Interim report – first nine months 2020

Danske Bank Group

Danske Bank

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Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Net interest income	16,498	16,336	101	5,509	5,510	100	5,445	101	21,877
Net fee income	10,680	10,761	99	3,369	3,638	93	3,703	91	15,201
Net trading income	3,763	3,723	101	1,463	2,009	73	1,121	131	5,441
Other income	482	2,009	24	202	117	173	226	89	2,463
Total income	31,423	32,829	96	10,543	11,274	94	10,495	100	44,982
Operating expenses	20,409	19,206	106	6,692	6,953	96	6,382	105	27,548
Impairment charges on goodwill	-	-	-	-	-	-	-	-	1,603
Profit before loan impairment charges	11,014	13,623	81	3,851	4,321	89	4,113	94	15,831
Loan impairment charges	6,287	813	-	1,018	1,018	100	343	297	1,516
Profit before tax, core	4,727	12,810	37	2,833	3,304	86	3,771	75	14,315
Profit before tax, Non-core	-483	-248	195	-37	-192	19	22	-	-493
Profit before tax	4,244	12,562	34	2,795	3,112	90	3,793	74	13,822
Tax*	1,105	2,531	44	692	787	88	782	88	-1,249
Net profit	**3,139**	**10,031**	**31**	**2,103**	**2,325**	**90**	**3,011**	**70**	**15,072**
Attributable to additional tier 1 etc.	433	587	74	117	121	97	197	59	786

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

Balance sheet (end of period) (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Due from credit institutions and central banks	39,224	84,013	47	39,224	42,550	92	84,013	47	81,941
Repo loans	301,693	374,852	80	301,693	336,669	90	374,852	80	346,708
Loans	1,801,438	1,817,630	99	1,801,438	1,822,545	99	1,817,630	99	1,821,309
Trading portfolio assets	674,422	612,071	110	674,422	655,578	103	612,071	110	495,313
Investment securities	300,304	285,920	105	300,304	298,758	101	285,920	105	284,873
Assets under insurance contracts	510,008	527,979	97	510,008	523,427	97	527,979	97	463,816
Total assets in Non-core	4,541	11,417	40	4,541	4,815	94	11,417	40	7,519
Other assets	396,405	248,837	159	396,405	377,261	105	248,837	159	259,571
Total assets	**4,028,035**	**3,962,718**	**102**	**4,028,035**	**4,061,603**	**99**	**3,962,718**	**102**	**3,761,050**
Due to credit institutions and central banks	109,384	128,422	85	109,384	94,876	115	128,422	85	98,828
Repo deposits	240,209	269,399	89	240,209	297,949	81	269,399	89	232,271
Deposits	1,128,720	926,318	122	1,128,720	1,092,735	103	926,318	122	962,865
Bonds issued by Realkredit Danmark	772,670	813,893	95	772,670	749,168	103	813,893	95	795,721
Other issued bonds	368,553	368,282	100	368,553	373,196	99	368,282	100	350,190
Trading portfolio liabilities	499,121	541,773	92	499,121	541,912	92	541,773	92	452,190
Liabilities under insurance contracts	550,564	563,835	98	550,564	560,512	98	563,835	98	504,714
Total liabilities in Non-core	4,331	4,917	88	4,331	2,712	160	4,917	88	2,501
Other liabilities	153,245	154,467	99	153,245	152,253	101	154,467	99	159,529
Subordinated debt	35,014	25,948	135	35,014	31,790	110	25,948	135	31,733
Additional tier 1	8,690	14,400	60	8,690	8,573	101	14,400	60	14,237
Shareholders' equity	157,534	151,064	104	157,534	155,927	101	151,064	104	156,271
Total liabilities and equity	**4,028,035**	**3,962,718**	**102**	**4,028,035**	**4,061,603**	**99**	**3,962,718**	**102**	**3,761,050**

Ratios and key figures	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Dividend per share (DKK)	-	-		-	-	-	-	-	-
Earnings per share (DKK)	3.2	11.1		2.3	2.6	-	3.3	-	16.7
Return on avg. shareholders' equity (% p.a.)	2.3	8.5		5.1	5.7	-	7.6	-	9.6
Net interest income as % p.a. of loans and deposits	0.76	0.80		0.74	0.76	-	0.79	-	0.80
Cost/income ratio (%)	64.9	58.5		63.5	61.7	-	60.8	-	64.8
Total capital ratio (%)	23.3	21.0		23.3	22.1	-	21.0	-	22.7
Common equity tier 1 capital ratio (%)	18.2	16.4		18.2	17.6	-	16.4	-	17.3
Share price (end of period) (DKK)	86.1	95.4		86.1	88.3	-	95.4	-	107.8
Book value per share (DKK)	184.8	176.9		184.8	182.9	-	176.9	-	183.1
Full-time-equivalent staff (end of period)	22,582	21,960	103	22,582	22,191	102	21,960	103	22,006

The financial highlights represent alternative performance measures that are non-IFRS measures. Note G3 provides an explanation of differences in the presentation between IFRS and the financial highlights. For a description of the alternative performance measures used and definition of ratios, see Definition of Alternative Performance Measures on page 20.

Executive summary

Steady progress in a challenging environment
Despite the outbreak of the coronavirus pandemic in the spring and the subsequent lockdown of societies, the Nordic economies held up relatively well in the first nine months of 2020, and our underlying business remained stable. We have seen good business activity in the first nine months, driven primarily by Banking Nordic and large corporate customers. Visibility regarding the global economic recovery is still limited, however, and many uncertainties remain. But with strong capital and liquidity positions, Danske Bank is well prepared to face these uncertainties and to continue to support our customers.

Our net interest income for the first nine months reflects the steady progress in our business and was slightly higher than the year-earlier level, despite a challenging business environment. Net fee income and net trading income maintained the good momentum from last year, despite significantly lower remortgaging activity and difficult conditions in the financial markets in the beginning of the period. Excluding a positive effect from one-offs in 2019, total income was on par with income in the first nine months of 2019. Given the continuous increase in deposits in a low-rate environment, we have announced initiatives to adapt to current market conditions.

We are seeing the effect of our cost management initiatives, and costs were lower in the third quarter than in the second quarter. Costs in the first nine months came in higher than in the same period the year before as a result of the planned costs for the Better Bank transformation as well as costs for ongoing compliance remediation and the Estonia case. To make sure that we can continue to be competitive in a low-rate and low-margin environment, we have announced that we are discontinuing up to 1,600 positions over the next 6-12 months. Part of the reduction is expected to be achieved through, among other things, voluntary redundancy agreements and natural attrition. Reducing the cost base is a key part of our 2023 plan to become a better bank.

Credit quality remained overall strong, and the level of impairments was due primarily to our timely approach and adaptation to the macroeconomic and sector effects of the coronavirus pandemic as well as charges against oil-related exposures. Overall, our results were affected by post-model adjustments of DKK 2.0 billion as we continue our cautious approach to risks and visibility is limited.

Overall, Danske Bank posted a net profit of DKK 3.1 billion for the first nine months of 2020, against a net profit of DKK 10.0 billion for the same period in the year before, which, however, included a DKK 1.3 billion one-off gain from the sale of Danica Pension Sweden in the second quarter of 2019. The return on shareholders' equity was 2.3%, against 8.5% in the first nine months of 2019.

Better Bank update
We continue to make tangible progress on our journey towards becoming a better bank for all our stakeholders.

On 25 August, we announced changes to the organisation and to the Executive Leadership Team (ELT). The aim of the redesigned organisation is to reduce complexity, increase efficiency and become even more competitive for our customers. Going forward, our commercial activities will be organised in two business units, Personal & Business Customers headed by Glenn Söderholm and Large Corporates & Institutions headed by Berit Behring. On 8 October, we also announced that we are establishing a new Commercial Leadership Team (CLT), comprising 12 senior leaders from across the business in addition to the ELT.

In the first nine months of 2020, we started an agile transformation project called 'Better Ways of Working' to change the way in which we work at Danske Bank. The aim is to enable us to respond better and faster to customers' changing expectations, ensure a better and more digital customer experience as well as to bring down costs. The changes will directly affect more than 4,000 employees across Danske Bank.

We have also begun to significantly simplify the product offering at Banking Nordic, streamlining and aligning our portfolio across Norway, Sweden and Finland. This will make it even easier to become a customer at Danske Bank and for customers to do their day-to-day banking with us.

We continued to make progress on digitalising our know-your-customer and ongoing due diligence processes in order to reduce costs and to improve the customer experience.

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

Outlook for 2020
The outlook has been updated. As stated in company announcement no. 11 of 27 October 2020, we now expect a net profit of DKK 4-4.5 billion. Previously, we guided for a full-year net profit of at least DKK 3 billion.

The upward revision is based on generally improved developments in the financial markets, continually good progress in the underlying business as well as lower costs. We now expect costs, including the planned costs for the Better Bank transformation, to amount to around DKK 28 billion, against our previous guidance of DKK 28-29 billion.

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

The outlook is subject to uncertainty and depends on economic conditions, including government support packages.

Financial review

First nine months 2020 vs first nine months 2019

Profit before loan impairment charges decreased to DKK 11.0 billion (Q1-Q3 2019: DKK 13.6 billion), mainly because profit for the first nine months of 2019 benefited from the DKK 1.3 billion gain from the sale of Danica Pension Sweden. Further, operating expenses increased DKK 1.2 billion, due primarily to the planned costs for the Better Bank transformation, ongoing compliance remediation and costs relating to the Estonia case.

Profit before tax was also affected by the corona crisis, primarily in the form of loan impairment charges, which increased to DKK 6.3 billion (Q1-Q3 2019: DKK 0.8 billion).

Income

Net interest income increased 1% to DKK 16.5 billion (Q1-Q3 2019: DKK 16.3 billion) due to higher income from lending and deposit volumes. There was also a positive effect from structural changes to the Group's funding and liquidity management and from an improvement in deposit margins due to higher short-term market rates. The positive developments were partly offset by adverse exchange-rate developments, higher capital and long-term funding costs, due primarily to MREL compliance, and lower lending margins.

Net fee income decreased to DKK 10.7 billion (Q1-Q3 2019: DKK 10.8 billion), due primarily to the effects of the corona crisis at Banking DK and at the Northern Ireland unit. The negative effects were partly offset by an increase in net fee income at Wealth Management, Danica Pension, due to higher risk allowance fees and positive results from, for example, the health and accident business. Further, net fee income in the first nine months of 2019 was affected by the compensation paid to customers in relation to the Flexinvest Fri product, the effect of which was partly offset by high remortgaging activity.

Net trading income increased 1% to DKK 3.8 billion (Q1-Q3 2019: DKK 3.7 billion). The increase was due to higher net trading income at Corporates & Institutions, FI&C, including positive developments in value adjustments (xVA), which more than offset a decrease in net trading income at Wealth Management, Danica Pension, caused by market developments and a decrease in the interest yield curve, which affected the investment result in the health and accident business.

Other income amounted to DKK 0.5 billion (Q1-Q3 2019: DKK 2.0 billion). Other income in the first nine months of 2019 benefited from the DKK 1.3 billion gain from the sale of Danica Pension Sweden.

Expenses

Operating expenses amounted to DKK 20.4 billion (Q1-Q3 2019: DKK 19.2 billion). The increase from the year-earlier period was due primarily to the planned costs for the Better Bank transformation, ongoing compliance remediation and costs relating to the Estonia case. The effect of our transformation efforts are, however, beginning to show, as costs showed a downward trend in the third quarter of 2020 from the level in the second quarter of 2020.

Loan impairments

Loan impairments in core activities amounted to DKK 6.3 billion (Q1-Q3 2019: DKK 0.8 billion). On the basis of timely estimates applied in the Group's impairment process, loan impairments include a charge of DKK 2.2 billion to cover the effects of the limited visibility caused by the corona crisis. The impairments are a combination of specific adjustments for industries expected to be impacted by the corona crisis and charges due to the updating of macroeconomic scenarios. Impairments relating to specific customers amounted to DKK 4.1 billion, of which a part also relates to the corona crisis. This includes charges regarding the oil and gas industry, due mainly to continued uncertainty in the offshore segment. Despite the above, credit quality remained overall strong.

Corporates & Institutions saw loan impairments primarily against single-name exposures, mainly in the oil and gas industry and, to a smaller extent, in the retailing industry. Banking Nordic was affected by an increase in total impairments following impairments made against single-name exposures and the changed macroeconomic outlook. At Banking DK, charges were driven by the continued limited visibility relating to the effects of the corona crisis, however, with limited credit deterioration observed.

Loan impairment charges

	Q1-Q3 2020		Q1-Q3 2019	
(DKK millions)	Charges	% of net credit exposure[1]	Charges	% of net credit exposure[1]
Banking DK	837	0.12	-82	-0.01
Banking Nordic	1,472	0.31	-1	-0.00
C&I	3,676	2.05	889	0.50
Northern Ireland	295	0.72	11	0.03
Other Activities	7	0.17	-4	-0.07
Total	**6,287**	**0.44**	**813**	**0.06**

[1] Relating to lending activities in core segments.

Q3 2020 vs Q2 2020

Profit before loan impairment charges decreased to DKK 3.9 billion (Q2 2020: DKK 4.3 billion). The decrease was due to decreases in net trading income and net fee income. A decline in operating expenses had a partly offsetting effect.

Net interest income was stable from the second to the third quarter. Net interest income increased due to reduced deposit rates, higher deposit volumes, a positive effect from the number of interest days in the quarter, an increase in amortisation of loan origination fees as well as positive exchange rate developments. These effects were offset by lower deposit margins as a result of the normalisation of short-term market rates, lower lending volumes as well as higher capital and long-term funding costs.

Net fee income amounted to DKK 3.4 billion, a decrease of 7%. Net fee income in the second quarter benefited from extraordinarily high income at Wealth Management, Danica Pension, due primarily to income related to products with investment guarantees. Net fee income also decreased from the second to the third quarter as a result of lower income from equities at Corporates & Institutions, Capital Markets.

Net trading income decreased to DKK 1.5 billion from DKK 2.0 billion in the second quarter. The decrease was due to normalisation in the financial markets affecting Corporates & Institutions, FI&C, and a decrease in net trading income at Wealth Management, Danica Pension, due to market developments.

Operating expenses amounted to DKK 6.7 billion, a decrease of 4%. The decrease was due to the Group's continued focus on costs and its transformation efforts as well as seasonality.

Loan impairments were stable at DKK 1.0 billion (Q2 2020: DKK 1.0 billion). Impairments relating to specific customers amounted to DKK 0.7 billion. During the third quarter, the macroeconomic scenarios remained unchanged for the Nordic countries. Hence, the scenarios continue to be based on the Group's Nordic Outlook that reflects a contraction in the economies in 2020 with a recovery already in 2021, thus overall following an expected v-shaped recovery. In the third quarter of 2020, the outlook became more positive for all key macroeconomic drivers, leading to a reversal of impairments of DKK 1.0 billion based on the macroeconomic outlook. However, given clouded visibility following the corona crisis, additional impairments of DKK 1.3 billion are booked to cover specific adjustments for industries likely to be affected by the corona crisis.

End of September 2020 vs end of December 2019

Lending and deposits

The changes in lending and deposits were driven by the corona crisis. Lending decreased 1%, primarily at Banking DK, as a result of direct government support measures and our customers' timely cost and liquidity management. Deposits increased a significant 22% due to low consumer spending, direct government support to customers and to corporate customers that have secured backup liquidity.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 66.3 billion (Q1-Q3 2019: DKK 87.7 billion). Lending to retail customers accounted for DKK 18.5 billion (Q1-Q3 2019: DKK 45.4 billion) of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased to 25.5% (end-2019: 26.2%) due primarily to a decreasing market share in the retail segment of the mortgage credit market and in the commercial segment of the banking market. In Norway, Sweden and Finland, our market shares increased.

Our market share of deposits generally increased.

Credit exposure and quality

Credit exposure from lending activities in core segments increased to DKK 2,588 billion (end-2019: DKK 2,444 billion), driven by higher deposits with central banks in Other Activities and an increase in loan commitments at Corporates & Institutions.

Credit quality remained overall strong in most segments in the first nine months of 2020. The effects of the corona crisis are expected to materialise in the coming quarters, and apart from existing portfolios that are challenged, the volume of new non-performing loans was limited in the first nine months of 2020. Total net non-performing loans (NPL) decreased DKK 1.2 billion from the end of 2019. The decrease was due to a single-name exposure in the capital goods industry at Corporates & Institutions, with the effect being partly offset by an increase in NPL related to single-name exposures in the retailing industry at Corporates & Institutions and in the hotels, restaurants and leisure and consumer goods industries at Banking Nordic.

The NPL coverage ratio increased to 82% from 78% at the end of 2019, primarily because of higher impairments against customers in the oil and gas industry.

The risk management notes on pp. 48-61 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	30 Sep. 2020	31 Dec. 2019
Gross NPL	34,260	34,713
NPL allowance account	14,089	13,367
Net NPL	**20,172**	**21,346**
Collateral (after haircut)	**17,032**	**17,479**
NPL coverage ratio (%)	81.8	77.6
NPL coverage ratio of which is in default (%)	97.8	73.6
NPL as a percentage of total gross exposure (%)	1.3	1.4

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

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

Allowance account by business units	30 Sep. 2020		31 Dec. 2019	
(DKK millions)	Accum. impairm. charges	% of gross credit exposure [1]	Accum. impairm. charges	% of gross credit exposure [1]
Banking DK	11,732	1.24	11,662	1.21
Banking Nordic	5,602	0.87	4,333	0.68
C&I	5,295	2.20	3,718	1.61
Northern Ireland	945	1.72	730	1.37
Other	14	0.18	8	0.09
Total	**23,588**	**1.25**	**20,451**	**1.08**

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

Capital ratios and requirements

The 0.9 percentage point increase in the CET1 capital ratio during the first nine months of 2020 was largely driven by the cancellation of dividends for 2019 as well as the realised net profit and changes to the IFRS 9 transitional arrangements. The total capital ratio was further affected by the redemption of additional tier 1 (AT1) capital instruments in April 2020,which was partly countered by an issue of tier 2 capital in September 2020, resulting in a 0.6 percentage point increase in the total capital ratio.

During the first nine months of 2020, the total REA decreased slightly by DKK 0.7 billion. The minor movement was attributable primarily to decreased REA for market risk. REA for market risk has decreased steadily over the past quarter from the high level seen at the end of June 2020 that was due to the corona crisis.

Danske Bank determines its solvency need as part of the Internal Capital Adequacy Assessment Process (ICAAP). The solvency need ratio consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

At the end of September 2020, the Group's solvency need ratio was 12.6%. The solvency need still includes the DKK 10 billion CET1 requirement as a consequence of the orders issued by the Danish FSA in 2018 in relation to the Estonia case.

A combined buffer requirement applies in addition to the solvency need ratio. At the end of September 2020, the Group's combined capital buffer requirement was 5.6%.

