Interim report – first quarter 2023

Danske Bank Group

Danske Bank

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Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1 2023	Q1 2022*	Index 23/22	Q4 2022*	Index Q1/Q4	Full year 2022*
Net interest income	8,023	5,591	143	7,442	108	25,108
Net fee income	2,954	3,379	87	3,054	97	12,590
Net trading income	1,612	683	236	996	162	1,875
Net income from Danica Pension	497	-135	-	522	95	280
Other income	325	669	49	733	44	1,936
Total income	13,411	10,187	132	12,746	105	41,789
Operating expenses	6,280	6,371	99	6,909	91	26,478
of which resolution fund, bank tax etc.	254	240	106	235	108	962
Provision for Estonia matter	-	-	-	-200	-	13,800
Impairment charges on goodwill	-	-	-	-	-	1,627
Profit before loan impairment charges	7,131	3,816	187	6,038	118	-116
Loan impairment charges	147	234	63	774	19	1,568
Profit before tax, core	6,984	3,582	195	5,264	133	-1,684
Profit before tax, Non-core	-30	-14	214	-2	-	-13
Profit before tax	6,954	3,568	195	5,261	132	-1,697
Tax	1,787	827	216	706	253	2,883
Net profit	**5,167**	**2,741**	**189**	**4,555**	**113**	**-4,580**
Attributable to additional tier 1 etc.	-	81	-	-	-	86
Balance sheet (end of period) (DKK millions)						
Due from credit institutions and central banks	295,708	282,721	105	191,828	154	191,828
Repo loans	253,823	259,145	98	247,752	102	247,752
Loans	1,769,827	1,843,815	96	1,803,955	98	1,803,955
Trading portfolio assets	569,575	616,563	92	638,799	89	638,799
Investment securities	291,620	286,169	102	287,078	102	287,078
Assets under insurance contracts	497,029	662,910	75	502,995	99	502,995
Other assets (including Non-core)	113,824	145,600	78	118,149	96	118,149
Total assets	**3,791,407**	**4,096,924**	**93**	**3,790,556**	**100**	**3,790,556**
Due to credit institutions and central banks	85,592	108,268	79	91,159	94	91,159
Repo deposits	176,323	235,731	75	137,920	128	137,920
Deposits	1,156,302	1,176,842	98	1,169,879	99	1,169,879
Bonds issued by Realkredit Danmark	724,600	781,701	93	711,773	102	711,773
Other issued bonds	324,000	320,386	101	298,068	109	298,068
Trading portfolio liabilities	510,299	477,005	107	554,321	92	554,321
Liabilities under insurance contracts	480,034	628,338	76	488,891	98	488,891
Other liabilities (including Non-core)	131,358	152,946	86	139,918	94	139,918
Subordinated debt	38,324	38,917	98	38,350	100	38,350
Additional tier 1 capital holders	-	5,736	-	-	-	-
Shareholders' equity	164,575	171,053	96	160,278	103	160,278
Total liabilities and equity	**3,791,407**	**4,096,924**	**93**	**3,790,556**	**100**	**3,790,556**
Ratios and key figures						
Dividend per share (DKK)	-	-		-		-
Earnings per share (DKK)	6.0	3.1		5.3		-5.4
Return on avg. shareholders' equity (% p.a.)	12.7	6.2		11.5		-2.8
Adj. return on avg. shareholders' equity (% p.a.)**	12.7	6.2		11.0		6.5
Net interest income as % p.a. of loans and deposits	1.09	0.75		0.98		0.83
Cost/income ratio (C/I), (%)	46.8	62.5		52.6		100.3
Adj. cost/income ratio (C/I), (%)**	46.8	62.5		54.2		63.4
Total capital ratio (%)	22.3	21.7		22.1		22.1
Common equity tier 1 capital ratio (%)	18.0	17.6		17.8		17.8
Share price (end of period) (DKK)	138.0	112.6		137.3		137.3
Book value per share (DKK)	191.7	199.5	-	186.7		186.7
Full-time-equivalent staff (end of period)	21,205	21,854	97	21,022	101	21,022

