or [20] below)]
14. (i) Status of the Notes: [Preferred Senior Notes/Non-Preferred Senior Notes]
- [(ii) Date [Board of Directors] approval for issuance of Notes obtained: []]
- (N.B. Only relevant where Board of Directors (or similar) authorization is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] percent per annum [payable [annually/semiannually/quarterly/monthly] in arrear]
- (ii) Interest Payment Dates(s): [] in each year
- (iii) Fixed Interest Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [Not Applicable/[] per Calculation Amount [for the [short/long] first Interest Period] payable on []]
- [Insert particulars of any initial or final broken amounts of interest that do not correspond with the Fixed Interest Amount]

(v)	Day Count Fraction:	[30/360 / Actual/Actual ([ICMA]/[ISDA]) / Actual/365 (Fixed)]
(vi)	Record Date:	[]
16.	Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Specified Period:	[Not Applicable/[]] <i>(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")</i>
(ii)	Interest Payment Dates:	[[]/Not Applicable] <i>(Specified Period and Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")</i>
(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(iv)	Applicable Business Center(s):	[insert Applicable Business Center(s)]/[Not Applicable]
(v)	Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[]
(vii)	Screen Rate Determination:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	– Reference Rate:	[Weighted Average SOFR][[[]-month] [currency] LIBOR/EURIBOR/NIBOR/STIBOR/CIBOR/ SHIBOR/BBSW/HIBOR/CMT Rate/Commercial Paper Rate/Treasury Rate/Prime Rate/Eleventh District Cost of Funds Rate/Federal Funds Rate]
	– Interest Determination Date(s):	[]
	– Relevant Screen Page:	[]
	– Relevant Time:	[] in the Relevant Financial Center
	– Relevant Financial Center:	[]
	– Reference Banks:	[]
	– Reference Rate Replacement:	[Applicable/Not Applicable]
(viii)	ISDA Determination:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>

	– Floating Rate Option:	[]
	– Designated Maturity:	[]
	– Reset Date:	[]
(ix)	Linear Interpolation:	[Applicable/Not Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using linear interpolation in accordance with Condition 7.5 (<i>specify for each short or long interest period</i>)]
(x)	Margin(s):	[+/-] [] percent per annum
(xi)	Minimum Rate of Interest:	[Not Applicable/[] percent, per annum]
(xii)	Maximum Rate of Interest:	[Not Applicable/[] percent, per annum]
(xiii)	Day Count Fraction:	[●]
17.	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Accrual Yield:	[] percent per annum
	(ii) Reference Price:	[]
	(iii) Day Count Fraction:	[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360]

PROVISIONS RELATING TO REDEMPTION

18.	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s) (Call):	[]
	(ii) Optional Redemption Amount (Call):	[] per Calculation Amount
	(iii) If redeemable in part:	[Applicable/Not Applicable] <i>(If not applicable, delete the remainder of this subparagraph)</i>
	(a) Minimum Redemption Amount:	[]
	(b) Maximum Redemption Amount:	[]
	(iv) Notice period:	Minimum period: [] days Maximum period: [] days <i>(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)</i>

19. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s) (Put): []
- (ii) Optional Redemption Amount (Put): [] per Calculation Amount
- (iii) Notice period: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)
20. **MREC/TLAC Disqualification Event Redemption Option** [Applicable/Not Applicable]
(N.B. Only relevant for Non-Preferred Senior Notes)
21. **Final Redemption Amount** [[] per Calculation Amount/Not Applicable]
22. (i) **Early Redemption Amount**
Early Redemption Amount payable on redemption for taxation reasons: [As set out in the Conditions/[] per Calculation Amount]
- (ii) **Early Termination Amount**
Early Termination Amount payable on Event of Default: [As set out in the Conditions/[] per Calculation Amount]
- GENERAL PROVISIONS APPLICABLE TO THE NOTES**
23. Applicable Financial Center(s): [Not Applicable/Give details]
(See definition of Payment Business Day in the Conditions. Note that this item relates to the date and place of payment and not Interest Payment Dates)
24. MREL/TLAC Disqualification Event Substitution/Variation Option: [Applicable/Not Applicable]
(N.B. Only relevant for Non-Preferred Senior Notes)

[[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:
Duly authorized

By:
Duly authorized

CC: U.S. Bank National Association as Fiscal Agent

PART B – OTHER INFORMATION

The following information is not included in, or considered part of, the Conditions.

1. Listing and Admission to Trading

- (i) Listing: [The Official List of Euronext Dublin/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on Euronext Dublin's regulated market with effect on or about []/Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [[]/[Not Applicable]]

2. Ratings

[Not Applicable/The Notes to be issued [[have been]/[are expected to be]] rated [] by [insert the legal name of the relevant credit rating agency entity(ies)].]:

[There is no guarantee that [any of] the above rating[s] will be maintained following the date of these Final Terms. Up-to-date information should always be sought by direct reference to the relevant rating agency.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Program generally or, where the issue has been specifically rated, that rating.)