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

Capital ratios and requirements

(% of the total REA)	30 Sep 2020	Fully phased-in*
Capital ratios		
CET 1 capital ratio	18.2	17.9
Total capital ratio	23.3	23.0
Capital requirements (incl. buffers)**		
CET 1 requirement	13.3	13.3
- portion from countercyclical buffer	0.1	0.1
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Solvency need ratio	12.6	12.6
Total capital requirement	**18.2**	**18.2**
Excess capital		
CET 1 capital	4.9	4.6
Total capital	5.1	4.8

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

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

The calculation of the solvency need ratio and the combined capital buffer requirement is described in more detail in section 5 of Risk Management 2019, which is available at danskebank.com/ir.

Minimum requirement for own funds and eligible liabilities

The requirement is set at two times the total capital requirement but includes the institution-specific countercyclical buffer only once. At the end of September 2020, the requirement was equivalent to DKK 239 billion. Taking the deduction of capital and debt buffer requirements in Realkredit Danmark into account, the MREL-eligible liabilities amounted to DKK 280 billion.

The transition to the full MREL has been relatively shorter for the Group than for its peers. In combination with a relatively high Danish MREL, the Group has issued a significant amount of non-preferred senior debt over the past couple of years.

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

At the end of September 2020, the subordination requirement was equivalent to DKK 196 billion. The subordinated MREL-eligible liabilities stood at DKK 242 billion.

Leverage ratio

With the adoption of the Capital Requirements Regulation 2 (CRR2), a minimum leverage ratio requirement of 3% will be introduced in the second quarter of 2021. At the end of September 2020, the Group's leverage ratio was 4.4% under both the transitional rules and the fully phased-in rules.

Capital targets and capital distribution

The Group's CET1 capital ratio target is kept at above 16% in the short term to ensure a sufficiently prudent buffer in relation to the capital requirement. The total capital target is kept at above 20%.

In order to support the initiatives aimed at minimising the economic consequences of the corona crisis, no dividends were paid for 2019. The decision for no dividend payments in 2020 does not change the Group's general dividend ambition, which is still to pay out 40-60% of its net profit.

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

Funding and liquidity

The corona crisis continued to impact the market for credit in the third quarter of 2020, though credit markets generally improved from the conditions in the first half of the year.

By the end of September 2020, the Group had issued tier 2 debt of DKK 3.7 billion, non-preferred senior bonds of DKK 23.7 billion, senior debt of DKK 19.3 billion and covered bonds of DKK 29.4 billion, bringing total long-term wholesale funding to DKK 76.1 billion.

The completed issuance implies that we are well advanced in terms of meeting our funding requirement for 2020. We remain dedicated to our strategy of securing more funding directly in our main lending currencies, including in NOK and SEK, but we will also utilise central bank facilities to obtain funding in the most cost-efficient manner. Note G6 provides more information about the issuance of bonds in the first nine months of 2020.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of the first nine months of 2020, our liquidity coverage ratio stood at 160% (31 December 2019: 140%), with an LCR reserve of DKK 651 billion (31 December 2019: DKK 432 billion).

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

At 30 September 2020, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 382 billion (31 December 2019: DKK 370 billion).

The Supervisory Diamond

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

At the end of September 2020, Danske Bank was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

Realkredit Danmark also complies with all threshold values.

New regulation

In December 2017, the Basel Committee on Banking Supervision (BCBS) published the final and revised standards for REA calculations (Basel IV). Due to the corona crisis, the BCBS has delayed the implementation of the Basel IV standards from 2022 to 2023. This will also delay the process for implementation of the standards in the EU, and the EU Commission is now expected to publish a legislative proposal in the first quarter of 2021.

The Danish implementation of the EU banking package (CRD IV and BRRD II) will be presented to the Danish parliament in the fourth quarter of 2020 with expected application from 1 January 2021. The Group expects the Danish implementation of the EU banking package to have a limited impact of the Group's capital and REA.

As part of the European Banking Authority's (EBA) roadmap to enhance internal models used to calculate credit risk, Danske Bank has started implementing the revised set of EBA guidelines and technical standards. In the fourth quarter of 2020, we expect an impact on REA for credit risk from model updates related to further implementation of EBA guidelines amounting to DKK 20-30 billion, all else equal, and with further increases in 2021.

Changes to the Executive Leadership Team

On 25 August 2020, Jakob Groot, member of the Executive Leadership Team and Head of Corporates & Institutions, left his position at Danske Bank. At the same time, Karsten Breum, Chief People Officer, joined the Executive Leadership Team.

Banking DK

In the first nine months of 2020, Banking DK launched several initiatives to support customers through the turmoil resulting from the corona crisis, and they have been well received. Banking DK continued to make progress on the journey towards becoming a better bank by launching a number of business initiatives, including the launch of a fixed-rate FlexLife® loan type. A new set-up for serving retail customers and a new offering to mass-affluent customers to be implemented in 2021 were also announced. In relation to commercial customers, Banking DK continued the efforts to become a strong strategic financial adviser. Profit before tax was, however, affected by the corona crisis.

Banking DK (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Net interest income	6,770	6,880	98	2,289	2,277	101	2,251	102	9,111
Net fee income	3,041	3,188	95	925	937	99	1,235	75	4,397
Net trading income	714	858	83	173	213	81	288	60	1,176
Other income	127	175	73	41	40	103	59	69	227
Total income	10,652	11,100	96	3,428	3,468	99	3,834	89	14,912
Operating expenses	7,022	6,213	113	2,377	2,457	97	2,070	115	8,736
Profit before loan impairment charges	3,630	4,887	74	1,051	1,010	104	1,764	60	6,176
Loan impairment charges	837	-82	-	228	-337	-	-109	-	-342
Profit before tax	**2,793**	**4,969**	**56**	**823**	**1,347**	**61**	**1,873**	**44**	**6,518**
Loans, excluding reverse transactions before impairments	927,270	948,948	98	927,270	925,992	100	948,948	98	943,723
Allowance account, loans	10,194	10,650	96	10,194	10,313	99	10,650	96	10,235
Deposits, excluding repo deposits	396,648	348,191	114	396,648	385,981	103	348,191	114	357,967
Allocated capital (average)	37,925	36,478	104	37,003	38,417	96	36,460	101	36,430
Net interest income as % p.a. of loans and deposits	0.70	0.72		0.70	0.71		0.71		0.72
Profit before tax as % p.a. of allocated capital (avg.)	9.8	18.2		8.9	14.0		20.5		17.9
Cost/income ratio (%)	65.9	56.0		69.3	70.8		54.0		58.6
Full-time-equivalent staff	4,718	4,501	105	4,718	4,798	98	4,501	105	4,588

Fact Book Q3 2020 provides financial highlights at customer type level for Banking DK. Fact Book Q3 2020 is available at danskebank.com/ir.

First nine months 2020 vs first nine months 2019

Profit before tax decreased to DKK 2.8 billion (Q1-Q3 2019: DKK 5.0 billion) due mainly to increasing loan impairment charges and operating expenses.

Net interest income decreased 2% following a decrease in lending volumes to commercial customers as customers experienced less need for credit and were helped by government support packages. Negative interest rates were introduced for all types of customers with significant deposits, which somewhat offset the adverse effect on net interest income.

Net fee income decreased 5% due to the corona crisis, with the effect materialising mainly as a decline in card use and in transaction fees. Additionally, the level in the first nine months of 2019 was very high because of the high remortgaging activity caused by historically low interest rates.

Net trading income decreased due to value adjustments.

Operating expenses increased 13% due to costs for ongoing compliance remediation as well as the planned costs for the Better Bank transformation.

The increase in impairment charges to DKK 0.8 billion was driven largely by the limited visibility related to the corona crisis and was the result of both additional post-model adjustments and an update of the macroeconomic scenarios.

Lending volumes decreased due to direct government support and our customers' timely cost and liquidity management. Deposits increased due to low consumer spending combined with direct government support to customers.

Q3 2020 vs Q2 2020

Profit before tax decreased to DKK 0.8 billion due to increased loan impairment charges, while profit before impairments was up slightly from the level in the second quarter of 2020.

Net interest income remained on par with the second quarter of 2020 following rising interest rate levels as well as pricing actions on deposits, which were offset mainly by downward traction in terms of lending volumes and margin pressure.

Net fee income declined slightly due to a minor provision.

Net trading income declined due to lower activity. The second quarter of 2020 benefited from high remortgaging activity.

Operating expenses decreased 3% due to continued focus on costs and to seasonality.

The third quarter of 2020 saw net loan impairment charges of DKK 0.2 billion, against a reversal of DKK 0.3 billion in the second quarter of 2020. The loan impairment charges cover additional post-model adjustments following the clouded visibility resulting from the coronavirus pandemic.

Banking Nordic

Banking Nordic continued to support customers through the effects of the corona crisis. Furthermore, Banking Nordic continued to make progress in relation to the Better Bank transformation, most recently with the Better Nordic Retail Bank transformation initiative to create a stronger and more harmonised set-up for serving retail customers across the Nordic countries combined with an acceleration of our digital offerings. Despite the global turmoil, Banking Nordic experienced a large inflow of retail customers in Sweden and Norway in particular in the first nine months of 2020. In Norway, the value proposition for our partnership customers facilitated growth, and in Sweden, we saw increased deposits in particular on the back of a successful migration of HSB partnership customers. Profit before tax was, however, affected by the corona crisis.

Banking Nordic (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Net interest income	6,102	5,848	104	2,055	2,048	100	1,959	105	7,839
Net fee income	1,367	1,378	99	438	451	97	470	93	1,857
Net trading income	180	208	87	60	53	113	61	98	280
Other income	412	455	91	135	128	105	133	102	592
Total income	8,060	7,889	102	2,688	2,680	100	2,623	102	10,567
Operating expenses	4,774	4,512	106	1,585	1,651	96	1,480	107	6,269
Profit before loan impairment charges	3,286	3,377	97	1,102	1,029	107	1,143	96	4,298
Loan impairment charges	1,472	-1	-	364	155	235	86	-	510
Profit before tax	**1,814**	**3,378**	**54**	**738**	**874**	**84**	**1,058**	**70**	**3,788**
Loans, excluding reverse transactions before impairments	634,314	626,406	101	634,314	637,185	100	626,406	101	634,974
Allowance account, loans	5,060	3,544	143	5,060	4,838	105	3,544	143	3,880
Deposits, excluding repo deposits	304,891	258,072	118	304,891	298,108	102	258,072	118	270,522
Allocated capital (average)	36,780	34,400	107	36,547	36,729	100	34,550	106	34,371
Net interest income as % p.a. of loans and deposits	0.89	0.89		0.87	0.90		0.88		0.89
Profit before tax as % p.a. of allocated capital (avg.)	6.6	13.1		8.1	9.5		12.2		11.0
Cost/income ratio (%)	59.2	57.2		59.0	61.6		56.4		59.3
Full-time-equivalent staff	2,493	2,696	92	2,493	2,467	101	2,696	92	2,599

Fact Book Q3 2020 provides financial highlights at customer level for Banking Nordic. Fact Book Q3 2020 is available at danskebank.com/ir.

First nine months 2020 vs first nine months 2019

Profit before tax decreased to DKK 1.8 billion (Q1-Q3 2019: DKK 3.4 billion) due to increasing loan impairment charges and operating expenses.

Net interest income increased 4%, benefiting from the development in the interest rate environment, especially the several rate cuts made by the Norwegian central bank. The increase was also a result of the growth via partnerships strategy.

Operating expenses increased due to ongoing compliance remediation as well as the planned costs for the Better Bank transformation. Underlying costs decreased due to restructuring and tight cost control.

Impairments increased, driven primarily by the effect of the corona crisis and single-name exposures. The increase was seen mainly for the commercial portfolios in Sweden and Finland.

Lending volumes increased 5% adjusted for currency effects, mainly in retail banking in Norway and Sweden. Deposits increased due to a combination of the onboarding of HSB customers in Sweden, government support packages introduced as a result of the corona crisis as well as low consumer spending.

Q3 2020 vs Q2 2020

Profit before tax decreased to DKK 0.7 billion in the third quarter of 2020 due to impairment charges increasing from the level in the second quarter of 2020.

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

Net interest income remained stable, due mainly to an appreciation of the Swedish krona and the Norwegian krone vis-à-vis the Danish krone offsetting a decrease caused by margin pressure on deposits in Finland and Sweden.

Net fee income decreased 3% due to a decline in transaction fees as well as a minor provision.

Operating expenses decreased 4% due to a decline in business costs driven by our continued focus on costs and by seasonality.

Loan impairments amounted to a charge of DKK 0.4 billion in the third quarter of 2020, against a charge of DKK 0.2 billion in the second quarter of 2020. The increase was driven mainly by impairment charges against single-name exposures in Banking Sweden.

Corporates & Institutions

Total income increased 25% in the first nine months of 2020 amid high customer activity and market volatility. The increase was driven by improved net trading income, including positive value adjustments, and higher net interest income as a result of the credit facilities provided to support customers during the corona crisis and significantly higher deposit volumes. Corporates & institutions continued to support customers with ESG transactions by providing support in the primary debt market to customers wanting to raise capital with a strong sustainable focus and by providing green loans. Profit before tax was negatively impacted by increased loan impairment charges against exposures in the oil and gas industry and increasing costs for compliance-related activities and the planned costs for the Better Bank transformation.

Corporates & Institutions (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Net interest income	3,010	2,671	113	1,060	1,058	100	885	120	3,656
Net fee income	2,101	2,074	101	630	699	90	673	94	2,909
Net trading income	2,712	1,528	177	1,094	1,777	62	182	-	2,114
Other income	7	1	-	-	7	-	-	-	8
Total income	7,831	6,275	125	2,783	3,541	79	1,739	160	8,688
Operating expenses	3,913	3,516	111	1,282	1,396	92	1,128	114	4,834
Goodwill impairment charges	-	-	-	-	-	-	-	-	803
Profit before loan impairment charges	3,918	2,759	142	1,502	2,144	70	612	245	3,051
Loan impairment charges	3,676	889	-	406	1,089	37	369	110	1,348
Profit before tax	**242**	**1,870**	**13**	**1,096**	**1,055**	**104**	**243**	**-**	**1,703**
Profit before tax and goodwill impairment charges	**242**	**1,870**	**13**	**1,096**	**1,055**	**104**	**243**	**-**	**2,506**
Loans, excluding reverse trans. before impairments	203,926	210,254	97	203,926	227,516	90	210,254	97	209,148
hereof loans in General Banking	167,402	165,970	101	167,402	182,284	92	165,970	101	171,478
Allowance account, loans	4,312	2,653	163	4,312	5,951	72	2,653	163	3,156
Deposits, excluding repo deposits	354,380	261,607	135	354,380	341,249	104	261,607	135	270,685
hereof deposits in General Banking	295,887	216,526	137	295,887	286,734	103	216,526	137	227,131
Allocated capital (average)	36,990	32,268	115	36,903	39,450	94	33,781	109	32,684
Net interest income as % p.a. of loans and deposits	0.75	0.77	-	0.73	0.77	-	0.76	-	0.79
Profit before tax as % p.a. of allocated capital (avg.)	0.9	7.7	-	11.9	10.7	-	2.9	-	5.2
Cost/income ratio (%)	50.0	56.0	-	46.1	39.4	-	64.9	-	64.9
Full-time-equivalent staff	1,684	1,704	99	1,684	1,647	102	1,704	99	1,665

Total income (DKK millions)									
FI&C	3,441	2,039	169	1,265	1,954	65	363	-	2,845
hereof xVA*	166	-258	-	314	196	160	-40	-	-283
Capital Markets	657	831	79	212	294	72	233	91	1,211
General Banking	3,733	3,405	110	1,306	1,293	101	1,143	114	4,631
Total income	**7,831**	**6,275**	**125**	**2,783**	**3,541**	**79**	**1,739**	**160**	**8,688**

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

First nine months 2020 vs first nine months 2019

Profit before tax fell to DKK 0.2 billion, despite a 25% increase in total income. Total income increased DKK 1.6 billion, driven primarily by higher net trading income in FI&C and higher net interest income in General Banking. The increase was offset by higher loan impairment charges and higher operating expenses.

Net interest income increased as the result of higher average deposit and lending volumes. The large contraction of economic activity amid the corona crisis led to an increase in corporate demand for credit, and we extended substantial short-term facilities. A large and increasing share of these remains unutilised and serves as backup liquidity facilities for our customers. Deposit volumes also increased significantly, especially those from corporate customers.

Net trading income increased significantly from the level in the same period in 2019, as FI&C benefited from higher customer activity and improved market conditions. Positive developments in value adjustments (xVA) also contributed to the result. Net trading income in Capital Markets was negatively affected by Equities derivatives trading and a one-off value adjustment in the first quarter in Loan Capital Markets.

Operating expenses increased 11%, due primarily to ongoing compliance remediation as well as the contribution to the Danish resolution fund and the planned costs for the Better Bank transformation. Direct staff costs fell as the result of fewer FTEs.

Loan impairments in the first nine months of 2020 amounted to a net charge of DKK 3.7 billion, a significant increase from the level in 2019. Most of the net charge was attributable to oil- and gas-related exposures. With initial impairments driven by the rapid decline in oil prices, the continued uncertainty in the asset-heavy offshore service and drilling segments led to additional impairments during the period.

The overall credit quality of the portfolio remained strong despite continued uncertainty about the outlook for the oil industry and a potential second round effect from the coronavirus pandemic.

Q3 2020 vs Q2 2020

Profit before tax increased slightly from the level in the second quarter of 2020.

Total income fell 21% from the level in the second quarter of 2020 when net trading income in FI&C was high as a result of the normalisation in the financial markets following the sell-off in risk assets in March.

Net fee income decreased 10%, as income in Capital Markets fell owing to lower income from Equities Sales and Equity Capital Markets transactions.

Operating expenses decreased 8% from the second quarter, primarily because of lower provisions for performance-based compensation.

The total number of FTEs rose as a result of the merging of Asset Management Sales from Wealth Management into Institutional Banking.

Net loan impairment charges amounted to DKK 0.4 billion, against DKK 1.1 billion in the second quarter of 2020, and remained driven mainly by the oil and gas portfolio.

Wealth Management

Danica Pension introduced its newest investment solution, Danica Balance Sustainable Choice, which gives customers the possibility of investing pension savings with an even stronger focus on sustainability. In addition, Danske Invest launched a new fund product called Danske Invest Global Sustainable Future, which invests in companies that have a leading role in the work towards a more sustainable future. Profit before tax amounted to DKK 1.5 billion, against DKK 1.7 billion in the first nine months of 2019, when adjusting for the DKK 1.3 billion gain from the sale of Danica Pension Sweden in 2019.