Each of [relevant rating agencies] is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended.

3. [Interests of Natural and Legal Persons involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

Save as discussed in the “Plan of Distribution” section of the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

[4.] Estimated Net Proceeds

[Estimated net proceeds: []]

[5. Fixed Rate Notes only – Yield

Indication of yield: []

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.][⁽¹⁾

[6.] Operational Information:

ISIN Code: []

CUSIP: []

Common Code: []

Any clearing system(s) other than DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

[Original issue discount:

(i) Total amount of []
OID:

(ii) Yield to maturity: []

(iii) Interest accrual []
period:

Delivery: Delivery [against/free of] payment

[Names and addresses of additional []
Paying Agent(s) (if any):

[7.] Distribution

Method of Distribution: [Syndicated/Non-syndicated]

If syndicated, names of Dealers: [*Name(s)*]

Stabilizing Manager (if any): [Not Applicable/*give name*]

If Non-syndicated, name of relevant [Name]
Dealer:

(1) Complete section only if applicable. Otherwise delete and re-number sections accordingly.

CLEARING AND SETTLEMENT

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. The Issuer and the Dealers take no responsibility for these operations and procedures and urge investors to contact the system of their participants directly to discuss these matters.

General

DTC has advised the Issuer that DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “banking organization” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provision of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (collectively, the “**Participants**”) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in the accounts of its Participants. The Participants include securities brokers and dealers (including the Agents, banks, trust companies, clearing corporations and certain other organizations). Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Participant either directly or indirectly (collectively, the “**Indirect Participants**”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participant or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participant and Indirect Participants.

DTC has also advised the Issuer that, pursuant to procedures established by it, (i) upon deposit of Global Notes, DTC will credit the accounts of Participants with portions of the principal amount of the Global Notes and (ii) ownership of such interest in the Global Notes will be shown on, and the transfer of ownership thereof will be affected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interest therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including Euroclear and Clearstream, Luxembourg) which are Participants in such system. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Note on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. All interests in a Global Note, including those held through Euroclear or Clearstream, Luxembourg, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest.

Except as described below, owners of interests in the Global Notes registered in the name of DTC or its nominee will not be considered the registered owners or Holders thereof under the Agency Agreement for any purpose.

Payments in respect of the principal and interest (if any) on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the Agency Agreement. Under the terms of the Agency Agreement, the Issuer will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Issuer, the Fiscal Agent nor any agent of, the Issuer or the Fiscal Agent has or will have any responsibility or liability for (i) any aspect of DTC’s records or any Participants’ or Indirect Participants’ records relating to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of DTC’s records or any Participants’ or Indirect Participants’ records relating to or payments made on account of beneficial ownership interests in the Global Notes or (ii) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants. DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the interest payment date, in amounts proportionate to their respective holdings in the principal amount of the beneficial interests in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on such interest payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC or the Issuer. Neither the Issuer nor the Paying Agents will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Issuer and the Paying Agents may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same Day Funds Settlement System, and secondary market trading activity in such interests will, therefore, settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants. See "*Same Day Settlement and Payment*" below.

Subject to the transfer restrictions set forth under "*Transfer and Transfer Restrictions*," transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same day funds, and transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlements on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

DTC has advised the Issuer that it will take any action permitted to be taken by a Holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interest in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for Notes in registered definitive form ("**Definitive Notes**"), and to distribute such Notes to its Participants (as described below).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interest in the Global Notes among Participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Fiscal Agent nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Definitive Notes

A Global Note is exchangeable for a Definitive Note if (i) DTC notifies the Issuer that it is unwilling or unable to continue as depository for the Global Notes or has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Issuer thereupon fails to appoint a successor depository within 120 days after the date of such notice or (ii) the Issuer, at its option, notifies the Fiscal Agent and the Paying Agents in writing that it has elected to cause the issuance of the Definitive Notes or (iii) DTC so requests after there shall have occurred and been continuing an Event of Default with respect to the relevant Tranche of Notes. In all cases, Definitive Notes delivered in exchange for any Global Notes or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository in accordance with its customary procedures and will bear the restrictive legend referred to in "*Transfer and Transfer Restrictions*," unless the Issuer determines otherwise in compliance with applicable law.

Exchange of Definitive Notes for Global Notes

Definitive Notes that are "restricted securities" within the meaning of Rule 144 under the Securities Act may not be transferred for beneficial interests in any Global Note unless the transferor first delivers to the Fiscal Agent a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes.

Exchange or Transfer of Definitive Notes

Definitive Notes may be exchanged or transferred by a Holder by presenting or surrendering such Definitive Notes at the office of the Fiscal Agent with a written instruction of transfer in form satisfactory to the Fiscal Agent, duly executed by such Holder or his attorney, duly authorized in writing. If the Notes being exchanged or transferred are Restricted Securities, such Holder shall also provide a written certificate to the effect that such transfer will comply with the appropriate transfer restriction applicable to such Notes.