Wealth Management (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Net interest income	-214	-173	-	-70	-60	-	-69	101	-248
Net fee income	4,162	4,017	104	1,371	1,569	87	1,286	107	5,902
Net trading income	64	588	11	20	125	16	452	4	340
Other income	-15	1,277	-	14	-5	-	-54	-	1,405
Total income	3,997	5,710	70	1,334	1,629	82	1,615	83	7,398
Operating expenses	2,519	2,711	93	876	779	112	784	112	3,589
Goodwill impairment charges	-	-	-	-	-	-	-	-	800
Profit before tax	**1,478**	**2,999**	**49**	**459**	**850**	**54**	**831**	**55**	**3,009**
Profit before tax and goodwill impairment charges	**1,478**	**2,999**	**49**	**459**	**850**	**54**	**831**	**55**	**3,809**
Allocated capital (average)	16,468	15,295	108	17,166	16,100	107	16,336	105	15,569
Profit before tax as % p.a. of allocated capital (avg.)	12.0	26.1	-	10.7	21.1	-	20.3	-	19.3
Cost/income ratio (%)	63.0	47.5	-	65.7	47.8	-	48.5	-	59.3
Full-time-equivalent staff	1,568	1,567	100	1,568	1,515	103	1,567	100	1,563

Breakdown of assets under management* (DKK billions)									
Life conventional	190	196	97	190	187	102	196	97	194
Asset management	918	918	100	918	879	104	918	100	934
Assets under advice	525	450	117	525	494	106	450	117	489
Total assets under management	**1,632**	**1,564**	**104**	**1,632**	**1,560**	**105**	**1,564**	**104**	**1,616**

**Assets under Management consists of our life conventional business (Danica Traditionel), asset management (Danica unit-linked and Asset Management) and assets under advice (the investment decision is made by the customer) from retail, commercial and private banking customers.*

First nine months 2020 vs first nine months 2019

Profit before tax fell DKK 0.2 billion when adjusting for the DKK 1.3 billion gain from the sale of Danica Pension Sweden in 2019. The decrease was due primarily to lower net trading income in Danica Pension.

Net fee income increased 4% due to higher risk allowance fees and positive results generated, among other things, by the health and accident business in Danica Pension. In Asset Management, net fee income decreased as a result of lower average assets under management due to market turmoil and customers retracting funds during the first half of 2020.

Net trading income fell to DKK 0.1 billion, largely as a result of market developments and a decrease in the yield curve that affected the investment result in the health and accident business in Danica Pension.

Operating expenses decreased 7% as expenses in the first nine months of 2019 were affected by extraordinary costs for the integration of SEB Pension and the compensation paid to certain Flexinvest Fri customers.

Assets under management increased DKK 68 billion, largely because of increases in the retail and private banking segment.

Net sales in the institutional segment improved in the first nine months of 2020 from the level in the first nine months of 2019. Net sales in the retail segment, although still challenged, had fewer outflows in the first nine months of 2020 than in the same period in 2019.

Q3 2020 vs Q2 2020

Profit before tax decreased 46% to DKK 0.5 billion, driven primarily by a decrease in net fee income.

Net fee income decreased DKK 0.2 billion to DKK 1.4 billion. In the second quarter of 2020, net fee income was unusually high due to positive results from products with investment guarantees, while net fee income in the third quarter of 2020 was more in line with expectations.

Net trading income decreased DKK 0.1 billion as a result, among other things, of a decrease in the yield curve that affected the investment result in the health and accident business in Danica Pension.

Operating expenses increased 12% to DKK 0.9 billion in the third quarter of 2020. The increase was due, among other things, to IT development costs and the planned costs relating to the Better Bank transformation.

Assets under management increased DKK 72 billion largely due to increases in the Asset Management, retail and private banking segments as a result of positive market developments.

Net sales in the institutional segment showed a positive trend in the third quarter of 2020 after a challenging first half of the year. Net sales in the retail segment were still challenged in the third quarter of 2020.

Northern Ireland

Profit before tax amounted to DKK 136 million in the first nine months of 2020, against DKK 648 million in the same period last year. This reflects higher loan impairment charges, sharply reduced UK interest rates and continued activity disruption as a result of the corona crisis. In a competitive marketplace, our service efforts continue to be recognised, with customer satisfaction rankings of no. 1 in both personal banking and business banking.

Northern Ireland (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Net interest income	1,035	1,133	91	332	327	102	368	90	1,524
Net fee income	198	274	72	64	50	128	86	74	363
Net trading income	91	113	81	13	26	50	43	30	110
Other income	13	11	118	4	4	100	4	100	14
Total income	1,336	1,530	87	414	408	101	500	83	2,011
Operating expenses	905	872	104	310	295	105	277	112	1,216
Profit before loan impairment charges	431	658	66	103	113	91	222	46	794
Loan impairment charges	295	11	-	43	87	49	-4	-	5
Profit before tax	**136**	**648**	**21**	**60**	**26**	**231**	**226**	**27**	**789**
Loans, excluding reverse transactions before impairments	54,122	52,563	103	54,122	51,054	106	52,563	103	54,287
Allowance account, loans	883	663	133	883	842	105	663	133	696
Deposits, excluding repo deposits	81,360	66,944	122	81,360	75,467	108	66,944	122	70,943
Allocated capital (average)*	6,289	6,453	97	6,172	6,186	100	6,066	102	6,425
Net interest income as % p.a. of loans and deposits	1.06	1.27		0.99	0.99		1.24		1.26
Profit before tax as % p.a. of allocated capital (avg.)	2.9	13.4		3.9	1.7		14.9		12.3
Cost/income ratio (%)	67.7	57.0		74.9	72.3		55.4		60.5
Full-time-equivalent staff	1,347	1,323	102	1,347	1,365	99	1,323	102	1,285

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

First nine months 2020 vs first nine months 2019

Profit before tax decreased to DKK 136 million (Q1-Q3 2019: DKK 648 million). The decrease was driven primarily by higher loan impairment charges and lower income.

Net interest income decreased 9%, reflecting sharply reduced UK interest rates since late March. Lending and deposit volumes both increased.

Net fee income and net trading income decreased 28% and 19%, respectively, reflecting very low activity levels, particularly in the second quarter of 2020, as a result of coronavirus-related lockdown measures.

Operating expenses increased 4%, with higher IT-related costs and central regulatory compliance costs offsetting the positive impact of ongoing cost reduction initiatives.

Loan impairment charges increased to DKK 295 million, reflecting the weaker UK economic outlook and charges for potential future loan impairments in sectors that are heavily impacted by the corona crisis.

Lending increased 3% due to the volume of UK government-guaranteed corona-related business support loans.

Deposits saw an increase of 22%, reflecting the additional liquidity being held by both personal and business customers.

Q3 2020 vs Q2 2020

Profit before tax increased to DKK 60 million from DKK 26 million in the second quarter of 2020, due primarily to lower loan impairment charges than in the second quarter.

Profitability improved in the third quarter, reflecting some recovery in activity-related fee income.

Loan impairment charges decreased, with continued charges for sectors impacted by the corona crisis, but at a lower level than in the second quarter of 2020.

Lending increased 6% due to the volume of UK government-guaranteed corona-related business support loans, with deposits still rising in the third quarter of 2020, although at a slower rate.

Non-core

The winding-up of the Non-core portfolios is proceeding according to plan. Profit before tax for the first nine months of 2020 was a negative DKK 483 million, against a negative DKK 248 million in the first nine months of 2019. Total lending stood at DKK 5.4 billion at the end of September 2020, half the amount at the end of September 2019, which led to lower capital requirements for the Group.

Non-Core (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Total income	-87	164	-	19	-71	-	55	35	-61
Operating expenses	209	93	225	44	40	110	83	53	219
Profit before loan impairment charges	-296	70	-	-25	-110	23	-28	-	-280
Loan impairment charges	187	319	59	12	82	15	-50	-	213
Profit before tax	**-483**	**-248**	**-**	**-37**	**-192**	**-**	**22**	**-**	**-493**
Loans, excluding reverse transactions before impairments*	5,441	11,528	47	5,441	5,414	100	11,528	47	7,456
Allowance account, loans	962	790	122	962	971	99	790	122	842
Deposits, excluding repo deposits	2,109	1,734	122	2,109	1,751	120	1,734	122	1,668
Allocated capital (average)	1,547	2,465	63	1,377	1,421	97	2,218	62	2,379
Net interest income as % p.a. of loans and deposits	1.09	1.32		1.57	0.99		1.70		1.27
Profit before tax as % p.a. of allocated capital (avg.)	-41.6	-13.4		-10.7	-54.0		4.0		-20.7
Cost/income ratio (%)	-240.2	56.7		231.6	-56.3		150.9		-359.0
Full-time-equivalent staff	50	284	18	50	64	78	284	18	159

Loan impairment charges (DKK millions)									
Non-core banking**	72	225	32	-14	74	-	-50		19
Non-core conduits etc.	115	94	122	27	8	-	-	-	194
Total	**187**	**319**	**59**	**12**	**82**	**15**	**-50**	**-**	**213**

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

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

First nine months 2020 vs first nine months 2019

The Non-core unit posted a loss before tax of DKK 483 million (Q1-Q3 2019: a loss of DKK 248 million) due mainly to losses related to the final exit from Estonia. Further, operating expenses increased as expenses in 2019 benefited from a positive adjustment of VAT regarding previous years. The decrease in loan impairment charges related to the sale of Baltic loan portfolios.

The Group has exited its banking activities in Estonia, Russia and Latvia. At the Lithuanian branch, the only portfolio remaining is a small portfolio of commercial loans that are actively managed down. In June 2020, an agreement to sell part of the portfolio was entered into. The sale was settled in October 2020.

The sale of most of the Baltic loan portfolios has resulted in a reduction of total lending in Non-core to DKK 5.4 billion, half the amount at the end of September 2019, which led to lower capital requirements for the Group.

Q3 2020 vs Q2 2020

Profit before tax amounted to a negative DKK 37 million, against a negative DKK 192 million in the second quarter of 2020.

The improved result was due primarily to a decline in loan impairments as a result of the sale of Baltic loan portfolios.

Other Activities

Other Activities includes Group Treasury and Group support functions as well as eliminations. Net interest income primarily reflects differences at the Internal Bank between actual and allocated funding costs using the Group's funds transfer pricing model, the elimination of the interest expense on equity-accounted additional tier 1 capital, reported as an interest expense in the business segments, as well as income related to the Group's liquidity portfolio.

Other Activities (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Index Q3/Q2	Q3 2019	Index 20/19	Full year 2019
Net interest income	-206	-23	-	-157	-142	-	52	-	-5
Net fee income	-188	-170	-	-59	-69	-	-47	-	-227
Net trading income	2	428	-	104	-184	-	96	108	1,421
Other income	-61	90	-	8	-57	-	83	10	217
Total income	-453	325	-	-104	-451	-	184	-	1,407
Operating expenses	1,275	1,382	92	261	374	70	643	41	2,903
Profit before loan impairment charges	-1,729	-1,057	-	-365	-825	-	-459	-	-1,497
Loan impairment charges	7	-4	-	-23	23	-	1	-	-5
Profit before tax	**-1,736**	**-1,054**	**-**	**-342**	**-849**	**-**	**-460**	**-**	**-1,491**

Profit before tax (DKK millions)									
Group Treasury	-706	-12	-	-172	-224	-	39	-	825
Own shares and issues	128	110	116	-11	-82	-	68	-	59
Additional tier 1 capital	434	588	74	117	122	96	197	59	785
Group support functions	-1,592	-1,739	-	-276	-665	-	-765	-	-3,160
Total Other Activities	**-1,736**	**-1,054**	**-**	**-342**	**-849**	**-**	**-460**	**-**	**-1,491**

First nine months 2020 vs first nine months 2019

Profit before tax decreased to a loss of DKK 1.7 billion (Q1-Q3 2019: a loss of DKK 1.1 billion). This was due primarily to lower operating expenses being more than offset by a decrease in net trading income and net interest income.

Net interest income decreased to a negative DKK 206 million due to a decline in income from allocated liquidity costs that were affected by higher deposit volumes. This effect was partly offset by an increase in income from structural changes to the Group's funding and liquidity management.

Net trading income decreased to DKK 2 million in the first nine months of 2020 from DKK 428 million in the first nine months of 2019. The decrease was due mainly to negative value adjustments of interest rate risk hedges and lower income from interest rate risk management in general. In addition, there was a lower return on investments.

Operating expenses decreased 8% to DKK 1.3 billion. Contributing to the decrease was the Group's continued focus on costs as well as a net reversal of provisions for operational risk-related losses. Part of the effect was offset by higher costs for the Estonia case and a write-down of domicile property.

Q3 2020 vs Q2 2020

Other Activities posted a loss before tax of DKK 342 million (Q2 2020: a loss before tax of DKK 849 million). The decrease in the loss was due primarily to higher net trading income and lower operating expenses.

Net trading income increased to DKK 104 million (Q2 2020: a loss of DKK 184 million) due primarily to elimination of the gain on own shares and issues.

Operating expenses decreased to DKK 261 million (Q2: DKK 374 million) due to the Group's continued focus on costs and its transformation efforts as well as a net reversal of provisions for operational risk-related losses. The write-down of domicile property had a partly offsetting effect.

Definition of alternative performance measures

Danske Bank's management believes that the alternative performance measures (APMs) used in the Management's report provide valuable information to readers of the financial statements. The APMs provide a more consistent basis for comparing the results of financial periods and for assessing the performance of the Group and each individual business unit. They are also an important aspect of the way in which Danske Bank's management defines operating targets and monitors performance.

Throughout the Management's report, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to management. The differences between the financial highlights and the IFRS financial statements relate to certain changes in the presentation. Net profit is the same in the financial highlights and in the IFRS income statement. Note G3 to the financial statements describes the differences between the financial highlights and the IFRS financial statements, and each line item in the financial highlights is reconciled with the consolidated financial statements prepared under IFRS.

Definitions of additional ratios presented on page 3 and in other sections of the Management's report:

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend per share proposed in the Annual report and paid to shareholders in the subsequent year. Accordingly, for 2018, it is the dividend paid in 2019. For 2019, no dividend was paid in 2020. Further information can be found in note G1(a).
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the nominator, net profit for first nine months 2020 is reduced by interest expenses of DKK 433 million (full-year 2019: DKK 786 million). The denominator represents equity, excluding additional tier 1 capital and other non-controlling interests equal to a reduction in the average of the quarterly average of equity of DKK 13,227 million (2019: 17,744 million) compared to a simple average of total equity (beginning and the end of the period).
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights divided by the daily average of the sum of loans and deposits. If the ratio was calculated applying the sum of loans and deposits end of period, the ratio for 2020 would be 0.75% (full-year 2019: 0.79%) with the daily average of the sum of loans and deposits being DKK 51.6 billion lower than calculating the ratio by applying the end of period sum of loans and deposits. The purpose of the ratio is to show if the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges as % of net credit exposure	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The nominator is the loan impairment charges of DKK 6,287 million (full-year 2019: DKK 1,516 million) from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 1,022.3 billion, Loans at fair value of DKK 802.6 billion and guarantees of DKK 68.7 billion at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of gross credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The nominator is the allowance account of DKK 23.6 billion at the end of the period, as disclosed in the "Allowance account in core activities broken down by segment" table in the notes to the financial statements. The denominator is the sum of Loans at amortised cost of DKK 996.7 billion, Loans at fair value of DKK 806.9 billion, and Guarantees of DKK 66.5 billion, at the end of the period, as disclosed in the column "Lending activities –core" in the "Breakdown of credit exposure" table in the notes to the financial statements increased by the allowance account of DKK 23.6 billion. The ratio is calculated for each business unit.
Market shares	Market shares are based on data from central banks at the time of reporting. Comparative information is updated on the basis of the latest available data, for example Annual Report 2019 included November 2019 data for Finland, Sweden and Norway as December 2019 data was not available at the time of publication of Annual Report 2019. Subsequently, in Interim report – first quarter 2020, the comparative data for market shares in Finland, Sweden and Norway was updated with December 2019 data.

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Income statement – Danske Bank Group

Note	(DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019	Full year 2019
G4	Interest income calculated using the effective interest method	17,729	18,508	5,753	6,223	24,754
G4	Other interest income	31,144	32,824	8,845	11,025	45,065
G4	Interest expense	28,064	30,594	7,634	10,416	41,927
	Net interest income	20,809	20,739	6,965	6,832	27,892
G4	Fee income	11,498	11,813	3,762	4,129	16,437
	Fee expenses	4,039	4,528	1,467	1,471	6,079
	Net trading income or loss	6,429	28,766	9,397	-1,057	34,533
	Income from holdings in associates	-131	399	362	155	386
G4	Other income	3,492	4,326	1,228	1,192	6,736
	Net premiums	21,075	18,763	6,631	6,310	26,316
	Net insurance benefits	24,794	44,998	15,288	4,675	58,106
	Operating expenses	23,621	21,587	7,763	7,330	30,960
	Impairment charges on goodwill	-	-	-	-	1,603
	Profit before loan impairment charges	10,718	13,693	3,826	4,085	15,551
G5	Loan impairment charges	6,474	1,131	1,031	292	1,729
	Profit before tax	4,244	12,562	2,795	3,793	13,822
	Tax	1,105	2,531	692	782	-1,249
	Net profit	**3,139**	**10,031**	**2,103**	**3,011**	**15,072**
	Portion attributable to					
	Shareholders of Danske Bank A/S (the Parent Company)	2,706	9,443	1,986	2,814	14,285
	Additional Tier 1 capital holders	433	587	117	197	786
	Net profit	**3,139**	**10,031**	**2,103**	**3,011**	**15,072**
	Earnings per share (DKK)	3.2	11.1	2.3	3.3	16.7
	Diluted earnings per share (DKK)	3.2	11.1	2.3	3.3	16.7
	Proposed dividend per share (DKK)*	-	-	-	-	8.5

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

The income statement is condensed compared to the annual report 2019.