Exchange Among Regulation S Global Note and Rule 144A Global Note

On or prior to a date that is 40 days after the issue date of such Note, interests in a Regulation S Global Note may be transferred to a person who wishes to hold an interest in a Rule 144A Global Note only upon receipt by the Fiscal Agent of a written certification from the transferor (in the form set out in the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

Interests in a Rule 144A Global Note may also be transferred to a person who wishes to hold an interest through a Regulation S Global Note, but only upon receipt by the Fiscal Agent of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or with Rule 144 (if available) under the Securities Act.

Any interest in either a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Note.

Same Day Settlement and Payment

The Notes represented by the Global Notes will be eligible to trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any Definitive Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interest in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

General

Unless otherwise specified in the relevant Final Terms, the Notes will be denominated in U.S. dollars and payments of principal of and any premium and interest on the Notes will be made in U.S. dollars in the manner specified in this Base Prospectus and the relevant Final Terms. If any of the Notes are to be denominated in a Specified Currency other than U.S. dollars (a “**Foreign Currency Note**”), payments of the principal and any premium or interest on such Notes will be made in accordance with Condition 11.3 (*Payments on Foreign Currency Notes*).

THIS BASE PROSPECTUS DOES NOT DESCRIBE ALL RISKS OF AN INVESTMENT IN FOREIGN CURRENCY NOTES THAT RESULT FROM SUCH NOTES BEING DENOMINATED IN, OR THE PAYMENTS WITH RESPECT TO SUCH NOTES BEING RELATED TO THE VALUE OF, A FOREIGN CURRENCY EITHER AS SUCH RISKS EXIST AT THE DATE OF THIS BASE PROSPECTUS OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISERS AS TO THE RISKS ENTAILED IN AN INVESTMENT IN FOREIGN CURRENCY NOTES AND AS TO ANY MATTERS THAT MAY AFFECT THE PURCHASE OR HOLDING OF A FOREIGN CURRENCY NOTE OR THE RECEIPT OF PAYMENTS OF PRINCIPAL OF AND ANY PREMIUM AND INTEREST ON A FOREIGN CURRENCY NOTE IN A SPECIFIED CURRENCY. FOREIGN CURRENCY NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

The information set forth in this Base Prospectus is directed to prospective purchasers who are United States residents, and the Issuer disclaims any responsibility to advise prospective purchasers including those who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal of and any premium and interest on Foreign Currency Notes. Such persons should consult their own legal advisers with regard to such matters.

Foreign Currency Notes are issuable only in fully registered form, without coupons. The authorized denominations of Foreign Currency Notes will be specified in the relevant Final Terms.

Purchase

Unless otherwise indicated in the relevant Final Terms, purchasers are required to pay for Foreign Currency Notes in the Specific Currency. At the present time there are limited facilities in the United States for the conversion of U.S. dollars into foreign currencies or currency units and vice versa, and banks do not generally offer non-U.S. dollar checking or savings account facilities in the United States. If requested on or prior to the fifth business day preceding the date of delivery of the Notes, or by such other day as determined by the Issuer, the Issuer or its agent may offer to arrange for the conversion of U.S. dollars into the Specified Currency to enable the purchaser to pay for such Notes. Each such conversion will be made by the Issuer or its agent on such terms and subject to such conditions, limitations and charges as the Issuer or its agent may from time to time establish in accordance with its regular foreign exchange practices. All costs of exchange will be borne by the purchasers of the Foreign Currency Notes.

Judgments

In the event an action based on Foreign Currency Notes is commenced in a court of the United States, it is likely that such court would grant judgment relating to such Notes only in U.S. dollars. It is not clear, however, whether, in granting such a judgment, the rate of conversion into U.S. dollars would be determined with reference to the date of default, the date that judgment is rendered or some other date. Holders of Foreign Currency Notes would bear the risk of exchange rate fluctuations between the time the judgment is calculated and the time the Specified Currency is converted to U.S. dollars for payment of the judgment.

TRANSFER AND TRANSFER RESTRICTIONS

General

The following procedures and restrictions with respect to the registration of any transfer of any Note shall apply:

- (i) The Fiscal Agent shall register the transfer of any Note, if the requested transfer (x) is to the Issuer, (y) such transfer is, in the case of Rule 144A Global Notes, at least one year (or such other period as shall constitute the required holding period pursuant to Rule 144 under the Securities Act) after the later of (i) the issue date of such Note (or any predecessor of such Note) and (ii) the sale of such Note (or any predecessor of such Note) by the Issuer or an Affiliate of the Issuer (computed in accordance with paragraph (d) of Rule 144 under the Securities Act) and the Holder of such Note is not at the proposed date of such transfer and was not during the three months preceding such proposed date of transfer an Affiliate of the Issuer, or (z) such transfer is, in the case of Regulation S Global Notes, at least 40 days after the issue date of such Note (or any predecessor of such Note). No further documents, certifications or other evidence need be supplied in respect of any such transfer.
- (ii) The Fiscal Agent shall register the transfer of any Note if the Holder of such Note has properly completed the Certificate of Transfer, or a transfer instrument substantially in the form of such Certificate of Transfer, and has delivered such Certificate to the Fiscal Agent.
- (iii) The Fiscal Agent shall register the transfer of a Note to or from DTC or any other institutional trading system designated by the Issuer in a written notice to the Fiscal Agent. In connection with any such transfer to DTC for deposit or for deposit in such other institutional trading system, no further documents, certifications or other evidence need be supplied to the Fiscal Agent in respect thereof. In connection with any such transfer out of such other institutional trading system, the Fiscal Agent shall receive such documents, certifications or other evidence from the transferor or transferee as are specified in such written notice.
- (iv) If so directed by the Issuer, the Fiscal Agent shall register the transfer of the Notes, from or through any dealer, placement agent or other person specified by the Issuer which has agreed in writing to offer, sell and effect transfers of Notes only (i) to a prospective purchaser who such dealer, placement agent or other person has reasonable grounds to believe and does believe is a QIB; or (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. No further documents, certifications or other evidence need be supplied in respect of any such transfer.
- (v) With respect to any requested transfer of a Note not provided for in (i) through (iv) above, the Fiscal Agent shall not register such transfer except upon the order of the Issuer signed by or on behalf of the Issuer by an authorized officer or a duly appointed attorney-in-fact of the Issuer and then only pursuant to any additional procedures as the Issuer may establish and against surrender of such Note. Such additional procedures may include, without limitation, (x) delivery by the transferor or the proposed transferee of an opinion of counsel reasonably satisfactory to the Issuer to the effect that such transfer may be effected without registration under the Securities Act and (y) the delivery by the proposed transferee of representation letters in form and substance reasonably satisfactory to the Issuer to ensure compliance with the provisions of the Securities Act. It is understood that the issuance of such order by the Issuer shall be in the sole and absolute discretion of the Issuer.
- (vi) Upon receipt of the duly completed Note and any required instruments of transfer, transfer notices or other written statements or documents as described above, the Fiscal Agent shall cancel such Note and register the transfer and complete, authenticate and deliver in the name of the designated transferee or transferees, one or more new Notes of authorized denominations in the principal amount specified on such Note.
- (vii) The Fiscal Agent shall have no liability whatsoever to any party so long as it registers the transfer in accordance with the instructions described herein.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

The Notes have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold in the United States only to QIBs in reliance on Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

On or prior to the 40th day after the Closing Date, a beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by

the Fiscal Agent of a written certification (in the form set out in the schedule to the Agency Agreement) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in a Rule 144A Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through a Regulation S Global Note only upon receipt by the Fiscal Agent of a written certification (in the form set out in the schedule to the Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available) under the Securities Act.

Any beneficial interest in either a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

Each purchaser of the Notes who is in the United States or who is a U.S. Person or purchasing for the account of a U.S. Person will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (i) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (A) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (B) a non-U.S. person that is outside the United States (or a non-U.S. person that is a dealer or other fiduciary as referred to above) in accordance with Rule 903 or Rule 904 of Regulation S.
- (ii) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (iii) It understands and agrees that Notes initially offered in the United States to QIBs will be represented by a Rule 144A Global Note and that Notes offered outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by a Regulation S Global Note.
- (iv) It shall not resell or otherwise transfer any of such Notes except (A) to the Issuer or by, through or in a transaction approved by a Dealer, (B) within the United States to a QIB in a transaction complying with Rule 144A, (C) outside the United States to a non-U.S. person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (E) pursuant to an effective registration statement under the Securities Act.
- (v) It agrees that it will deliver to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.
- (vi) All Rule 144A Global Notes and any Definitive Notes issued in exchange therefor, if any will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR ANY OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF DANSKE BANK A/S (THE “ISSUER”) THAT THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OR BY, THROUGH OR IN A TRANSACTION APPROVED BY A DEALER, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY

PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

BY ITS ACQUISITION AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN, THE PURCHASER AND HOLDER HEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED, ON EACH DAY SUCH PURCHASER AND HOLDER HOLDS THIS NOTE OR INTEREST HEREIN, THAT EITHER (A) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)) SUBJECT TO TITLE I OF ERISA, (II) A PLAN (AS DEFINED IN SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”)) TO WHICH SECTION 4975 OF THE CODE APPLIES, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF ANY SUCH PLAN’S OR EMPLOYEE BENEFIT PLAN’S INVESTMENT IN THE ENTITY (THE FOREGOING SHALL BE COLLECTIVELY REFERRED TO AS “PLANS”) OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN (“NON-ERISA ARRANGEMENT”) THAT IS SUBJECT TO SIMILAR PROVISIONS UNDER APPLICABLE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER REGULATIONS, RULES OR LAWS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”) AND IT IS NOT PURCHASING OR HOLDING THE NOTE ON BEHALF OF OR WITH THE ASSETS OF ANY PLAN OR NON-ERISA ARRANGEMENT, OR (B) ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE SHALL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR VIOLATE ANY APPLICABLE PROVISION OF SIMILAR LAW.”