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019	Full year 2019
Net profit	3,139	10,031	2,103	3,011	15,072
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension plans	64	30	-326	-100	228
Tax	7	28	109	43	-21
Items that will not be reclassified to profit or loss	**70**	**58**	**-217**	**-57**	**207**
Items that are or may be reclassified subsequently to profit or loss				-	-
Translation of units outside Denmark	-4,312	-326	-732	-765	692
Hedging of units outside Denmark	2,483	329	406	357	-324
Reclassified to the income statement on disposal of units outside Denmark	-	-	-	-	5
Unrealised value adjustments of bonds at fair value (OCI)	176	119	126	-71	9
Realised value adjustments of bonds at fair value (OCI)	-12	6	3	14	3
Tax	165	-37	19	1	47
Items that are or may be reclassified subsequently to profit or loss	**-1,500**	**91**	**-178**	**-463**	**432**
Total other comprehensive income	**-1,430**	**149**	**-395**	**-520**	**639**
Total comprehensive income	**1,709**	**10,180**	**1,708**	**2,491**	**15,711**
Portion attributable to					
Shareholders of Danske Bank A/S (the Parent Company)	1,276	9,592	1,591	2,294	14,925
Additional Tier 1 capital holders	433	587	117	197	786
Total comprehensive income	**1,709**	**10,180**	**1,708**	**2,491**	**15,711**

Balance sheet – Danske Bank Group

Note	(DKK millions)	30 September 2020	31 December 2019	30 September 2019
	Assets			
	Cash in hand and demand deposits with central banks	239,388	99,035	96,803
	Due from credit institutions and central banks	77,243	105,674	121,218
	Trading portfolio assets	674,426	495,321	612,102
	Investment securities	300,304	284,873	285,920
	Loans at amortised cost	999,157	1,028,011	1,018,773
	Loans at fair value	1,068,430	1,122,048	1,144,030
	Assets under pooled schemes and unit-linked investment contracts	108,385	111,089	96,921
	Assets under insurance contracts	510,008	463,816	527,979
G7	Assets held for sale	2,292	1,352	3,706
	Intangible assets	9,105	9,165	11,070
	Tax assets	4,507	2,987	4,256
G8	Other assets	34,790	37,679	39,941
	Total assets	**4,028,035**	**3,761,050**	**3,962,718**
	Liabilities			
	Due to credit institutions and central banks	201,320	155,246	218,324
	Trading portfolio liabilities	499,128	452,202	541,809
	Deposits	1,280,880	1,140,726	1,109,773
G6	Issued bonds at fair value	780,400	802,501	827,259
G6	Issued bonds at amortised cost	252,152	256,355	267,696
	Deposits under pooled schemes and unit-linked investment contracts	109,231	111,537	101,773
	Liabilities under insurance contracts	550,564	504,714	563,835
G7	Liabilities in disposal groups held for sale	138	110	327
	Tax liabilities	2,038	2,172	8,445
G8	Other liabilities	42,275	46,191	44,846
G6	Non-preferred senior bonds	108,671	87,054	87,220
G6	Subordinated debt	35,014	31,733	25,948
	Total liabilities	**3,861,811**	**3,590,541**	**3,797,255**
	Equity			
	Share capital	8,622	8,622	8,622
G9	Foreign currency translation reserve	-2,201	-372	-742
	Reserve for bonds at fair value (OCI)	267	102	190
	Retained earnings	150,847	140,590	142,994
	Proposed dividends*	-	7,329	-
	Shareholders of Danske Bank A/S (the Parent Company)	157,534	156,271	151,064
G6	Additional tier 1 capital holders	8,690	14,237	14,400
	Total equity	**166,224**	**170,508**	**165,464**
	Total liabilities and equity	**4,028,035**	**3,761,050**	**3,962,718**

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

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)							
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2020	8,622	-372	102	140,590	7,329	156,271	14,237	170,508
Net profit	-	-	-	2,706	-	2,706	433	3,139
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	64	-	64	-	64
Translation of units outside Denmark	-	-4,312	-	-	-	-4,312	-	-4,312
Hedging of units outside Denmark	-	2,483	-	-	-	2,483	-	2,483
Unrealised value adjustments	-	-	176	-	-	176	-	176
Realised value adjustments	-	-	-12	-	-	-12	-	-12
Tax	-	-	-	171	-	171	-	171
Total other comprehensive income	**-**	**-1,829**	**165**	**235**	**-**	**-1,430**	**-**	**-1,430**
Total comprehensive income	**-**	**-1,829**	**165**	**2,941**	**-**	**1,276**	**433**	**1,709**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-427	-427
Redemption of additional tier 1 capital	-	-	-	-5	-	-5	-5,596	-5,600
Proposed dividends reversed*	-	-	-	7,329	-7,329	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-24,484	-	-24,484	-	-24,484
Sale of own shares and additional tier 1 capital	-	-	-	24,450	-	24,450	42	24,492
Tax	-	-	-	26	-	26	-	26
Total equity as at 30 September 2020	**8,622**	**-2,201**	**267**	**150,847**	**-**	**157,534**	**8,690**	**166,224**

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

Total equity as at 1 January 2019	8,960	-745	90	132,768	7,616	148,688	14,299	162,988
Net profit	-	-	-	9,443	-	9,443	587	10,031
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	30	-	30	-	30
Translation of units outside Denmark	-	-326	-	-	-	-326	-	-326
Hedging of units outside Denmark	-	329	-	-	-	329	-	329
Unrealised value adjustments	-	-	119	-	-	119	-	119
Realised value adjustments	-	-	6	-	-	6	-	6
Tax	-	-	-26	16	-	-10	-	-10
Total other comprehensive income	**-**	**3**	**99**	**46**	**-**	**149**	**-**	**149**
Total comprehensive income	**-**	**3**	**99**	**9,490**	**-**	**9,592**	**587**	**10,180**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-428	-428
Dividends paid	-	-	-	393	-7,616	-7,223	-	-7,222
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-13,406	-	-13,406	-60	-13,466
Sale of own shares and additional tier 1 capital	-	-	-	13,364	-	13,364	-	13,364
Tax	-	-	-	48	-	48	-	48
Total equity as at 30 September 2019	**8,622**	**-742**	**190**	**142,994**	**-**	**151,064**	**14,400**	**165,464**

Statement of capital – Danske Bank Group

(DKK millions)	30 September 2020	31 December 2019
Share capital (DKK)	8,621,846,210	8,621,846,210
Number of shares	862,184,621	862,184,621
Number of shares outstanding	852,638,864	853,704,915
Average number of shares outstanding for the period	856,161,811	854,354,479
Average number of shares outstanding, including dilutive shares, for the period	856,937,707	854,911,769

Total capital and total capital ratio **(subject to final approval)**

(DKK millions)	30 September 2020	31 December 2019
Total equity	166,224	170,508
Revaluation of domicile property at fair value	263	265
Tax effect of revaluation of domicile property at fair value	-31	-31
Total equity calculated in accordance with the rules of the Danish FSA	166,456	170,741
Additional tier 1 capital instruments included in total equity	-8,516	-14,070
Accrued interest on additional tier 1 capital instruments	-173	-167
Tax on accrued interest on additional tier 1 capital instruments	38	37
Common equity tier 1 capital instruments	157,805	156,541
Adjustment to eligible capital instruments	-115	-344
IFRS 9 reversal due to transitional rules	2,158	1,325
Prudent valuation	-801	-926
Prudential filters	-168	-178
Proposed dividends*	-1,883	-7,329
Intangible assets of banking operations	-6,388	-6,339
Deferred tax on intangible assets	411	487
Deferred tax assets that rely on future profitability, excluding temporary differences	-11	-12
Defined benefit pension plan assets	-2,060	-1,925
Statutory deduction for insurance subsidiaries	-9,478	-8,439
Other statutory deductions	-	-197
Common equity tier 1 capital	**139,470**	**132,664**
Additional tier 1 capital instruments	17,835	23,944
Tier 1 capital	**157,305**	**156,608**
Tier 2 capital instruments	21,200	17,598
Total capital	**178,505**	**174,206**
Total risk exposure amount	**766,493**	**767,177**
Common equity tier 1 capital ratio (%)	18.2	17.3
Tier 1 capital ratio (%)	20.5	20.4
Total capital ratio (%)	23.3	22.7

*For 2019, no dividends were paid in 2020. The previously proposed dividends have been added back to common equity tier 1 capital in 2020.

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

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

The Internal Capital Adequacy Assessment report provides more details about Danske Bank's solvency need. The report is available at danskebank.com/investorrelations/reports.

Cash flow statement – Danske Bank Group

(DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Cash Flow from operations			
Profit before tax	4,244	12,562	13,822
Tax paid	-2,981	-3,877	-5,245
Adjustment for non-cash operating items	9,625	4,189	10,369
Total	10,888	12,874	18,946
Changes in operating capital			
Amounts due to/from credit institutions and central banks	49,895	-31,522	-96,693
Trading portfolio	-132,179	-44,700	-17,527
Acquisition/sale of own shares and additional tier 1 capital	8	-102	-278
Investment securities	-15,431	26,842	-8,449
Loans at amortised cost and fair value	75,998	-120,354	-108,208
Deposits	140,154	50,653	81,606
Issued bonds at amortised cost and fair value	-28,298	53,346	14,533
Assets/liabilities under insurance contracts	-343	-4,054	988
Other assets/liabilities	-1,621	-45,695	-11,690
Cash flow from operations	**99,071**	**-102,712**	**-126,772**
Cash flow from investing activities			
Acquisition/sale of businesses	5	1,668	1,683
Acquisition of intangible assets	-711	-599	-878
Acquisition of tangible assets	-265	-417	-666
Sale of tangible assets	9	6	12
Cash flow from investing activities	**-962**	**658**	**151**
Cash flow from financing activities			
Issue of subordinated debt	3,721	5,550	11,791
Redemption of subordinated debt	-	-3,455	-3,467
Issue of non-preferred senior bonds	23,610	57,259	59,808
Dividends paid	-	-7,223	-7,239
Redemption of equity accounted additional tier 1 capital	-5,600	-	-
Paid interest on equity accounted additional tier 1 capital	-427	-428	-787
Principal portion of lessee lease payments	-484	-542	-729
Cash flow from financing activities	**20,820**	**51,161**	**59,377**
Cash and cash equivalents as at 1 January	199,608	264,836	264,836
Foreign currency translation	-3,185	1,071	2,016
Change in cash and cash equivalents	118,929	-50,893	-67,244
Cash and cash equivalents, end of period	**315,352**	**215,014**	**199,608**
Cash and cash equivalents, end of period			
Cash in hand	5,530	5,564	6,235
Demand deposits with central banks	233,857	91,239	92,800
Amounts due from credit institutions and central banks within three months	75,965	118,211	100,574
Total	**315,352**	**215,014**	**199,608**

Notes – Danske Bank Group

G1. Significant accounting policies and estimates

(a) General

The report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for listed financial companies. The report is condensed and should be read in conjunction with the Group's Annual Report 2019 approved by the Board of Directors and published the 5 February 2020.

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

On 1 January 2020, the Group implemented the amendments to IAS 1 and IAS 8 (definition of material), IFRS 3, Business Combinations (definition of a business) and amendments to references to the Conceptual Framework in IFRS Standards. The implementation of the amendments had no impact on the Group's financial statements. Further information on the changes to accounting policies in 2020 can be found in note G2(a). Except for these changes, the Group has not changed its significant accounting policies from those applied in the Annual Report 2019. Annual Report 2019 provides a full description of the significant accounting policies.

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

Financial statement figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial statement users. The interim report for the first nine months of 2020 has not been audited or reviewed.

(b) Significant accounting estimates and judgements

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

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

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

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

The expected credit loss is calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and incorporates forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. See further in the section below on the impact from the corona crisis on macroeconomic scenarios used.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

The base case scenario enters with a probability of 70% (31 December 2019: 60%), the upside scenario with a probability of 10% (31 December 2019: 10%) and the downside scenario with a probability of 20% (31 December 2019: 30%). On the basis of these assessments, the allowance account as at 30 September 2020 amounted to DKK 24.6 billion (31 December 2019: DKK 21.3 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.8 billion (31 December 2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 4.4 billion (31 December 2019: DKK 2.4 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 0.6 billion (31 December 2019: DKK 0.5 billion) compared to the base case scenario. It shall be noted that the expected credit losses in the individual scenarios does not represent expected credit loss (ECL) forecasts.

In determining the expected credit losses, management is required to exercise judgement in defining what is considered a significant increase in credit risk. According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, facilities with an initial PD below 1% are transferred to stage 2 if the facility's 12-month PD has increased by at least 0.5 of a percentage point and the facility's lifetime PD has doubled since origination. The allowance account is relatively stable in terms of changes to the definition of significant increase in credit risk. At 30 September 2020, the allowance account would increase by DKK 0.03 billion (31 December 2019: DKK 0.03 billion), if instead an increase in the facility's 12-month PD by at least 0.25 of a percentage point combined with a doubling of the lifetime PD was considered a significant increase in credit risk.

Management applies judgement when determining the need for post-model adjustments. As at 30 September 2020, the post-model adjustments amounted to DKK 5.6 billion (31 December 2019: DKK 4.0 billion) and continue to include the immediate risks arising from the corona crisis that were introduced in the first quarter of 2020, see further in the separate section below. On the types of risks covered by post-model adjustments, more information can be found in the risk management notes.

Loan impairment charges for the period ended 30 September 2020 amounted to DKK 6,474 million (30 September 2019: DKK 1,131 million). While impairments in the first half of 2020 were driven primarily by the update of the macroeconomic scenarios as a result of the corona crisis and credit deterioration for the oil and gas exposure (within the Shipping, oil and gas industry), impairments in the third quarter of 2020 was driven by credit deterioration on selected customers, largely within the oil and gas exposure due to the continued uncertainty within the offshore segment.

Accounting treatment of the impacts on expected credit losses from the corona crisis
The effect of the coronavirus pandemic began to affect the Group's credit portfolio in the first quarter of 2020. We still remain to see further credit deterioration as the effect is currently limited and mitigated by the government support packages. Based on the measures taken by governments across the world and in the Group's market areas to contain the virus, economies are seeing lower activity in the short-term, although especially in the Nordic economies, the activity in many sectors was back to a normal activity level already in the second quarter of 2020 after the reopening of societies. However, significant continued uncertainty remains. Although new lock-downs in the Nordics are considered less likely, economic activity is likely to be impacted and it is yet unknown to which extent government will continue to support the economies.

For most of the Group's credit portfolio, the negative impact on individual customers of the corona crisis is expected to materialise over the coming quarters. Customer assessments were made on an ongoing basis throughout the second and third quarters of 2020, and impairments were revisited in light of the changed outlook. While customer activity in the first three quarters of 2020 was higher than usual, portfolio impact still awaiting as customers are still assessing the consequences. As a result the financial consequences still remain to be seen, for instance, when government support comes to an end and as the pandemic evolves.

The Group's forbearance practices have been updated to pay particular attention to customers affected by the corona crisis. This includes additional guidance to ensure that concessions due to the corona crises are considered forbearance only if they relate to customers that are not deemed creditworthy combined with the customer's long-term financial position being further weakened by the outbreak. For the majority of the credit portfolio, short-term concessions to otherwise creditworthy customers are not considered forbearance. In practice, this means that short-term concessions to customers in rating categories 1 to 5 during the first three quarters of 2020 are not considered a forbearance measure when taking the ongoing customer assessments into account. For customers in rating categories 6 and 7, an individual assessment of the customer's financial strength is made, whereas concessions to lower-rated customers are considered forbearance. From the fourth quarter of 2020, normal forbearance practices will apply again.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Compared to at the end of June 2020, a smaller part of the impact on expected credit losses resulting from the corona crisis relates to changes to forward-looking information. The macroeconomic scenarios applied for the Nordic region and the weighting assigned to each scenario remain unchanged from the second quarter 2020 as no new Nordic Outlook reports have been issued during the third quarter of 2020. The Group's base case reflects a significant decline in economic activity in 2020 followed by a recovery in 2021. The downside scenario reflects a longer-lasting corona crisis scenario that includes a steeper decline than during the global financial crisis with a close to double-digit decrease in GDP. Further information on the macroeconomic scenarios used can be found in the risk management notes. The base case scenario is considered the most likely scenario with a likelihood of 70% while the downside scenario has a likelihood of 20%. As the base case macroeconomic scenario reflects a recovery in 2021, being in the third quarter of 2020, the forward-looking information is more positive than at the end of June 2020, leading to a reversal of the modelled expected credit losses in all main industries of DKK 1 billion, including commercial property and personal customer. Due to the continued significant uncertainty related to the magnitude of the pandemic and to the extent to which government will continue to support the economies, the management has deemed it appropriate to increase the post-model adjustment in the third quarter of 2020.

The post-model adjustment relates to industries directly affected by the corona crisis and for which, the macroeconomic scenarios themselves do not lead to a sufficient increase in expected credit losses. This includes retailing, hotels and restaurants (within the Hotels, restaurants and leisure industry) as well as oil and gas (within the Shipping, oil and gas industry). It also includes expected, but not yet materialised, credit deterioration in relation to the Personal customers and Commercial property industries in Denmark as government support ends. The targeted post model adjustment related to such industries amounts to DKK 1.8 billion. Further information on the allocation of post-model adjustment to the underlying exposures can be found in the text below the table 'Credit portfolio in core activities broken down by rating category and stages' in the risk management notes.

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

Note G15 of the Annual Report 2019 and the risk management notes provide more details on expected credit losses. As at 30 September 2020, financial assets covered by the expected credit loss model accounted for approximately 52% of total assets (31 December 2019: 57%).

Fair value measurement of financial instruments

At the end of September 2020, no unusual challenges in obtaining reliable pricing apart from insignificant parts of the portfolio remain. The majority of valuation techniques continues to employ only observable market data and there have been no significant increase in financial instruments measured on the basis of valuation techniques that are based on one or more significant unobservable inputs. The latter continues to include only unlisted shares, certain bonds and some long-dated derivatives for which there is no active market. Further information can be found in note G12. On the derivatives portfolio, the Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. As at 30 September 2020, the adjustments totalled DKK 1.9 billion (31 December 2019: DKK 1.5 billion), including the adjustment for credit risk on derivatives that are credit impaired. The increase is driven by increased credit spreads and funding spreads. Note G33(a) of the Annual Report 2019 provides more details on the fair value measurement of financial instruments.

The Group uses derivatives to hedge the fixed interest rate on some financial assets and liabilities, thus converting the fixed interest rates on the financial instruments to variable interest rates by the use of swaps. The ongoing Interest Rate Benchmark Reform will replace existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. There is currently uncertainty as to the timing and the methods of transition of different IBORs and whether some existing benchmarks will continue to be supported. As a result of these developments, accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the interest rate risk due to changes in IBORs continue to qualify for hedge accounting. EUR denominated swaps cleared on a CCP have been converted to ESTR discounting and this conversion had no significant impact on the Group's hedge accounting values. In 2019, the Group early adopted the amendments to IFRS 9, IAS 39 and IFRS 7 included in IASB's project 'Interest Rate Benchmark Reform' and for the assessment of effectiveness of such hedges it is assumed that the interest rate benchmark is not altered as a result of the reform. For further information, see note G12(d) of the Annual Report 2019.

Measurement of goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the present value of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. In connection with the quarterly reporting, management performs an impairment review to assess whether there are indications that goodwill might be impaired. This includes a review of declines in income, increase in loan impairment charges, declines in the market value of assets under management, major restructurings, macroeconomic developments etc.

In the fourth quarter of 2019, a total impairment charge of DKK 1.6 billion was recognised on goodwill in FI&C and Capital Markets at Corporates & Institutions and in Danica Pension at Wealth Management leaving no excess value for those units. The goodwill in FI&C and Capital Markets of DKK 2.1 billion (31 December 2019: DKK 2.1 billion) is highly sensitive to changes in allocated capital, growth in the terminal period and the discount rate. The goodwill in Danica Pension of DKK 1.6 billion (31 December 2019: DKK 1.6 billion) is highly sensitive to changes in solvency capital requirements, growth in the terminal period, lower profits and the discount rate.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Following the outbreak of the coronavirus pandemic, the assessment of whether indication of impairment existed at the end of September 2020 was considered at a more detailed level than usual. This assessment was performed as a high level update of the 2019 test, taking into account the expected decline in income in 2020 and impact on solvency capital requirements in Danica Pension caused by the corona crisis as well as management actions and other known changes since the test in the fourth quarter of 2019. Based on this assessment, it was concluded that no indications of impairment were noted.