- (vii) It acknowledges that the Fiscal Agent for the Notes will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Fiscal Agent that the restrictions set forth herein have been complied with.
- (viii) It acknowledges that the Issuer, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (ix) It has received the information, if any, requested by it pursuant to Rule 144A, has had full opportunity to review such information and has received all additional information necessary to verify such information.
- (x) Each Plan who purchases the Notes, or any interest therein, including any fiduciary purchasing or holding the Notes (or any interest therein) on behalf of a Plan (“**Plan Fiduciary**”), will be deemed to have represented and agreed that (i) none of the Issuer, the Arranger, the Dealers, the Listing Agent and Fiscal Agent, or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan, has relied as a primary basis in connection with its decision to invest in the Notes, and none of them is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan’s acquisition of the Notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by the Issuer to or through BNP Paribas Securities Corp., BofA Securities, Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Danske Bank A/S, Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC, together with such other Dealers as may be appointed by the Issuer with respect to a particular Tranche of Notes, pursuant to an amended and restated program agreement entered into on May 23, 2018 (as supplemented, amended and/or restated from time to time, the “**Program Agreement**”). One or more Dealers may purchase Notes, as principal or agent, from the Issuer from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer, or, if so specified in the relevant Final Terms, for resale at a fixed offering price. If the Issuer and a Dealer agree, a Dealer may also utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes.

Unless otherwise specified in the relevant Final Terms, any Notes sold to one or more Dealers as principal will be purchased by such Dealers at a price equal to 100.00 percent of the principal amount thereof less a percentage of the principal amount equal to a commission as agreed upon by the Issuer and the relevant Dealers. Notwithstanding this, a Dealer may sell Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Dealer may allow, and such dealers may reallocate, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold at a fixed offering price), the concession and the reallocation may be changed.

The Issuer may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase Notes in whole or in part. Each Dealer shall have the right, in its discretion reasonably exercised, without notice to the Issuer, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws, regulations and rules.

The Stabilizing Manager(s) may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilizing Manager(s) of a greater number of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The Stabilizing Manager(s) may also impose a penalty bid. This occurs when a particular Stabilizing Manager repays to the Dealers a portion of the underwriting discount received by it because the Stabilizing Manager or its affiliates have repurchased Notes sold by or for the account of such Stabilizing Manager in stabilizing or short covering transactions.

Neither the Issuer nor any of the Dealers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, neither the Issuer nor the Dealers makes any representation that the Dealers will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Issuer has agreed to indemnify the Dealers against certain liabilities (including liabilities under the Securities Act) or to contribute to payments the Dealers may be required to make in respect thereof. The Issuer has also agreed to reimburse the Dealers for certain other expenses.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of CDSs or the creation of short positions in the Issuer's securities, including potentially the Notes issued under the Program. Any such short positions could adversely affect future

trading prices of Notes issued under the Program. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

No action has been or will be taken in any jurisdiction by the Issuer or any Dealers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Base Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Base Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each Dealer has agreed that, except as permitted by the Program Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the “distribution compliance period”) within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Program Agreement also provides that the Dealers may arrange for the placing of a portion of the Notes to persons reasonably believed to be QIBs pursuant to Rule 144A.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Selling Restrictions

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- *Financial promotion*: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 would not, if the Issuer was not an authorized person, apply to the Issuer; and

- *General compliance:* it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Denmark

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any Notes directly or indirectly in Denmark by way of a public offering, unless in compliance with the Danish Consolidated Act No. 12 of January 8, 2018 on Capital Markets, as amended, supplemented or replaced from time to time and Executive Orders issued thereunder, including the Danish Executive Order No. 1170 of September 25, 2018 on Prospectuses, as amended, supplemented or replaced from time to time in compliance with Executive Order 1580 of December 17, 2018, as amended, supplemented or replaced from time to time, issued pursuant to the Danish Financial Business Act.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (“NI 33-105”), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified and amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person pursuant (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are “**prescribed capital markets products**” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

None of the Issuer, the Fiscal Agent and the Dealers represent that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche of Notes, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree.

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

TAXATION

The following summary is based on the tax laws of Denmark and the United States as of the date of this Base Prospectus, and is subject to changes in Danish or United States law, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Denmark or the United States. Prospective investors are advised to consult their own professional tax advisors as to the Danish or United States or other tax consequences of the offering and the purchase, ownership and disposition of Notes.

Prospective investors who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

Danish Tax Considerations

The following summary refers solely to the tax system applicable to Holders that are not subject to full tax liability in Denmark, that are not companies included in a Danish joint taxation scheme, and that do not carry on business in Denmark through a permanent establishment.

Payments in respect of the Notes will not be subject to taxation in Denmark, no withholding tax will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Danish personal or corporate income tax.