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

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

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured at the present value of expected benefits for each insurance contract. The measurement is based on actuarial computations that rely on estimates of a number of variables, including mortality and disability rates, and on the discount rate. The future mortality rates are based on the Danish FSA's benchmark, while other variables are estimated based on data from the Group's own portfolio of insurance contracts. For some insurance contracts, the policyholders are guaranteed a certain long-term return on their funds. For such contracts, a collective bonus potential exists, and it consists of the accumulated excess return on the assets earmarked for policyholders not yet allocated to the individual contracts. The collective bonus potential is accounted for as an insurance liability and serves as a buffer to absorb future insufficient returns on the assets. The negative return on assets during the first nine months of 2020 following the outbreak of the coronavirus pandemic decreased the collective bonus potential from DKK 13.9 billion at 31 December 2019 to DKK 11.2 billion at 30 September 2020. Note G18 and the risk management notes of the Annual Report 2019 provide more information about the accounting for insurance liabilities and sensitivity to changes in assumptions.

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

(a) Changes in accounting policies

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

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

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

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

Notes – Danske Bank Group

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

(b) Changes in financial highlights and segment reporting

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

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

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

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

Business segments first nine months 2019

		Adjustments to organisation				
(DKK millions)	Financial highlights	Banking DK	Banking Nordic	Wealth Management	Alignment of presentation, Wealth Management	Adjusted Financial highlights
Net interest income	16,336	480	176	-656	0	16,336
Net fee income	11,681	704	192	-897	-921	10,761
Net trading income or loss	2,907	91	12	-104	816	3,723
Other income	1,905	0	0	0	104	2,009
Total income	32,829	1,276	381	-1,656	0	32,829
Operating expenses	19,206	771	331	-1,102	0	19,206
Profit before loan impairment charges	13,623	504	50	-554	0	13,623
Loan impairment charges	813	-21	1	20	0	813
Profit before tax, core	12,810	525	49	-574	0	12,810
Profit before tax, non-core	-248	0	0	0	0	-248
Profit before tax	**12,562**	**525**	**49**	**-574**	**0**	**12,562**
Loans, excluding reverse transactions	1,817,630	63,901	17,877	-81,778	0	1,817,630
Other assets	2,145,089	46,616	11,334	-57,950	0	2,145,089
Total assets	**3,962,718**	**110,518**	**29,211**	**-139,729**	**0**	**3,962,718**
Deposits, excluding repo transactions	926,318	51,282	20,438	-71,720	0	926,318
Other liabilities	2,885,336	56,269	7,922	-64,191	0	2,885,336
Allocated capital	151,064	2,966	852	-3,817	0	151,064
Total liabilities and equity	**3,962,718**	**110,518**	**29,211**	**-139,729**	**0**	**3,962,718**
Profit before tax as % of allocated capital (avg.)	11.2	0.5	-0.1	1.1	0.0	11.2
Cost/income ratio (%)	58.5	0.6	1.5	-4.3	0.0	58.5
Assets under management (DKK billions)	1,610	0	0	0	-46	1,564

Notes – Danske Bank Group

G3. Business segments

Business segments first nine months 2020

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights	Reclassi-fication	IFRS financial statements
Net interest income	6,770	6,102	3,010	-214	1,035	-	-203	-3	16,498	4,311	20,809
Net fee income	3,041	1,367	2,101	4,162	198	-	-189	1	10,680	-3,222	7,458
Net trading income	714	180	2,712	64	91	-	-127	129	3,763	2,666	6,429
Other income	127	412	7	-15	13	-	329	-390	482	2,879	3,361
Net premiums	-	-	-	-	-	-	-	-	-	21,075	21,075
Net insurance benefits	-	-	-	-	-	-	-	-	-	24,794	24,794
Total income	10,652	8,060	7,831	3,997	1,336	-	-191	-263	31,423	2,916	34,339
Operating expenses	7,022	4,774	3,913	2,519	905	-	1,397	-122	20,409	3,212	23,621
Profit before loan impairment charges	3,630	3,286	3,918	1,478	431	-	-1,588	-141	11,014	-296	10,718
Loan impairment charges	837	1,472	3,676	-	295	-	7	-	6,287	187	6,474
Profit before tax, core	2,793	1,814	242	1,478	136	-	-1,595	-141	4,727	-483	4,244
Profit before tax, Non-core	-	-	-	-	-	-483	-	-	-483	483	-
Profit before tax	**2,793**	**1,814**	**242**	**1,478**	**136**	**-483**	**-1,595**	**-141**	**4,244**	**-**	**4,244**
Loans, excluding reverse transactions	917,076	629,254	199,614	58	53,238	-	35,432	-33,234	1,801,438	2,458	1,803,896
Other assets	418,307	121,650	3,690,777	661,092	44,403	-	3,807,013	-6,521,186	2,222,056	2,083	2,224,139
Total assets in Non-core	-	-	-	-	-	4,541	-	-	4,541	-4,541	-
Total assets	**1,335,382**	**750,903**	**3,890,391**	**661,150**	**97,641**	**4,541**	**3,842,445**	**-6,554,419**	**4,028,035**	**-**	**4,028,035**
Deposits, excluding repo deposits	396,648	304,891	354,380	155	81,360	-	1,227	-9,942	1,128,720	2,109	1,130,829
Other liabilities	901,793	409,278	3,500,199	644,374	10,186	-	3,816,098	-6,544,478	2,737,450	2,222	2,739,672
Allocated capital	36,942	36,735	35,812	16,621	6,095	-	25,330	-	157,534	-	157,534
Total liabilities in Non-core	-	-	-	-	-	4,331	-	-	4,331	-4,331	-
Total liabilities and equity	**1,335,382**	**750,903**	**3,890,391**	**661,150**	**97,641**	**4,331**	**3,842,655**	**-6,554,419**	**4,028,035**	**-**	**4,028,035**
Profit before tax as % p.a. of allocated capital (avg.)	9.8	6.6	0.9	12.0	2.9	-	-7.8	-	3.6	-	3.6
Cost/income ratio (%)	65.9	59.2	50.0	63.0	67.7	-	-	-	64.9	-	68.8
Full-time-equivalent staff, end of period	4,718	2,493	1,684	1,568	1,347	50	10,722	-	22,582	-	22,582

Notes – Danske Bank Group

G3. Business segments continued

Business segments first nine months 2019

(DKK millions)	Banking DK[1]	Banking Nordic[1]	C&I	Wealth Man.[1]	Northern Ireland	Non-core	Other Activities	Elimina-tions	Financial highlights[1]	Reclassi-fication[1]	IFRS financial statements
Net interest income	6,880	5,848	2,671	-173	1,133	-	-174	151	16,336	4,403	20,739
Net fee income	3,188	1,378	2,074	4,017	274	-	-170	-	10,761	-3,476	7,285
Net trading income	858	208	1,528	588	113	-	369	59	3,723	25,043	28,766
Other income	175	455	1	1,277	11	-	451	-362	2,009	2,717	4,725
Net premiums	-	-	-	-	-	-	-	-	-	18,763	18,763
Net insurance benefits	-	-	-	-	-	-	-	-	-	44,998	44,998
Total income	11,100	7,889	6,275	5,710	1,530	-	476	-151	32,829	2,452	35,280
Operating expenses	6,213	4,512	3,516	2,711	872	-	1,504	-122	19,206	2,381	21,587
Profit before loan impairment charges	4,887	3,377	2,759	2,999	658	-	-1,028	-29	13,623	70	13,693
Loan impairment charges	-82	-1	889	-	11	-	-4	-	813	319	1,131
Profit before tax, core	4,969	3,378	1,870	2,999	648	-	-1,024	-29	12,810	-248	12,562
Profit before tax, Non-core	-	-	-	-	-	-248	-	-	-248	248	-
Profit before tax	**4,969**	**3,378**	**1,870**	**2,999**	**648**	**-248**	**-1,024**	**-29**	**12,562**	**-**	**12,562**
Loans, excluding reverse transactions	938,298	622,861	207,601	140	51,900	-	29,665	-32,836	1,817,630	7,492	1,825,122
Other assets	417,708	63,293	3,661,253	668,006	31,136	-	3,217,917	-5,925,640	2,133,672	3,925	2,137,597
Total assets in Non-core	-	-	-	-	-	11,417	-	-	11,417	-11,417	-
Total assets	**1,356,006**	**686,154**	**3,868,854**	**668,146**	**83,035**	**11,417**	**3,247,582**	**-5,958,476**	**3,962,718**	**-**	**3,962,718**
Deposits, excluding repo deposits	348,191	258,072	261,607	200	66,944	-	2,279	-10,975	926,318	1,734	928,052
Other liabilities	971,459	393,843	3,572,738	651,611	10,153	-	3,228,115	-5,947,501	2,880,419	3,184	2,883,603
Allocated capital	36,356	34,238	34,508	16,335	5,939	-	23,687	-	151,064	-	151,064
Total liabilities in Non-core	-	-	-	-	-	4,917	-	-	4,917	-4,917	-
Total liabilities and equity	**1,356,006**	**686,154**	**3,868,854**	**668,146**	**83,035**	**4,917**	**3,254,081**	**-5,958,476**	**3,962,718**	**-**	**3,962,718**
Profit before tax as % p.a. of allocated capital (avg.)	18.2	13.1	7.7	26.1	13.4	-	-4.7	-	11.2	-	11.2
Cost/income ratio (%)	56.0	57.2	56.0	47.5	57.0	-	316.0	-	58.5	-	61.2
Full-time-equivalent staff, end of period	4,501	2,696	1,704	1,567	1,323	284	9,883	-	21,960	-	21,960

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

Notes – Danske Bank Group

G3. Business model and business segmentation continued

(b) Reconciliation of the financial highlights and segment reporting to the IFRS financial statements

The 'Reclassification' column in the tables above shows the reconciliation between the presentation in the financial highlights and segment reporting and the presentation in the IFRS financial statements. The policies for the reclassifications between the financial highlights and the IFRS financial statements are disclosed on page 85 in Annual report 2019, however, with changes implemented from 1 January 2020 and explained in note G2(b) of this report. The decomposition of the reclassification is shown in the tables below.

Reclassifications first nine months 2020

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Reclassification	Financial highlights
Net interest income	20,809	-	-1,569	-2,695	-48	-4,311	16,498
Net fee income	7,458	-	24	3,201	-3	3,222	10,680
Net trading income	6,429	-	1,493	-4,215	55	-2,666	3,763
Other income	3,361	-3,126	52	113	83	-2,879	482
Net premiums	21,075	-	-	-21,075	-	-21,075	-
Net insurance benefits	24,794	-	-	-24,794	-	-24,794	-
Total income	34,339	-3,126	-	123	87	-2,916	31,423
Operating expenses	23,621	-3,126	-	123	-209	-3,212	20,409
Profit before loan impairment charges	10,718	-	-	-	296	296	11,014
Loan impairment charges	6,474	-	-	-	-187	-187	6,287
Profit before tax, core	4,244	-	-	-	483	483	4,727
Profit before tax, Non-core	-	-	-	-	-483	-483	-483
Profit before tax	**4,244**	**-**	**-**	**-**	**-**	**-**	**4,244**

Reclassification first nine months 2019

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension[1]	Non-core	Total reclassification[1]	Financial highlights[1]
Net interest income	20,739	-	-586	-3,673	-144	-4,403	16,336
Net fee income	7,285	-	132	3,353	-9	3,476	10,761
Net trading income	28,766	-	431	-25,465	-9	-25,043	3,723
Other income	4,725	-2,650	23	-87	-2	-2,717	2,009
Net premiums	18,763	-	-	-18,763	-	-18,763	-
Net insurance benefits	44,998	-	-	-44,998	-	-44,998	-
Total income	35,280	-2,650	-	362	-164	-2,452	32,829
Operating expenses	21,587	-2,650	-	362	-93	-2,381	19,206
Profit before loan impairment charges	13,693	-	-	-	-70	-70	13,623
Loan impairment charges	1,131	-	-	-	-319	-319	813
Profit before tax, core	12,562	-	-	-	248	248	12,810
Profit before tax, Non-core	-	-	-	-	-248	-248	-248
Profit before tax	**12,562**	**-**	**-**	**-**	**-**	**-**	**12,562**

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

Notes – Danske Bank Group

G4. Income

Interest income and interest expense

Negative interest income during the period ending September 2020 amounted to DKK 1,449 million (30 September 2019: DKK 1,930 million). Negative interest expenses amounted to DKK 2,004 million (30 September 2019: DKK 1,835 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

Fee income

Note G6 of the Annual Report 2019 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Fee income first nine months 2020

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	3,166	-96	3,070	2,921	5,991
Pension and Insurance	2,932	-2,813	119	-	119
Money transfers, account fees and cash management	2,137	11	2,148	931	3,079
Lending and Guarantees	1,559	386	1,945	188	2,133
Capital markets	885	-710	176	-	176
Total	**10,680**	**-3,222**	**7,458**	**4,039**	**11,498**

Fee income first nine months 2019

(DKK millions)	Financial highlights - net fee income (previously reported)[1]	Restatement [2]	Financial highlights - net fee income (restated)	Reclassifications [1]	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	3,666	-529	3,137	-665	2,472	3,240	5,712
Pension and Insurance	2,410	201	2,611	-2,509	102	-	102
Money transfers, account fees and cash management	2,032	328	2,359	-33	2,326	1,084	3,410
Lending and Guarantees	1,804	-	1,804	411	2,215	204	2,419
Capital markets	850	-	850	-680	170	-	170
Total	**10,761**	**-**	**10,761**	**-3,476**	**7,285**	**4,528**	**11,813**

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

[2] Comparative information has further been restated to reflect a refinement of the distribution of eliminations between fee types.

Other income

Other income amounted to DKK 3,492 million for the nine months ending 30 September 2020 (30 September 2019: DKK 4,326 million). Other income includes primarily income from lease assets, investment property and real estate brokerage. Further, it includes gain and loss on sale of disposal groups, including the gain of DKK 1.3 billion on the sale of Danica Försäkringsaktiebolag in 2019.

Notes – Danske Bank Group

G5. Loan impairment charges and reconciliation of total allowance account

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

Loan impairment charges

(DKK millions)	30 September 2020	30 September 2019
ECL on new assets	3,776	3,377
ECL on assets derecognised	-3,486	-3,607
Impact of net remeasurement of ECL (incl. changes in models)	5,164	951
Write-offs charged directly to income statement	1,545	1,059
Received on claims previously written off	-314	-451
Interest income, effective interest method	-212	-198
Total	**6,474**	**1,131**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2019	**1,601**	**5,450**	**14,118**	**21,170**
Transferred to stage 1 during the period	797	-711	-87	-
Transferred to stage 2 during the period	-358	1,073	-714	-
Transferred to stage 3 during the period	-35	-553	587	-
ECL on new assets	266	1,182	2,463	3,911
ECL on assets derecognised	-328	-1,187	-2,972	-4,487
Impact of net remeasurement of ECL (incl. changes in models)	-613	745	1,388	1,520
Write-offs debited to the allowance account	-	-5	-799	-804
Foreign exchange adjustments	4	22	93	120
Other changes	-18	-55	-44	-117
ECL allowance account as at 31 December 2019	**1,316**	**5,963**	**14,033**	**21,313**
Transferred to stage 1 during the period	802	-762	-40	-
Transferred to stage 2 during the period	-131	644	-513	-
Transferred to stage 3 during the period	-17	-903	920	-
ECL on new assets	470	1,432	1,874	3,776
ECL on assets derecognised	-216	-1,050	-2,220	-3,486
Impact of net remeasurement of ECL (incl. changes in models)	17	1,997	3,151	5,164
Write-offs debited to the allowance account	-1	-10	-1,636	-1,647
Foreign exchange adjustments	-34	-67	-414	-515
Other changes	-5	-65	42	-28
ECL allowance account as at 30 September 2020	**2,202**	**7,179**	**15,196**	**24,576**

The movements on the allowance account are determined by comparing the classification and amount in the balance sheet at the beginning and the end of the period. For further information on the decomposition of the allowance account on facilities in stages 1-3 under IFRS 9, see the notes on credit risk.

Notes – Danske Bank Group

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

Issued bonds at fair value

(DKK millions)	30 September 2020	31 December 2019
Bonds issued by Realkredit Danmark (covered bonds)	772,670	795,721
Commercial papers and certificates of deposits	7,730	6,780
Issued bonds at fair value, total	**780,400**	**802,501**

Issued bonds at amortised cost

(DKK millions)	30 September 2020	31 December 2019
Commercial papers and certificates of deposits	14,850	4,043
Preferred senior bonds	65,370	70,395
Covered bonds	171,932	181,918
Issued bonds at amortised cost, total	**252,152**	**256,355**
Non-preferred senior bonds	**108,671**	**87,054**

Nominal value (DKK millions)	1 January 2020	Issued	Redeemed	Foreign currency translation	30 September 2020
Commercial papers and certificate of deposits	10,821	30,043	19,372	-392	21,101
Preferred senior bonds	75,280	19,275	23,670	-2,088	68,797
Covered bonds	176,489	29,429	29,061	-5,343	171,514
Non-preferred senior bonds	86,891	23,706	-	-3,527	107,070
Other issued bonds	**349,481**	**102,453**	**72,103**	**-11,350**	**368,481**

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

Subordinated debt and additional tier 1 capital

As at 30 September 2020, the nominal value of subordinated debt, including liability accounted additional tier 1 capital, amounted to DKK 34,767 million (31 December 2020: DKK 31,585 million) and the nominal value of equity accounted additional tier 1 capital to DKK 8,585 million (31 December 2019: DKK 14,205 million). During the nine months ended 30 September 2020, the Group redeemed EUR 750 million (DKK 5,600 million) of additional tier 1 capital accounted for as equity and issued DKK 3,721 million of tier 2 capital. During 2019, the Group issued DKK 11,901 million and redeemed DKK 3,467 million of tier 2 capital.

For the additional tier 1 capital, Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 5.4.3 of Risk Management 2019 for further information). As at 30 September 2020, distributable items for Danske Bank A/S amounted to DKK 123.9 billion (31 December 2019: DKK 121.1 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. As at 30 September 2020 the common equity tier 1 capital ratio was 21.7% (31 December 2019: 20.1%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

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

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

Assets held for sale

(DKK millions)	30 September 2020	31 December 2019
Loans held for sale	2,021	938
Other	271	414
Total	**2,292**	**1,352**

Loans held for sale consists of loan portfolios within the non-core segment where the Group has entered into sales agreement. In December 2019 and January 2020, the Group entered into agreements to sell portfolios of loans with and deposits from personal customers in Lithuania and Latvia. The transactions settled in the first half of 2020. In June 2020, an agreement to sell a portfolio of Estonian corporate loans managed by the Lithuania branch was entered into. The transaction settled in October 2020. Liabilities in disposal groups held for sale consist of deposits in the same portfolios.

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

G8. Other assets and Other liabilities

Other assets amounted to DKK 34,790 million (31 December 2019: DKK 37,679 million), including holdings in associates of DKK 274 million (31 December 2019: DKK 341 million), investment property of DKK 2,228 million (31 December 2019: DKK 2,644 million), tangible assets of DKK 8,242 million (31 December 2019: DKK 8,450 million) and right-of-use lease assets of DKK 5,013 million (31 December 2019: DKK 5,634 million), consisting of domicile property of DKK 4,105 million (31 December 2019: DKK 4,650 million) and other tangible assets of DKK 909 million (31 December 2019: DKK 984 million).

Other liabilities amounted to DKK 42,275 million (31 December 2019: DKK 46,191 million), including accrued interest and commissions due of DKK 5,700 million (31 December 2019: DKK 6,833 million), lease liabilities of DKK 4,950 million (31 December 2019: 5,526), other staff commitments of DKK 2,453 million (31 December 2019: DKK 1,993 million) and the provision of DKK 1,500 million (31 December 2019: DKK 1,500 million) relating to the donation of the estimated gross income from the non-resident portfolio at the Estonian branch. Any confiscated or disgorged gross income will be deducted from the donation to the foundation.

G9. Foreign currency translation reserve

The Group has granted loans to its branches in Sweden, Norway and Finland in the currency of the foreign unit for a total of DKK 34,202 million (31 December 2019: DKK 33,206 million). The loans represent part of the capital allocated to these units. The settlement of the loans is neither planned nor likely to occur in the foreseeable future and the loans are part of the net investment in those units. Therefore, the foreign currency gains/losses on these loans are recognised in Other comprehensive income. Until May 2019, the currency risk on the loans was hedged by establishing funding arrangements with third parties in the matching currencies and the foreign currency gains/losses on these funding arrangements were also recognised in Other comprehensive income. In May 2019, part of the funding was changed to DKK in order to create so-called structural FX hedge positions in accordance with banking regulations, i.e. to reduce the impact on capital ratios resulting from changes in the risk exposure amount due to changes in currency rates. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decreases the hedge of the currency risk on the net investments in those units. As at 30 September 2020, the structural FX hedge position totalled DKK 30,579 million (31 December 2019: DKK 29,988 million) and a loss of DKK 1,495 million has been recognised in Other comprehensive income during the first three quarters of 2020, primarily due to a significant weakening of NOK and to a lesser degree of SEK against DKK throughout the first three quarters of 2020.

Notes – Danske Bank Group

G10. Guarantees, commitments and contingent liabilities

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

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

(a) Guarantees (DKK millions)	30 September 2020	31 December 2019
Financial guarantees	7,100	4,661
Other guarantees	59,549	64,403
Total	**66,649**	**69,064**

(b) Commitments (DKK millions)	30 September 2020	31 December 2019
Loan commitments shorter than 1 year	251,189	204,610
Loan commitments longer than 1 year	195,236	174,211
Other unutilised loan commitments	182	283
Total	**446,607**	**379,104**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 222 billion (31 December 2019: DKK 213 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

(c) Regulatory and legal proceedings

Estonia matter

Danske Bank remains in dialogue with various authorities regarding the terminated non-resident portfolio at the Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the United States. The Bank continues to cooperate with all authorities.

In 2018, the Estonian Office of the Prosecutor General opened a criminal investigation into former employees of the Estonian branch.

In November 2018, Danske Bank was preliminary charged by the Danish State Prosecutor for Serious Economic and International Crime ("SØIK") with violating the Danish AML Act on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016. In addition, on 21 October 2020 Danske Bank was preliminary charged for governance and control related failures relating to the Estonian branch under Section 71 of the Danish Financial Business Act, which is consistent with the Danish FSA's decision dated 3 May 2018.

In February 2019, Danske Bank was placed under formal investigation by an investigating judge of the Tribunal de Grande Instance de Paris in the context of an on-going French criminal investigation and on the grounds of money laundering suspicions relating to certain transactions in the terminated portfolio of non-resident customers of the Bank's Estonian branch, amounting to around DKK 160 million and performed between 2007 and 2014. The Bank has posted bail in the amount of DKK 80 million.

The Bank is reporting to, responding to and cooperating with various authorities, including the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), relating to the Bank's Estonian branch.

The Bank's internal investigation into the non-resident portfolio is progressing as planned and expected to be completed during the fourth quarter of 2020.

The overall timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain. It is not yet possible to reliably estimate the timing, form of resolution, or amount of potential settlement or fines, if any, which could be material.

Based on orders from the Danish FSA, Danske Bank's solvency need has been increased in 2018 by a Pillar II add-on of in total DKK 10 billion to ensure adequate capital coverage of the increased compliance and reputational risks in relation to the Estonian AML matter.

On 9 January 2019, an action was filed in the United States District Court for the Southern District of New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against the Bank and certain of its officers and former officers and/or directors. The complaint alleges that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 by, among other things, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters.

Notes – Danske Bank Group

G10. Guarantees, commitments and contingent liabilities continued

The complaint seeks unspecified damages on behalf of a putative class of purchasers of the Bank's American Depositary Receipts between 9 January 2014 and 29 April 2019. On 24 August 2020, the action was dismissed with prejudice by the United States District Court for the Southern District of New York. The claimants have since filed a one-page notice of appeal from the dismissal. In due course, the appellate court will issue a schedule for the appeal, which will include a timetable that will likely run into 2021.The Bank intends to defend itself against the claim. The timing of the completion of the lawsuit and the outcome are uncertain.

On 3 March 2019, a court case was initiated against Danske Bank and Thomas F. Borgen for approval of a class action led by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. In March 2019 (153), October 2019 (61), January 2020 (9), March 2020 (38), and September 2020 (55), a total of 316 separate claims were filed by 316 investors against the Bank with a total claim amount of approximately DKK 7.5 billion. On 27 December 2019 and 4 September 2020, two separate claims were filed by 93 investors against the Bank with a total claim amount of approximately DKK 1.7 billion. On 2 September 2020, 20 separate claims were filed against the Bank with a total claim amount of approximately DKK 1.2 billion. On 18 September 2020, a separate claim was filed by 201 investors against the Bank with a total claim amount of approximately DKK 2.1 billion. Finally, on 18 September 2020, a separate claim was filed by two institutional investors against the Bank and Thomas F. Borgen with a total preliminary claim amount of DKK 10 million. These court actions filed with the Copenhagen City Court relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and alleged failure to timely inform the market of such violations. 210 of the 316 cases filed in the period from March 2019 to September 2020 have subsequently been referred to the Eastern High Court. The Bank intends to defend itself against the claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

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

Other

Owing to its business volume, Danske Bank is continually a party to various other lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA on other matters. On 14 November 2019, Danske Bank was preliminarily charged by SØIK for violating the Danish Executive Order on Investor Protection in connection with the Flexinvest Fri case. Danske Bank has cooperated fully with SØIK and in November 2020 accepted a fine of DKK 9 million after which the matter has been closed. In general, Danske Bank does not expect the outcomes of any of these other pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. Provisions for litigations are included in Other liabilities, see note G8.

(d) Further explanation

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

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

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

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

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

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

Notes – Danske Bank Group

G11. Assets provided or received as collateral

As at 30 September 2020, the Group had deposited securities worth DKK 21.7 billion as collateral with Danish and international clearing centres and other institutions (31 December 2019: DKK 8.6 billion).

As at 30 September 2020, the Group had provided cash and securities worth DKK 100.8 billion as collateral for derivatives transactions (31 December 2019: DKK 107.4 billion).

As at 30 September 2020, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 450.3 billion (31 December 2019: DKK 450.9 billion) as collateral for policyholders' savings of DKK 438.8 billion (31 December 2019: DKK 437.4 billion).

As at 30 September 2020, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 817.6 billion (31 December 2019: DKK 816.8 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 313.0 billion (31 December 2019: DKK 294.6 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

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

	30 September 2020			31 December 2019		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	42,026	42,026	-	43,230	43,230
Trading portfolio securities	205,679	87,391	293,070	186,473	75,876	262,349
Loans at fair value	-	806,877	806,877	-	802,579	802,579
Loans at amortised cost	-	326,302	326,302	-	277,395	277,395
Assets under insurance contracts	-	353,291	353,291	-	359,246	359,246
Other assets	-	39	39	-	72	72
Total	205,679	1,615,926	1,821,604	186,473	1,558,398	1,744,871
Own issued bonds	33,968	92,719	126,688	43,322	81,354	124,675
Total, including own issued bonds	**239,647**	**1,708,645**	**1,948,292**	**229,795**	**1,639,752**	**1,869,547**

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 205.7 billion as at 30 September 2020 (31 December 2019: DKK 186.5 billion).

As at 30 September 2020, the Group had received securities worth DKK 361.9 billion (31 December 2019: DKK 401.3 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. As at 30 September 2020, the Group had sold securities or provided securities as collateral worth DKK 150.2 billion (31 December 2019: DKK 152.5 billion).

The Group also receives many other types of assets as collateral in connection with its ordinary lending activities. The Group has not received the ownership of these assets. The risk management notes of the Annual Report 2019 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

G12. Fair value information for financial instruments

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

	30 September 2020		31 December 2019	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	239,388	-	99,035
Due from credit institutions and central banks	38,357	38,886	24,354	81,320
Trading portfolio assets	674,426	-	495,321	-
Investment securities	171,816	128,488	163,782	121,091
Loans at amortised cost	-	999,157	-	1,028,011
Loans at fair value	1,068,430	-	1,122,048	-
Assets under pooled schemes and unit-linked investment contracts	108,385	-	111,089	-
Assets under insurance contracts	483,763	-	434,945	-
Loans held for sale	-	2,021	-	938
Total	**2,545,177**	**1,407,940**	**2,351,538**	**1,330,395**
Financial liabilities				
Due to credit institutions and central banks	99,475	101,845	79,877	75,369
Trading portfolio liabilities	499,128	-	452,202	-
Deposits	167,033	1,113,846	184,755	955,970
Issued bonds at fair value	780,400	-	802,501	-
Issued bonds at amortised cost	-	252,152	-	256,355
Deposits under pooled schemes and unit-linked investment contracts	109,231	-	111,537	-
Liabilities in disposal groups held for sale	-	138	-	110
Non-preferred senior bonds	-	108,671	-	87,054
Subordinated debt	-	35,014	-	31,733
Loan commitments and guarantees	-	2,605	-	2,485
Total	**1,655,267**	**1,614,271**	**1,630,872**	**1,409,076**

Investment securities at fair value includes bonds measured at fair value through other comprehensive income, see the table on bonds in the Risk management notes. All other financial assets in the column 'Fair value' are mandatorily measured at fair value through profit or loss under IFRS 9. Except for the held for trading portfolio, all other financial liabilities are measured at fair value through profit or loss using the fair value option.

Financial instruments at fair value

Note G33 of the Annual Report 2019 provides more information about fair value calculation methods for financial instruments.

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

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

Notes – Danske Bank Group

G12. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
30 September 2020				
Financial assets				
Due from credit institutions and central banks	-	38,357	-	38,357
Derivatives	2,353	357,870	4,424	364,647
Trading portfolio bonds	270,757	25,801	-	296,558
Trading portfolio shares	13,078	-	143	13,221
Investment securities, bonds	144,697	26,055	-	170,752
Investment securities, shares	30	-	1,034	1,064
Loans at fair value	-	1,068,430	-	1,068,430
Assets under pooled schemes and unit-linked investment contracts	108,385	-	-	108,385
Assets under insurance contracts, bonds	169,239	22,996	6,228	198,463
Assets under insurance contracts, shares	100,608	2,258	35,833	138,699
Assets under insurance contracts, derivatives	202	145,065	1,334	146,601
Total	**809,349**	**1,686,832**	**48,996**	**2,545,177**
Financial liabilities				
Due from credit institutions and central banks	-	99,475	-	99,475
Derivatives	2,405	342,683	3,801	348,889
Obligations to repurchase securities	149,878	321	39	150,238
Deposits	-	167,033	-	167,033
Issued bonds at fair value	780,400	-	-	780,400
Deposits under pooled schemes and unit-linked investment contracts	-	109,231	-	109,231
Total	**932,683**	**718,743**	**3,840**	**1,655,267**

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2019				
Financial assets				
Due from credit institutions and central banks	-	24,354	-	24,354
Derivatives	3,695	285,216	5,070	293,980
Trading portfolio bonds	173,852	15,260	-	189,112
Trading portfolio shares	12,028	-	200	12,228
Investment securities, bonds	133,953	28,393	-	162,346
Investment securities, shares	53	-	1,383	1,436
Loans at fair value	-	1,122,048	-	1,122,048
Assets under pooled schemes and unit-linked investment contracts	111,089	-	-	111,089
Assets under insurance contracts, bonds	174,978	17,841	4,099	196,918
Assets under insurance contracts, shares	101,432	2,304	39,813	143,549
Assets under insurance contracts, derivatives	2,225	89,990	2,263	94,478
Total	**713,305**	**1,585,405**	**52,828**	**2,351,538**
Financial liabilities				
Due to credit institutions and central banks	-	79,877	-	79,877
Derivatives	3,609	291,232	4,853	299,695
Obligations to repurchase securities	151,590	744	173	152,507
Deposits	-	184,756	-	184,756
Issued bonds at fair value	802,501	-	-	802,501
Deposits under pooled schemes and unit-linked investment contracts	-	111,537	-	111,537
Total	**957,700**	**668,146**	**5,026**	**1,630,872**

Notes – Danske Bank Group

G12. Fair value information for financial instruments continued

Financial instruments valued on the basis of non-observable input

The tables below shows financial instruments valued on the basis of non-observable input.

(DKK millions)	Carrying amount	Sensitivity (change in fair value) Increase	Sensitivity (change in fair value) Decrease	Gains/losses for the period Realised	Gains/losses for the period Unrealised
30 September 2020					
Unlisted shares					
allocated to insurance contract policyholders	35,833	-	-	193	-1,705
other	1,138	114	114	198	72
Illiquid bonds	6,228	83	83	3	-148
Derivatives, net fair value	1,957	-	-	-	444
31 December 2019					
Unlisted shares					
allocated to insurance contract policyholders	39,813	-	-	1,357	1,898
other	1,410	141	141	208	345
Illiquid bonds	4,099	90	90	-25	260
Derivatives, net fair value	2,480	-	-	-	1,690

For unlisted shares allocated to insurance contract policyholders, the policyholders assume most of the risk on the shares. Therefore, changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The Group's remaining portfolio of unlisted shares consists primarily of banking-related investments and holdings in private equity funds. The sensitivity of the fair value measurement to changes in the unobservable input disclosed in the table is calculated as a 10% increase or 10 % decrease in fair value. Under current market conditions, a 10 % decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. The unrealised adjustments in the nine month period ended 30 September 2020 were attributable to various unlisted shares.

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

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

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

Reconciliation from beginning to end of period (DKK millions)	30 September 2020 Shares	30 September 2020 Bonds	30 September 2020 Derivatives	31 December 2019 Shares	31 December 2019 Bonds	31 December 2019 Derivatives
Fair value at 1 January	41,223	4,099	2,480	34,730	4,131	3,497
Value adjustment through profit or loss	-1,242	-145	444	3,808	235	1,690
Acquisitions	6,295	3,031	88	20,437	8,512	-233
Sale and redemption	-7,747	-757	-647	-17,752	-8,779	-2,455
Transferred from quoted prices and observable input	-	-	-2	-	-	-
Transferred to quoted prices and observable input	-1,558	-	-407	-	-	-19
Fair value end of period	**36,971**	**6,228**	**1,957**	**41,223**	**4,099**	**2,480**

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

Notes – Danske Bank Group

G12. Fair value information for financial instruments continued

Financial instruments at amortised cost

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

30 September 2020 (DKK millions)	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	128,488	130,794	110,454	20,340	-
Loans at amortised cost	999,157	999,051	-	9,707	989,344
Financial liabilities					
Issued bonds, including non-preferred senior bonds	360,823	363,269	293,108	47,794	22,367
Subordinated debt	35,014	35,888	32,749	3,140	-
31 December 2019 (DKK millions)					
Financial assets					
Investment securities	121,091	122,785	100,517	22,268	-
Loans at amortised cost	1,028,011	1,028,261	-	9,837	1,018,424
Financial liabilities					
Issued bonds, including non-preferred senior bonds	343,409	346,057	293,141	20,430	32,485
Subordinated debt	31,733	32,486	29,398	3,088	-

Notes – Danske Bank Group

Risk Management

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

Breakdown of credit exposure

(DKK billions) 30 September 2020	Total	Lending activities Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	233.9	233.9	-	-	-	-
Due from credit institutions and central banks	77.2	38.9	-	38.4	-	-
Trading portfolio assets	674.4	-	-	364.6	309.8	-
Investment securities	300.3	-	-	-	300.3	-
Loans at amortised cost	999.2	996.7	2.5	-	-	-
Loans at fair value	1,068.4	806.9	-	261.6	-	-
Assets under pooled schemes and unit-linked investment contracts	108.4	-	-	-	-	108.4
Assets under insurance contracts	510.0	-	-	-	-	510.0
Loans held for sale	2.0	-	2.0	-	-	-
Off-balance-sheet items						
Guarantees	66.6	66.5	0.2	-	-	-
Loan commitments shorter than 1 year	251.2	249.7	1.5	-	-	-
Loan commitments longer than 1 year	195.2	195.2	-	-	-	-
Other unutilised commitments	0.2	-	-	-	0.2	-
Total	**4,487.1**	**2,587.7**	**6.2**	**664.6**	**610.3**	**618.4**
31 December 2019						
Balance sheet items						
Demand deposits with central banks	92.8	92.4	0.4	-	-	-
Due from credit institutions and central banks	105.7	81.9	0.1	23.7	-	-
Trading portfolio assets	495.3	-	-	294.0	201.3	-
Investment securities	284.9	-	-	-	284.9	-
Loans at amortised cost	1,028.0	1,022.3	5.7	-	-	-
Loans at fair value	1,122.0	802.6	-	319.5	-	-
Assets under pooled schemes and unit-linked investment contracts	111.1	-	-	-	-	111.1
Assets under insurance contracts	463.8	-	-	-	-	463.8
Loans held for sale	0.9	-	0.9	-	-	-
Off-balance-sheet items						
Guarantees	69.1	68.7	0.3	-	-	-
Loan commitments shorter than 1 year	204.6	202.2	2.5	-	-	-
Loan commitments longer than 1 year	174.2	173.7	0.5	-	-	-
Other unutilised commitments	0.3	-	-	-	*0.3*	-
Total	**4,152.7**	**2,443.8**	**10.4**	**637.1**	**486.5**	**574.9**

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 222 billion at 30 September 2020 (31 December 2019: DKK 213 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

Credit exposure from lending activities in the Group's core banking business includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of expected credit losses and includes repo loans at amortised cost. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount. The credit exposure from Non-core lending activities is disclosed further on in these notes.

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

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

The table below breaks down the credit exposure by rating categories and stages. Further information on classification of customers can be found on page 179 in Annual report 2019.