United States Federal Income Taxation

General

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a Holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Final Terms or a supplement to this Base Prospectus will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary applies only to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to Holders that are subject to special tax rules, such as certain financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt organizations, dealers or traders in securities or currencies, or to Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States or investors that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the U.S. federal estate and gift tax, the Medicare surtax on “net investment income” or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of Holders that do not acquire Notes as part of the initial distribution at their initial “issue price,” as defined under “—U.S. Holders—Original Issue Discount” below.

This summary is based on the Code, as amended, existing and proposed treasury regulations, administrative pronouncements and judicial decisions, each as of the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Final Terms or in a supplement to this Base Prospectus.

For purposes of this description, a “**U.S. Holder**” is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to the consequences of acquiring, owning or disposing of Notes.

A Non-U.S. Holder is a beneficial owner of the Notes other than a U.S. Holder or a partnership (or an entity treated as a partnership for U.S. federal income tax purposes).

Prospective investors should consult their own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Notes.

Characterization of the Notes

Whether a particular Note is treated as debt (and not equity) for U.S. federal income tax purposes is an inherently factual question and no single factor is determinative. The Issuer intends to treat the Notes as indebtedness for U.S. federal income tax purposes unless provided otherwise in the Final Terms or in a supplement to this Base Prospectus, although no assurances can be given with respect to such treatment. The following discussion assumes that such treatment will be respected. If the treatment of the Notes as indebtedness is not upheld, it may affect the timing, amount and character of income inclusion to a U.S. Holder.

U.S. Holders

Foreign Currency Notes

Notes that are denominated in a currency other than the U.S. dollar are subject to special rules under Section 988 of the Code and the Treasury regulations thereunder (the “**988 Regulations**”). The proper application of the 988 Regulations to Foreign Currency Notes currently is unclear. Pursuant to Condition 11.3 of the Terms and Conditions of the Notes, unless otherwise specified in the relevant Final Terms, payments of principal and interest on Foreign Currency Notes will be made in U.S. dollars based on the exchange rate methodology described in such Condition (the “**Bid Rate**”) unless the Holder elects to receive such payments in the Specified Currency. For purposes of applying the 988 Regulations to Foreign Currency Notes, we believe that it is reasonable to treat the Bid Rate as the relevant exchange rate for determining income, gain or loss with respect to payments on, or the proceeds from the disposition of, Foreign Currency Notes, and the remainder of this discussion assumes that such treatment is correct. It is possible, however, that the IRS could require a U.S. Holder to calculate income, gain or loss on the notes using spot rates in effect on the relevant payment date. If such rates were to apply, it is possible that the character, amount, source and timing of income, gain or loss on the notes could differ from what is described below. U.S. Holders should consult their tax advisors regarding the proper application of the 988 Regulations to the Foreign Currency Notes.

Interest

Except as set forth below, interest (including “qualified stated interest” as defined under “—*Original Issue Discount*” below) paid on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), including the amount of any applicable withholding tax thereon, will be includible in a U.S. Holder’s gross income as ordinary interest income in accordance with the U.S. Holder’s usual method of tax accounting. In addition, interest on the Notes will generally be treated as foreign-source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder’s foreign tax credit limitation.

Foreign Currency Denominated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within each taxable year) or, at the U.S. Holder’s election, at the spot rate of exchange on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year) or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received (or in the case of interest paid in U.S. dollars under condition 11.3, the Bid Rate) differs from the rate applicable to an accrual of that interest. Any such gain or loss will generally be U.S. source ordinary income or loss.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount (“**OID**”) will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest,

to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as “**Original Issue Discount Notes**.” Solely for the purposes of determining for U.S. federal income tax purposes whether a Note has OID and the yield and maturity of a Note, the Issuer will be deemed to exercise any unconditional call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any unconditional put option that has the effect of increasing the yield on the Note. Notice will be given in the relevant Final Terms when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments, the relevant Final Terms or a supplement to this Base Prospectus will describe the material U.S. federal income tax consequences thereof. Persons considering the purchase of Original Issue Discount Notes with such features should consult their own tax advisors with respect to such features.

Additional rules applicable to Original Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described under “—*Foreign Currency Original Issue Discount Notes*” below.

For U.S. federal income tax purposes, a Note, other than a Note with a term of one year or less, will be treated as issued with OID if the excess of the Note’s “stated redemption price at maturity” over its issue price equals or exceeds a *de minimis* amount (0.25 percent of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its “weighted average maturity”). The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on such Note other than “qualified stated interest” payments. The “issue price” of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler). The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the Issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments.

In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as stated principal payments are made on the Notes in proportion to the stated principal amount paid on the Note. Any amount of *de minimis* OID that has been included in income will be treated as capital gain.