30 September 2020	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	230.5	0.1	-	-	-	-	230.5	0.1	-	215.2	-	-
2	0.01	0.03	229.0	0.2	-	-	-	-	229.0	0.2	-	113.9	0.1	-
3	0.03	0.06	485.2	1.4	0.1	0.1	-	-	485.1	1.4	0.1	187.5	0.4	-
4	0.06	0.14	560.7	3.3	0.5	0.7	-	-	560.0	3.3	0.5	233.9	1.6	0.1
5	0.14	0.31	502.7	8.4	0.2	0.4	0.1	-	502.3	8.4	0.2	163.8	3.6	-
6	0.31	0.63	260.8	25.2	1.7	0.4	0.3	-	260.4	24.9	1.7	87.7	7.7	0.8
7	0.63	1.90	112.8	60.0	0.4	0.4	1.3	-	112.4	58.7	0.4	34.1	21.4	0.1
8	1.90	7.98	13.3	29.8	0.3	0.1	2.7	-	13.2	27.1	0.3	4.6	6.1	-
9	7.98	25.70	1.6	12.3	0.2	-	1.0	-	1.5	11.3	0.2	0.2	0.9	-
10	25.70	99.99	1.7	23.3	26.6	-	1.8	5.2	1.7	21.5	21.4	1.2	9.8	4.8
11 (default)	100.00	100.00	-	0.1	18.8	-	-	9.0	-	0.1	9.9	-	-	2.4
Total			**2,398.2**	**164.1**	**48.9**	**2.2**	**7.2**	**14.2**	**2,396.0**	**156.9**	**34.7**	**1,042.1**	**51.6**	**8.3**

31 December 2019	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	151.6	0.2	-	-	-	-	151.6	0.2	-	139.8	-	-
2	0.01	0.03	199.2	0.3	-	-	-	-	199.2	0.3	-	106.3	-	-
3	0.03	0.06	469.7	1.0	-	-	-	-	469.7	1.0	-	180.4	0.2	-
4	0.06	0.14	562.1	3.6	0.3	0.1	-	-	562.0	3.6	0.3	215.7	1.4	-
5	0.14	0.31	479.2	10.7	0.1	0.2	0.1	-	479.1	10.6	0.1	140.2	4.5	-
6	0.31	0.63	258.8	23.4	0.2	0.3	0.2	-	258.5	23.1	0.2	87.3	7.1	-
7	0.63	1.90	135.1	53.4	0.4	0.3	1.0	-	134.8	52.4	0.4	39.7	15.0	-
8	1.90	7.98	10.3	36.4	0.2	0.4	2.2	-	9.9	34.2	0.2	1.8	7.8	-
9	7.98	25.70	0.9	10.2	0.1	-	1.2	-	0.9	9.0	0.1	0.1	1.2	-
10	25.70	99.99	0.3	14.7	19.9	-	1.0	4.8	0.3	13.7	15.1	0.1	5.3	4.4
11 (default)	100.00	100.00	0.1	0.4	21.4	-	-	8.5	0.1	0.4	13.0	-	0.1	3.3
Total			**2,267.3**	**154.2**	**42.8**	**1.3**	**5.8**	**13.4**	**2,266.0**	**148.5**	**29.4**	**911.5**	**42.6**	**7.8**

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

Besides increasing the expected credit losses, the post-model adjustments may lead to the transfer of part of the gross exposure covered by the post-model adjustments from stage 1 to stage 2 through targeted PD pushes to the current point in time estimate of the PD (i.e. increases in the PD for the underlying customers in the selected portfolios covered by the post-model adjustments) to ensure consistency between the methods used to inform both on expected credit losses and on exposures subject to significant increase in credit risk. While the distribution of customers between the Group's 11 rating categories remains unchanged and reflects the current point in time estimate of the underlying customers' PDs, the PD pushes may lead to the transfer of gross exposures to stage 2 as the assessment of the increase in credit risk is performed by comparing the initial PD to the current PD (after the adjustment for the targeted PD pushes). During the third quarter of 2020, the Group has reassessed the estimated size of the PD pushes especially related to the corona crisis post-model adjustment. This lead to a decrease in estimated amount of exposures transferred to stage 2 in the third quarter of 2020 compared to in the second quarter of 2020. The method of allocation of the post-model adjustments to the underlying exposures has been refined during the third quarter of 2020. For exposures transferred to stage 2, the difference between 12-months expected credit losses and lifetime expected credit losses is recognised. Any remaining post-model adjustment is allocated proportionately to the underlying exposures based on their share of total expected credit losses.

Notes – Danske Bank Group

Credit exposure continued

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

The table below breaks down credit exposure by industry. The industry segmentation is based on the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard that has been adapted to the Group's business risk approach used for the active management of the credit portfolio.

Expected credit losses increased throughout the portfolio due to the changes to the macroeconomic outlook following the outbreak of the coronavirus pandemic. Further, expected credit losses reflect a deterioration of the creditworthiness of specific customers mainly within oil and gas (in the Shipping, oil and gas industry).

30 September 2020	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	282.8	-	-	-	-	-	282.8	-	-	279.3	-	-
Financials	113.0	3.0	0.5	0.1	0.1	0.2	112.9	2.9	0.3	99.9	2.0	-
Agriculture	52.7	14.3	7.0	0.1	1.0	1.6	52.6	13.3	5.4	12.8	1.7	0.6
Automotive	27.3	3.3	0.6	-	0.2	0.1	27.3	3.0	0.5	20.0	1.6	0.2
Capital goods	67.1	7.1	1.6	0.1	0.4	0.5	67.0	6.6	1.1	58.7	5.6	0.6
Commercial property	291.6	19.4	7.0	0.5	1.1	1.2	291.0	18.3	5.8	58.3	4.3	0.9
Construction and building materials	43.4	6.9	2.1	-	0.3	0.8	43.4	6.6	1.4	31.6	3.2	0.8
Consumer goods	63.9	6.0	1.3	0.1	0.3	0.5	63.8	5.7	0.8	45.2	3.6	0.2
Hotels, restaurants and leisure	11.0	3.2	1.4	-	0.1	0.3	11.0	3.1	1.1	2.3	1.2	0.4
Metals and mining	12.7	0.7	0.1	-	-	-	12.7	0.7	0.1	10.6	0.3	-
Other commercials	20.0	1.1	0.1	-	-	-	20.0	1.1	-	18.3	0.3	-
Pharma and medical devices	48.0	2.7	0.1	-	-	-	47.9	2.7	-	45.1	2.0	-
Private housing co-ops and non-profit associations	199.1	4.0	2.2	0.1	0.2	0.3	199.0	3.8	1.9	31.1	0.9	0.2
Pulp, paper and chemicals	35.2	1.8	0.6	-	-	0.2	35.2	1.7	0.4	25.7	0.5	0.1
Retailing	20.2	3.0	2.8	-	0.2	0.9	20.2	2.8	1.9	11.7	1.9	1.1
Services	52.2	8.3	1.1	0.1	0.3	0.4	52.1	8.0	0.7	42.2	6.1	0.3
Shipping, oil and gas	36.0	6.2	9.0	0.1	0.4	3.5	36.0	5.7	5.5	19.1	1.6	1.7
Social services	29.5	1.0	1.1	-	-	0.3	29.5	0.9	0.8	11.3	0.5	0.4
Telecom and media	19.2	0.8	0.2	-	-	0.1	19.2	0.8	0.1	17.6	0.5	-
Transportation	11.6	5.6	0.6	-	0.2	0.1	11.6	5.4	0.5	6.4	2.6	0.1
Utilities and infrastructure	59.7	0.2	0.1	-	-	0.1	59.7	0.2	-	43.1	0.1	-
Personal customers	901.9	65.7	9.3	0.9	2.1	3.1	901.0	63.6	6.2	151.7	11.2	0.6
Total	**2,398.2**	**164.1**	**48.9**	**2.2**	**7.2**	**14.2**	**2,396.0**	**156.9**	**34.7**	**1,042.1**	**51.6**	**8.3**

As at 30 September 2020, oil and gas exposures (within the Shipping, oil and gas industry) represent a gross exposure of DKK 26.8 billion (31 December 2019: DKK 29.9 billion) and expected credit losses of DKK 3.5 billion (31 December 2019: DKK 2.7 billion). Those exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of September 2020.

As described in the text below the table 'Credit portfolio in core activities broken down by rating category and stages', the post-model adjustments may, besides increasing the expected credit losses, lead to the transfer of part of gross exposures covered by the post-model adjustments from stage 1 to stage 2. Compared to the fourth quarter of 2019, such transfers improve the overall average credit quality of the exposures within stage 2 for some industries. This is the case for the industries Hotels, restaurants and leisure and Services. For Hotels, restaurants and leisure, the relatively small impact on expected credit losses in stage 2 is further due to an increase in collateral of DKK 0.9 billion compared to the end of 2019.

Notes – Danske Bank Group

Credit exposure continued

31 December 2019	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	193.6	0.1	-	-	-	-	193.6	0.1	-	187.1	0.1	-
Financials	103.7	2.2	0.4	0.1	-	0.3	103.7	2.1	0.1	89.0	1.4	-
Agriculture	52.4	16.0	5.6	0.1	1.1	1.7	52.3	14.9	3.9	11.0	2.5	0.5
Automotive	35.9	1.6	0.3	-	-	0.1	35.9	1.5	0.2	27.0	0.7	-
Capital goods	63.1	3.5	4.1	-	0.1	0.5	63.1	3.4	3.5	54.9	2.3	3.2
Commercial property	293.3	19.3	5.2	0.2	0.7	1.3	293.1	18.6	3.9	63.4	3.6	0.1
Construction and building materials	43.3	6.0	1.9	-	0.3	0.7	43.3	5.6	1.2	30.7	3.0	0.8
Consumer goods	61.6	3.9	1.0	-	0.2	0.4	61.5	3.7	0.5	45.1	2.3	0.2
Hotels, restaurants and leisure	15.2	1.7	0.3	-	0.1	0.1	15.2	1.6	0.2	5.0	0.6	-
Metals and mining	11.2	0.7	0.1	-	-	-	11.2	0.7	-	8.7	0.4	-
Other commercials	20.8	0.4	-	-	-	-	20.8	0.4	-	18.4	0.2	-
Pharma and medical devices	38.4	1.2	-	-	-	-	38.4	1.2	-	35.5	1.0	-
Private housing co-ops. and non-profit associations	190.4	6.1	2.0	-	0.2	0.3	190.4	5.9	1.7	29.5	1.4	0.2
Pulp, paper and chemicals	30.6	1.9	0.4	-	0.1	0.1	30.6	1.8	0.3	22.5	0.6	0.1
Retailing	21.5	3.3	1.5	-	0.3	0.7	21.5	3.0	0.8	12.4	2.0	0.4
Services	55.4	3.6	0.9	-	0.2	0.4	55.4	3.5	0.4	44.2	2.0	-
Shipping, oil and gas	41.3	9.4	9.4	-	0.2	2.9	41.3	9.2	6.4	21.5	4.6	1.0
Social services	29.2	1.1	0.8	-	-	0.3	29.2	1.1	0.6	10.9	0.5	0.3
Telecom and media	18.2	0.8	0.2	-	-	0.1	18.2	0.8	0.1	16.6	0.6	-
Transportation	13.9	2.2	0.2	-	-	0.1	13.9	2.1	0.1	7.6	0.5	-
Utilities and infrastructure	46.5	0.6	-	-	-	-	46.5	0.5	-	32.7	0.1	-
Personal customers	887.6	68.8	8.5	0.7	2.1	3.2	887.0	66.6	5.3	138.0	12.4	0.9
Total	**2,267.3**	**154.2**	**42.8**	**1.3**	**5.8**	**13.4**	**2,266.0**	**148.5**	**29.4**	**911.5**	**42.6**	**7.8**

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral. In the Annual Report 2019, a table showing collateral by type (after haircut) is included. The mitigating effect from collateral at the end of September 2020 can be found as the difference between the columns 'Net exposure' and 'Net exposure, ex collateral' and amounted to DKK 1,485.6 billion at 30 September 2020 (31 December 2019: DKK 1,481.9 billion).

The Group uses guarantee schemes offered by the governments in our markets to mitigate the economic consequences of the corona crisis. During first nine months 2020, loans of DKK 5.9 billion were originated under such guarantee schemes with the guarantees covering DKK 4.4 billion of the loans. A large part of the guarantees relates to Northern Ireland.

Notes – Danske Bank Group

Credit exposure continued

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

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

30 September 2020	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail	532.1	35.1	5.3	0.8	1.4	2.4	531.3	33.7	2.9	66.8	6.7	0.5
Commercial	410.2	30.7	17.3	0.7	2.2	4.2	409.5	28.5	13.1	80.4	7.7	2.2
Banking DK	**942.3**	**65.8**	**22.7**	**1.5**	**3.7**	**6.6**	**940.8**	**62.1**	**16.1**	**147.2**	**14.4**	**2.7**
Sweden	278.0	26.5	3.2	0.1	1.0	0.8	277.9	25.5	2.4	103.8	10.5	1.2
Norway	217.5	15.5	2.7	0.1	0.4	0.5	217.5	15.2	2.2	70.4	5.1	0.9
Finland	158.8	14.7	6.2	0.1	0.4	1.3	158.8	14.3	4.8	43.9	2.8	1.2
Other	35.3	14.5	1.2	-	0.4	0.4	35.3	14.1	0.8	13.9	3.1	-
Banking Nordic	**689.7**	**71.3**	**13.2**	**0.3**	**2.3**	**3.0**	**689.4**	**69.0**	**10.2**	**232.0**	**21.5**	**3.3**
C&I[1]	**476.3**	**20.4**	**10.4**	**0.2**	**1.0**	**4.0**	**476**	**19**	**6**	**407.3**	**14.2**	**2.0**
Wealth Management	**4.8**	**-**	**-**	**-**	**-**	**-**	**4.8**	**-**	**-**	**4.8**	**-**	**-**
Northern Ireland	**81.9**	**6.5**	**2.6**	**0.1**	**0.2**	**0.6**	**81.7**	**6.4**	**2.0**	**48.1**	**1.5**	**0.3**
Other	**203.3**	**0.1**	**-**	**-**	**-**	**-**	**203.3**	**0.1**	**-**	**202.7**	**0.1**	**-**
Total	**2,398.2**	**164.1**	**48.9**	**2.2**	**7.2**	**14.2**	**2,396.0**	**156.9**	**34.7**	**1,042.1**	**51.6**	**8.3**

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

31 December 2019	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail	528.1	37.8	5.9	0.6	1.5	2.6	527.5	36.3	3.3	64.4	6.2	0.7
Commercial	446.6	31.6	15.8	0.3	1.9	4.9	446.3	29.7	11.0	126.5	7.5	1.4
Banking DK	**974.7**	**69.4**	**21.7**	**0.9**	**3.4**	**7.4**	**973.8**	**66.0**	**14.3**	**191.0**	**13.7**	**2.1**
Sweden	265.7	23.2	1.4	0.1	0.6	0.5	265.6	22.6	1.0	98.8	7.8	0.4
Norway	229.7	17.9	2.4	0.1	0.3	0.5	229.6	17.6	1.8	74.2	6.4	0.5
Finland	158.3	13.0	3.1	0.1	0.4	1.1	158.2	12.6	2.0	40.2	2.2	0.5
Other	41.8	11.5	0.6	-	0.3	0.3	41.7	11.2	0.3	14.9	2.6	-
Banking Nordic	**695.4**	**65.6**	**7.5**	**0.3**	**1.6**	**2.4**	**695.2**	**64.0**	**5.1**	**228.1**	**18.9**	**1.4**
C&I[1]	**422.2**	**13.0**	**11.7**	**0.1**	**0.6**	**3.0**	**422.1**	**12.4**	**8.7**	**356.4**	**7.8**	**4.0**
Wealth Management	**4.1**	**-**	**-**	**-**	**-**	**-**	**4.1**	**-**	**-**	**1.1**	**-**	**-**
Northern Ireland	**71.3**	**6.2**	**1.8**	**0.1**	**0.2**	**0.5**	**71.2**	**6.1**	**1.3**	**36.0**	**2.1**	**0.3**
Other	**99.5**	**0.1**	**-**	**-**	**-**	**-**	**99.5**	**0.1**	**-**	**99.0**	**-**	**-**
Total	**2,267.3**	**154.2**	**42.8**	**1.3**	**5.8**	**13.4**	**2,266.0**	**148.5**	**29.4**	**911.5**	**42.6**	**7.8**

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

Notes – Danske Bank Group

Credit exposure continued

Forbearance practices and repossessed assets

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

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. As at 30 September 2020, the Group had recognised properties taken over in Denmark at a carrying amount of DKK 21 million (31 December 2019: DKK 15 million), and there were no properties taken over in other countries (31 December 2019: DKK 0 million). The properties are held for sale and included under Other assets in the balance sheet.

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

In the first three quarters of 2020, the Group increased the use of concessions to assist customers affected by the corona crisis. The Group granted such concessions representing an increase in gross exposure of around DKK 53 billion, of which around DKK 13 billion (net of expected credit losses DKK 12 billion) is considered forbearance measures, see note G1(b) section 'Accounting treatment of the impacts on expected credit losses from the corona crisis' for the definition of when such concessions are considered to be a forbearance measure. The concessions relate primarily to Personal customers and the industries Shipping, oil and gas, Commercial property, Transportation and Consumer goods. In our Nordic markets, such concessions are made on a voluntary basis, while in Northern Ireland, the Bank was selected by the UK Government to provide concessions through the UK government-backed lending schemes.

The Group has implemented the European Banking Authority's (the EBA's) definition of loans subject to forbearance measures. The table below is based on the EBA's definition, which states that a minimum two-year probation period must pass from the date when forborne exposures are considered to be performing again. Such exposures are included in the Under Probation category in the table below. Exposures with forbearance measures are divided into performing and non-performing loans. The Group's definition of non-performing loans is described in the next section. The increase in forborne exposures relates to proactive forbearance measures taken by Danske Bank to improve the financial position of weak customers following the corona crisis.

Exposures subject to forbearance measures

	30 September 2020		31 December 2019	
(DKK millions)	Performing	Non-performing[1]	Performing	Non-performing[1]
Active forbearance	10,483	11,457	8,161	9,341
Under probation	13,166	-	4,933	-
Total	**23,650**	**11,457**	**13,094**	**9,341**

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

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

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

The impact of corona crisis on total gross NPL exposures was limited in the first three quarters of 2020. At the same time, net NPL decreased driven by a decrease in net NPL in default partly due to an increase in the expected credit loss. The decrease for net NPL in default was partly offset by an increase in net NPL in non-default.