Certain of the Notes may be redeemed prior to their maturity. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and any supplement to this Base Prospectus and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the U.S. Holder of an Original Issue Discount Note is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note (“**accrued OID**”). The daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID allocable to that accrual period. The “accrual period” for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is generally equal to its issue price increased by the accrued OID for each prior accrual period and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant Final Terms and any supplement to this Base Prospectus and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. U.S. Holders should consult their own tax advisors about this election.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms (except that the issue date, the issue price or the first payment of interest (if any) may be different in respect of different Tranches of the same Series). These additional Notes, even if they are treated for non-tax purposes as part of the same Series of Notes that was created on or before the Grandfather Date (the “**original Notes**”), in some cases may be treated as a separate Series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Short-Term Notes

In the case of Notes having a term of one year or less (“**Short-Term Notes**”), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of stated interest. The discount generally will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note. In general, individuals and certain other cash method U.S. Holders of a Short-Term Note are not required to include accrued discount in their income currently unless they elect to do so (but will be required to include any stated interest in income as it is received). U.S. Holders that report income for United States federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-Term Notes (as ordinary income) on a straight line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the Short-Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder’s interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Foreign Currency Original Issue Discount Notes

OID for any accrual period on an Original Issue Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under “—*Foreign Currency Denominated Interest*” above. Upon receipt of an amount attributable to OID previously included in income (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a U.S. Holder on the accrual basis, as described under “—*Foreign Currency Denominated Interest*” above.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a “premium.” A U.S. Holder generally may elect to amortize the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the U.S. Holder’s regular accounting method. Special rules may limit the amount of premium that can be amortized during certain accrual periods in the case of a Note that is subject to optional redemption. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, note premium will be computed in units of foreign currency, and amortizable note premium will reduce interest income in units of the foreign currency. At the time amortized note premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realized measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortize note premium shall apply to all notes (other than notes the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the Note.

Sale, Exchange or Retirement

A U.S. Holder’s tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder’s income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable premium applied to reduce interest on the

Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Gain or loss recognized on the sale or retirement of a Note (other than gain or loss that is attributable to changes in exchange rates, which will be treated as ordinary income or loss) will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. Capital gains of non-corporate U.S. Holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction (including with respect to amounts received attributable to accrued interest). Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss.

Sale or Exchange of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Substitution and Variation of Non-Preferred Senior Notes

The terms of the Non-Preferred Senior Notes provide that, in certain circumstances, the Issuer may substitute all (but not some only) of such Notes or vary the terms of such Notes without any requirement for the consent or approval of the Holders. Depending on their terms, certain substitutions or variations might be treated for U.S. federal income tax purposes as a deemed disposition of such Non-Preferred Senior Notes by a U.S. Holder in exchange for new notes issued by the Issuer. As a result of this deemed disposition, among other things, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the Non-Preferred Senior Notes, and the new notes may be treated as issued with OID. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a substitution or variation of the terms of the Non-Preferred Senior Notes.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to U.S. Holders of any other type of Note that the Issuer may issue under the Program will be set forth, if required, in the relevant Final Terms or a supplement to this Base Prospectus.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. A reportable transaction includes transactions involving foreign currency losses exceeding a statutory amount. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Notes.

Foreign Financial Asset Reporting

Individuals and certain domestic entities closely held by individuals that hold an interest in a "specified foreign financial asset" are required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds the relevant threshold. A "specified foreign financial asset" includes any depository or custodial accounts at an FFI, and to the extent not held in an account at a financial institution, (i) stocks or securities issued by non-U.S. persons; (ii) any financial instrument or contract held for investment that has an issuer or counterparty which is not a U.S. person; and (iii) any interest in a non-U.S. entity. Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Holders are advised to consult their tax

advisors regarding the potential reporting requirements that may be imposed on them by this legislation with respect to their ownership of the Notes.

Accrual Method U.S. Holders

Certain U.S. Holders that use an accrual method of accounting for tax purposes may be required to conform their income inclusions to their financial statements and therefore to accrue income earlier than would be the case under the general tax rules described above. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential application of this legislation to their particular situation.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion under “—*U.S. Backup Withholding and Information Reporting*” below and the discussion under “*Risk Factors—Risks Related to the Notes Generally—Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act,*” payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an income tax treaty applies, unless the income is attributable to a Non-U.S. Holder’s permanent establishment in the United States).

Subject to the discussion under “—*U.S. Backup Withholding and Information Reporting*” below, any gain realized by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an income tax treaty applies, unless the income is attributable to a Non-U.S. Holder’s permanent establishment in the United States) or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest on, Notes and to proceeds of the sale or redemption of Notes made within the United States or through certain U.S. or U.S.-related brokers, to certain Holders of Notes. The payor will be required to backup withhold on such payments to a Holder of a Note that is a U.S. person, other than an “exempt recipient,” if the Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments of principal and interest to a Holder of a Note that is not a U.S. person will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the Holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding rate is currently 24 percent.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

The Proposed Financial Transaction Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, (the “**participating Member States**”). Estonia has since officially announced its withdrawal from the negotiations.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional Member States may decide to participate and/or certain of the participating Member States may withdraw. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

ERISA and Section 4975 of Code, impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include “plan assets” by reason of any such plan’s or arrangement’s investment therein (the foregoing shall be collectively referred to as “**Plans**”) and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans (“**Non-ERISA Arrangements**”) are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (“**Similar Laws**”).