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

Non-performing loan bridge	30 September 2020			31 December 2019		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	30.1	18.8	48.9	21.2	21.5	42.8
None or an immaterial allowance account	11.0	3.7	14.7	4.1	3.9	8.0
Gross non-performing loans	19.1	15.2	34.3	17.1	17.6	34.7
Expected credit loss	5.2	8.9	14.1	5.1	8.3	13.4
Net non-performing loans	**13.9**	**6.3**	**20.2**	**12.0**	**9.4**	**21.3**

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

Non-performing loans in core activities

(DKK millions)	30 September 2020	31 December 2019
Total non-performing loans	20,172	21,346
- portion from customers in default[1]	6,256	9,372
Coverage ratio (default) (%)	98	74
Coverage ratio (non-default) (%)	64	85
Coverage ratio (total non-performing loans) (%)	82	78
Non-performing loans as a percentage of total gross exposure (%)	1.3	1.4

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

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2019	1,574	5,375	13,405	20,353
Transferred to stage 1 during the period	784	-699	-86	-
Transferred to stage 2 during the period	-357	1,067	-710	-
Transferred to stage 3 during the period	-34	-542	576	-
ECL on new assets	263	1,174	2,461	3,898
ECL on assets derecognised	-320	-1,183	-2,875	-4,377
Impact of net remeasurement of ECL (incl. changes in models)	-602	726	1,141	1,264
Write-offs debited to the allowance account	-	-5	-791	-796
Foreign exchange adjustments	4	22	82	109
Other changes	-7	-27	33	-
ECL allowance account as at 31 December 2019	**1,306**	**5,908**	**13,237**	**20,451**
Transferred to stage 1 during the period	800	-760	-40	-
Transferred to stage 2 during the period	-129	639	-511	-
Transferred to stage 3 during the period	-16	-885	901	-
ECL on new assets	469	1,430	1,733	3,631
ECL on assets derecognised	-213	-1,031	-2,164	-3,408
Impact of net remeasurement of ECL (incl. changes in models)	18	1,980	3,081	5,079
Write-offs debited to the allowance account	-1	-10	-1,636	-1,647
Foreign exchange adjustments	-34	-67	-378	-479
Other changes	-4	-54	19	-39
ECL allowance account as at 30 September 2020	**2,196**	**7,151**	**14,241**	**23,588**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Banking DK	Banking Nordic	C&I	Northern Ireland	Other	Allowance account total
ECL allowance account as at 1 January 2019	12,593	4,149	2,806	792	12	20,353
ECL on new assets	1,631	935	1,278	52	3	3,898
ECL on assets derecognised	-2,296	-1,062	-843	-172	-5	-4,377
Impact on remeasurement of ECL (incl. change in models)	24	415	798	29	-1	1,264
Write-offs debited to allowance account	-397	-104	-281	-14	-	-796
Foreign currency translation	-1	13	54	44	-	109
Other changes	109	-13	-94	-	-1	-
ECL allowance account as at 31 December 2019	**11,662**	**4,333**	**3,718**	**730**	**8**	**20,451**
ECL on new assets	1,095	1,328	1,111	89	8	3,631
ECL on assets derecognised	-1,773	-746	-797	-89	-3	-3,408
Impact on remeasurement of ECL (incl. change in models)	1,002	855	2,931	290	2	5,079
Write-offs debited to allowance account	-227	-59	-1,345	-17	-	-1,647
Foreign currency translation	-8	-127	-285	-57	-2	-479
Other changes	-19	18	-38	-1	1	-39
ECL allowance account as at 30 September 2020	**11,732**	**5,602**	**5,295**	**945**	**14**	**23,588**

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

The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base-case, upside and downside scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. The scenarios and the weightings remain unchanged from the second quarter of 2020. The base case is based on the macroeconomic outlook as disclosed in the Group's Nordic Outlook reports. The base-case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). As at 30 September 2020, this is based on a recession scenario in 2020 with a recovery in 2021. This base case is more negative than the scenario applied at the end of 2019, despite including expectations of substantial government support packages to mitigate the macroeconomic impacts from the corona crisis. The downside scenario has been updated to a longer-lasting corona crisis scenario that includes a steeper decline than during the global financial crisis with a close to double-digit decrease in GDP and has a likelihood of 20%, to reflect the risk that government support packages are not sufficient to sustain the recovery. This scenario builds on a prolonged recovery with continued declines in economic activity in 2021 and includes substantial increases in unemployment and decreases in house prices.

Forecasts are produced for the coming three years. After this period, the outlook returns to a steady-state level after a further four years. The macroeconomic parameters in the base case and downside scenario entering into the ECL calculation for the forecast horizon as an average across the Group's core markets are included below.

30 September 2020	Base case			Downside		
Group average	2020	2021	2022	2020	2021	2022
GDP	-4.2	3.4	2.1	-9.5	-3.3	2.6
Industrial Production	-6.8	4.3	3.4	-11.7	-6.2	9.4
Unemployment	6.8	6.3	5.5	7.8	9.0	7.8
Inflation	0.5	1.6	1.7	0.1	-1.7	0.3
Consumption Expenditure	-4.4	4.1	1.8	-11.5	-0.1	3.2
Property prices - Residential	-0.6	1.8	2.6	-3.5	-13.1	3.0
Interest rate - 3 month	-0.1	0.0	0.1	-0.1	0.2	0.3
Interest rate - 10 year	0.1	0.4	0.6	0.0	1.5	1.1

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

Notes – Danske Bank Group

Credit exposure continued

At 31 December 2019, the following base case scenarios were used:

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

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

The base-case scenario enters with a probability of 70% (31 December 2019: 60%), the upside scenario with a probability of 10% (31 December 2019: 10%) and the downside scenario with a probability of 20% (31 December 2019: 30%). On the basis of these assessments, the allowance account as at 30 September 2020 amounted to DKK 23.6 billion (31 December 2019: 20.5 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.8 billion (31 December 2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 0.6 billion (31 December 2019: 2.4 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would increase by DKK 4.4 billion (31 December 2019: 0.5 billion) compared to the base-case scenario. It should be noted that the expected credit losses in the individual scenarios (i.e. without the weighting) do not represent forecasts of expected credit losses (ECL).

Management applies judgement when determining the need for post-model adjustments. At 30 September 2020, the post-model adjustments amounted to DKK 5.6 billion (31 December 2019: 4.0 billion). The post-model adjustments primarily relate to the following types of risks:

- specific macroeconomic risks on certain industries not fully captured by the expected credit loss model, for instance the Agriculture industry and the Shipping, oil and gas industry. For these industries, supplementary calculations are made in order to ensure sufficient impairment coverage
- non-linear downside risk, for instance on the property market in Copenhagen and other high growth areas for which the macroeconomic forecasts used in the models are based on the property market as a whole
- portfolios where the credit risk assessment process has identified underestimation of the expected credit losses
- upcoming model changes that will impact the credit loss model
- the post-model adjustments continue to include the immediate risks arising from the corona crisis that were introduced in the first quarter of 2020. Further information on the corona crisis post-model adjustment can be found in the section 'Accounting treatment of the impacts on expected credit losses from the corona crisis' in note G1(b)

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

In addition to the exit from banking activities in Estonia and Russia at the end of 2019, the Group had also exited from all banking activities in Latvia by the end of the first quarter of 2020. Further information on sales can be found in note G7.

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

30 September 2020	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking												
Personal customers	27	2	1	-	-	-	27	2	1	25	-	-
Commercial customers	2,094	134	312	5	28	235	2,089	106	77	1,278	64	-
Public Institutions	1,354	21	-	-	-	-	1,354	21	-	1,282	20	-
Non-core conduits etc.	2,441	-	817	-	-	719	2,441	-	98	112	-	-
Total	**5,917**	**157**	**1,130**	**6**	**28**	**955**	**5,911**	**129**	**176**	**2,697**	**84**	**-**

31 December 2019	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking												
Personal customers	976	24	4	3	17	-	973	7	3	25	-	1
Commercial customers	3,327	254	316	7	37	156	3,320	216	160	1,609	78	34
Public Institutions	1,944	30	-	-	-	-	1,944	30	-	1,650	26	-
Non-core conduits etc.	3,340	141	908	-	-	639	3,340	141	268	578	-	-
Total	**9,586**	**449**	**1,228**	**10**	**55**	**796**	**9,576**	**394**	**432**	**3,862**	**104**	**35**

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

30 September 2020	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	137	-	-	-	-	-	137	-	-	-	-	-
2	0.01	0.03	1,373	11	7	-	-	-	1,373	11	7	298	11	-
3	0.03	0.06	2,270	47	29	-	-	-	2,270	47	29	1,231	44	-
4	0.06	0.14	552	12	7	-	-	-	551	12	7	349	8	-
5	0.14	0.31	455	17	10	1	-	-	454	17	10	319	10	-
6	0.31	0.63	359	13	8	1	-	-	358	13	8	197	5	-
7	0.63	1.90	310	15	7	2	3	-	308	11	7	124	3	-
8	1.90	7.98	82	23	29	-	20	27	82	3	2	47	-	-
9	7.98	25.70	25	6	1	-	5	-	25	1	1	23	1	-
10	25.70	99.99	87	3	35	-	-	22	87	3	13	60	2	-
11 (default)	100.00	100.00	267	10	996	-	-	905	267	10	91	50	-	-
Total			**5,917**	**157**	**1,130**	**6**	**28**	**955**	**5,911**	**129**	**176**	**2,697**	**84**	**-**

31 December 2019	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	137	-	-	-	-	-	137	-	-	-	-	-
2	0.01	0.03	1,793	26	17	-	-	-	1,793	26	17	639	26	14
3	0.03	0.06	2,773	60	39	-	-	-	2,773	60	39	1,333	49	14
4	0.06	0.14	1,670	39	26	1	-	-	1,669	39	26	683	-	-
5	0.14	0.31	1,279	52	34	2	-	-	1,277	52	34	475	13	6
6	0.31	0.63	743	28	18	3	-	-	740	28	18	143	1	-
7	0.63	1.90	482	29	17	3	6	5	479	23	12	113	2	-
8	1.90	7.98	215	35	2	2	30	-	212	4	2	131	-	-
9	7.98	25.70	66	21	2	-	18	-	66	3	2	44	2	1
10	25.70	99.99	50	146	7	-	-	3	50	146	4	-	-	-
11 (default)	100.00	100.00	379	15	1,067	-	-	788	379	15	278	300	11	-
Total			**9,586**	**449**	**1,228**	**10**	**55**	**796**	**9,576**	**394**	**432**	**3,862**	**104**	**35**

Notes – Danske Bank Group

Credit exposure continued

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	30 September 2020	31 December 2019
Counterparty credit risk		
Derivatives with positive fair value	364.6	294.0
Reverse transactions and other loans at fair value[1]	299.9	343.1
Credit exposure from other trading and investment securities		
Bonds	595.8	472.5
Shares	14.3	13.7
Other unutilised commitments[2]	0.2	0.3
Total	**1,274.8**	**1,123.6**

[1] Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of Corporates & Institutions. These loans consist of reverse transactions of DKK 299.2 billion (31 December 2019: DKK 342.0 billion), of which DKK 38.0 billion relates to credit institutions and central banks (31 December 2019: DKK 23.6 billion), and other primarily short-term loans of DKK 0.7 billion ((31 December 2019: DKK 1.1 billion), of which DKK 0.4 billion (31 December 2019: DKK 0 billion) relates to credit institutions and central banks.

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

Derivatives with positive fair value

(DKK millions)	30 September 2020	31 December 2019
Derivatives with positive fair value before netting	889,386	622,353
Netting (under accounting rules)	524,738	328,372
Carrying amount	364,647	293,980
Netting (under capital adequacy rules)	265,254	217,620
Net current exposure	99,393	76,361
Collateral	66,496	50,730
Net amount	**32,897**	**25,631**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	274,237	228,428
Currency contracts	88,574	64,374
Other contracts	1,836	1,178
Total	**364,647**	**293,980**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2020							
Held-for-trading	164,359	2,013	20,953	95,112	3,999	10,123	296,559
Managed at fair value	15,330	838	32,729	2,227	592	1,158	52,874
Held to collect and sell	16,626	2,734	83,834	8,586	5,188	910	117,878
Held to collect	33,490	1,485	84,755	7,039	1,718	-	128,488
Total	**229,805**	**7,070**	**222,272**	**112,964**	**11,496**	**12,191**	**595,798**
31 December 2019							
Held-for-trading	96,642	1,549	52,694	27,206	3,510	7,511	189,112
Managed at fair value	9,520	631	40,151	3,066	458	561	54,387
Held to collect and sell	9,737	1,550	83,474	8,589	4,164	445	107,959
Held to collect	36,972	854	73,847	7,211	2,021	187	121,092
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

At 30 September 2020, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 198,463 million (31 December 2019: DKK 196,918 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk on the Annual Report 2019 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost as at 30 September 2020 and 31 December 2019, see note G12.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2020							
Denmark	65,547	-	222,272	-	-	1,196	289,015
Sweden	52,818	4	-	112,964	-	4,193	169,978
UK	6,126	-	-	-	1,098	1,074	8,299
Norway	3,444	599	-	-	8,210	2,529	14,782
USA	14,324	1,139	-	-	-	18	15,481
Spain	5,065	-	-	-	1	2	5,069
France	10,599	-	-	-	560	14	11,173
Luxembourg	-	4,372	-	-	-	170	4,541
Finland	12,775	887	-	-	649	1,957	16,267
Ireland	4,313	-	-	-	4	43	4,360
Italy	3,766	-	-	-	-	5	3,771
Portugal	1,059	-	-	-	-	-	1,059
Austria	3,979	-	-	-	-	44	4,022
Netherlands	6,979	-	-	-	15	323	7,316
Germany	37,241	-	-	-	738	304	38,283
Belgium	1,770	5	-	-	1	-	1,775
Other	-	65	-	-	220	320	606
Total	**229,805**	**7,070**	**222,272**	**112,964**	**11,496**	**12,191**	**595,798**
31 December 2019							
Denmark	30,552	-	250,166	-	-	827	281,545
Sweden	24,040	1	-	46,072	-	2,415	72,528
UK	5,237	-	-	-	1,546	824	7,608
Norway	5,416	-	-	-	5,774	2,908	14,098
USA	21,213	1,105	-	-	-	12	22,330
Spain	7,396	-	-	-	1	4	7,401
France	10,176	-	-	-	384	22	10,582
Luxembourg	-	2,597	-	-	-	1	2,599
Finland	8,483	635	-	-	829	704	10,651
Ireland	7,978	-	-	-	4	6	7,989
Italy	5,334	-	-	-	-	7	5,341
Portugal	272	-	-	-	-	-	272
Austria	4,041	-	-	-	-	2	4,043
Netherlands	4,718	-	-	-	119	256	5,093
Germany	16,787	-	-	-	1,343	154	18,284
Belgium	1,228	-	-	-	6	5	1,239
Other	-	243	-	-	145	559	947
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
30 September 2020							
AAA	178,872	5,956	222,009	112,918	10,677	989	531,421
AA+	10,882	81	-	-	270	142	11,374
AA	24,478	1,032	-	46	525	1,338	27,419
AA-	1,370	-	-	-	-	429	1,800
A+	-	-	-	-	-	50	50
A	5,904	-	172	-	5	2,557	8,639
A-	-	-	-	-	-	1,788	1,789
BBB+	3,475	-	-	-	-	705	4,180
BBB	1,191	-	90	-	-	2,554	3,834
BBB-	3,635	-	-	-	-	565	4,200
BB+	-	-	-	-	-	267	267
BB	-	-	-	-	-	576	576
BB-	-	-	-	-	-	12	12
Sub-inv. grade or unrated	-	-	-	-	20	219	238
Total	**229,805**	**7,070**	**222,272**	**112,964**	**11,496**	**12,191**	**595,798**
31 December 2019							
AAA	101,484	4,354	250,107	46,070	8,876	597	411,487
AA+	10,941	3	-	-	734	4	11,682
AA	18,235	225	-	3	531	1,133	20,127
AA-	1,224	-	-	-	-	437	1,661
A+	-	-	-	-	-	459	459
A	8,434	-	4	-	5	2,315	10,758
A-	-	-	15	-	-	1,228	1,243
BBB+	6,940	-	-	-	-	408	7,348
BBB	376	-	39	-	-	1,138	1,553
BBB-	5,224	-	-	-	-	321	5,545
BB+	7	-	-	-	-	285	292
BB	-	-	-	-	-	148	148
BB-	-	-	-	-	-	1	1
Sub-inv. grade or unrated	8	-	-	-	7	231	246
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

Notes – Danske Bank Group

Market risk

The notes on market risk provides an update on the Annual Report 2019 where it has been assessed that an update is required as a result of the corona crisis.

Trading-related market risk at Corporates & Institutions

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

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

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

	30 September 2020		31 December 2019	
(DKK millions)	Average	End of period	Average	End of year
Total	**30**	**28**	**26**	**26**

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

Market risk in the banking book

The Group's total interest rate sensitivity in the banking book (economic value-based measure) measured as the change in the net present value of assets, liabilities and off-balance sheet items in the banking book subject to a parallel interest rate curve shift of +100bp and -100bp is shown in the table below. The net risk position decreased from DKK 2.7 billion as at 31 December 2019 to DKK 1.4 billion as at 30 September 2020. The decrease is primarily due to changes in the volume of floored deposits combined with model changes on the duration of certain demand deposits (net reducing the interest rate risk on liabilities) and increases in the average interest rate risk duration of the fixed rate assets (increasing the interest rate risk on assets).

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

	30 September 2020		31 December 2019	
At last business day (DKK millions)	+100bp	-100bp	+100bp	-100bp
Total	**2,325**	**-1,383**	**4,433**	**-2,681**

Earnings-at-Risk (EaR) is a regulatory measure that seeks to stress the net interest income under a number of different scenarios using defined parameters. At 30 September 2020, none of the scenarios are causing a decline in the net interest income compared to the base scenario. The worst case scenario is the 'short rates up' scenario, having a positive Earnings-at-Risk impact of DKK 195 million. At 31 December 2019, the worst scenario was a parallel downward yield curve shift of 1%, which also had a positive impact on the Group's Earnings-at-Risk of DKK 6 million compared to the base scenario calculation.

The Group uses a credit spread risk in the banking book measure based upon a 10-day 99% VaR approach. Partly due to volatility experienced since the outbreak of the COVID-19 pandemic but also due to an increase in the volume and duration of the liquidity buffer bond portfolio held at fair value through other comprehensive income, this measure increased to DKK 218 million as at 30 September 2020 (31 December 2019: DKK 99 million).

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first nine months 2020 of the Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 30 September 2020 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2020 and ending on 30 September 2020. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 4 November 2020

Executive Leadership Team

Chris Vogelzang
CEO

Berit Behring	Karsten Breum	Carsten Rasch Egeriis
Stephan Engels	Glenn Söderholm	Philippe Vollot
Frans Woelders		

Board of Directors

Karsten Dybvad Chairman	Jan Thorsgaard Nielsen Vice Chairman	Carol Sergeant Vice Chairman
Martin Blessing	Lars-Erik Brenøe	Raija-Leena Hankonen
Bente Avnung Landsnes	Christian Sagild	Gerrit Zalm
Bente Bang Elected by the employees	Kirsten Ebbe Brich Elected by the employees	Thorbjørn Lundholm Dahl Elected by the employees
Charlotte Hoffmann Elected by the employees		

Supplementary information

Financial calendar

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

Contacts

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Links

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Northern Ireland	danskebank.co.uk
Ireland	danskebank.ie
Realkredit Danmark	rd.dk
Danske Capital	danskecapital.com
Danica Pension	danicapension.dk

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