In addition to ERISA’s general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, that is, “parties in interest” as defined in ERISA or “disqualified persons” as defined in Section 4975 of the Code (collectively, the foregoing shall be referred to as “**parties in interest**”) unless exemptive relief is available under an exemption issued by the U.S. Department of Labor. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. The Bank and its current and future affiliates may be parties in interest with respect to many Plans. Thus, a Plan fiduciary considering an investment in the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the Notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between the Bank and an investing Plan which would be prohibited if the Bank was a party in interest with respect to the Plan unless exemptive relief were available under an applicable exemption.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase Notes, should consider the exemptive relief available under the following prohibited transaction class exemptions, or PTCEs: (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called “**service provider exemption**”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Each purchaser or holder of a security, and each fiduciary who causes any entity to purchase or hold a Note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Notes, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or Non-ERISA arrangement; or (ii) its purchase, holding and subsequent disposition of such Notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any applicable provision of Similar Law.

Each Plan who purchases the Notes, or any interest therein, including any fiduciary purchasing or holding the Notes (or any interest therein) on behalf of a Plan (“**Plan Fiduciary**”), will be deemed to have represented and agreed that (i) none of the Issuer, the Arranger, the Dealers, the Listing Agent and Fiscal Agent, or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan, has relied as a primary basis in connection with its decision to invest in the Notes, and none of them is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan’s acquisition of the Notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

Each purchaser of a Note will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of such Note does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

Fiduciaries of any Plans and Non-ERISA Arrangements should consult their own legal counsel before purchasing the Notes. Neither this discussion nor anything in the Base Prospectus is or is intended to be investment advice directed at any potential purchaser that is a Plan or Non-ERISA Arrangement, or at such purchasers generally.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Notes will be passed upon for the Bank by White & Case LLP as to English law and United States federal law. Certain legal matters in connection with the offering of the Notes will be passed upon for the Arranger and the Dealers by Davis Polk & Wardwell London LLP as to English law and United States federal law.

INDEPENDENT AUDITORS

The consolidated interim financial statements of the Group as at and for the three months ended March 31, 2019 have been reviewed by Deloitte and the consolidated financial statements of the Group as at and for the years ended December 31, 2018 and 2017 have been audited by Deloitte, as stated in their reports incorporated by reference into this Base Prospectus.

ADDITIONAL INFORMATION

Name, Registered Office and Date of Registration

Danske Bank A/S
2-12 Holmens Kanal
DK-1092 Copenhagen K
Denmark

Telephone: +45 33 44 00 00

The Issuer is a commercial bank with limited liability, duly registered on October 5, 1871 in Denmark.

Registration

The Issuer is registered with the Danish Business Authority under Danish corporate registration number 61126228.

Objectives

According to Article 2.1 of the Articles of Association, the objectives of the Issuer are to conduct banking business of every nature, as well as other kinds of business permitted under Danish law.

Financial Year and Financial Reporting

The financial year of the Issuer runs from January 1 to December 31.

The Issuer publishes quarterly interim financial statements.

Auditors

The Group's current auditors elected at the most recent annual General Meeting of the Issuer held on March 18, 2019 are, and the Full-year Financial Statements have been audited by:

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S
Denmark.

Admission to Listing and Trading

Application has been made to Euronext Dublin for Notes issued under the Program to be admitted to the Official List and trading on its regulated market.

However, Notes may be issued pursuant to the Program which will not be admitted to listing on the Official List of Euronext Dublin and admitted to trading and/or quotation by the regulated market of Euronext Dublin or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

Listing Agent

The Irish Listing Agent is Matheson and the address of its registered office is 70 Sir John Rogerson's Quay, Dublin 2, Ireland. Matheson is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the regulated market of Euronext Dublin.

Authorizations

The establishment of the Program was authorized by a resolution of the Board of Directors of the Issuer passed on September 11, 2008. The increase in the Program amount from U.S.\$ 10,000,000,000 to U.S.\$ 15,000,000,000 was authorized by a resolution of the Board of Directors of the Issuer passed on May 15, 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes.

Material Adverse Change and Significant Change

- (i) There has been no significant change in the financial position of the Issuer or of the Issuer and its subsidiaries taken as a whole since March 31, 2019, the last day of the financial period in respect of which the most recent financial statements of the Issuer have been prepared; and

- (ii) save for the investigations regarding the terminated non-resident customer portfolio at the Bank's Estonian branch described under "*Description of the Group—Legal and Arbitration Proceedings*," there has been no material adverse change in the prospects of the Issuer since December 31, 2018, the last day of the financial period in respect of which the most recently audited financial statements of the Issuer have been prepared.

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