*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 30. *Comparative information for financial highlights has been restated as explained in note G3. **Adjusted return on average shareholders' equity and Adjusted cost/income ratio exclude the effect of the provision for Estonia matter and the impairment charges on goodwill. See Definition of Alternative Performance Measures for more detail.*

Executive summary

Danske Bank had a strong start to the year with a net profit of DKK 5.2 billion in the first quarter of 2023. This was driven by stronger net interest income, in line with our outlook, due to further normalisation of interest rates and was achieved despite an almost flat development in volumes adjusted for currency effects. In addition, our fee income was resilient, although we saw high volatility in the financial markets and general uncertainty. Supportive market conditions and good customer activity had a positive impact on income from trading and insurance activities. Moreover, costs were flat, and credit quality continued to be strong as only modest loan impairment charges were recognised due to a small negative effect from model adjustments.

On that solid basis, on 13 April 2023, we announced a revised net profit outlook for the full year, as we now expect net profit for the full year in the range of DKK 16.5-18.5 billion. We expect core income lines to grow in 2023, driven mainly by higher net interest income following further normalisation of interest rates and our continued efforts to drive the commercial momentum.

However, as we moved through the first quarter of 2023, it became clear that the elevated level of uncertainty in our operating environment that we saw in 2022 had continued. On the positive side, we saw good customer activity in many parts of our business, and economic activity held up better than feared, albeit still with a modest growth outlook due to potential further monetary tightening. On the other hand, for instance, geopolitical tension edged even higher, and the failure of Silicon Valley Bank and the forced takeover of Credit Suisse by UBS in late March led to additional volatility and speculations about financial stability. As events such as the latter unfold, it is comforting that Danske Bank had no exposure to the events and has a strong capital position with ample liquidity buffers to weather potential future volatility.

So although visibility in our operating environment remained clouded, the sound credit quality of our portfolio and our well-capitalised balance sheet became a clear benefit for our stakeholders as we were able to continue to use our solid foundation and expert advisory solutions to help our customers, and the broader society, navigate the macroeconomic uncertainty. Also internally, we continued our dedicated strategy execution towards becoming a better bank for all our stakeholders.

Our steady progress within sustainability continued in the first quarter of 2023. In January, our new comprehensive climate action plan was launched, mapping our total carbon emissions and setting an ambitious plan to support our own and our customers' transition towards a sustainable future. The new climate action plan covers the entire Danske Bank Group, including Danica Pension and Realkredit Danmark, and it sets specific 2030 targets for carbon emission reductions in relation to customers, investors, pension investments and Danske Bank's own activities.

Capital and funding

Danske Bank's underlying business is strong, our treasury asset and liability management is prudent, and our capital and liquidity positions continue to be strong with significant buffers well above the regulatory requirements. At the end of March 2023, our liquidity coverage ratio stood at 169% (31 December 2022: 151%), with an LCR reserve of DKK 611 billion (31 December 2022: DKK 570 billion), and our net stable funding ratio stood at 126%.

Danske Bank is exposed to interest rate risk in the banking book resulting from providing the Group's core banking customers with conventional banking products and from the Group's funding and liquidity management activities at Group Treasury (For more details, please see section 5.3.3 of our Risk Management 2022 report).

As part of managing the interest rate risk in the banking book, the Group holds high-rated bonds. To ensure aligned accounting treatment across the banking book, these bonds are held at amortised cost. As interest rates have risen, asset values in the banking book, including bonds held at amortised cost, have fallen. This should be seen in light of the significant increase in net interest income from deposits and the corresponding impact on liability values. The carrying amount and fair value of the Group's hold-to-collect bond portfolio can be seen in note G12.

Financials

Danske Bank delivered a net profit of DKK 5,167 million in the first quarter of 2023, against a net profit of DKK 2,741 million for the same period in 2022.

Net interest income increased to DKK 8,023 million (Q1 2022: DKK 5,591 million). Net interest income saw a positive impact from further normalisation of interest rates, despite a relatively flat development in volumes.

Net fee income decreased slightly to DKK 2,954 million (Q1 2022: DKK 3,379 million). The high volatility in the financial markets and general uncertainty led to a decrease in investment fees, reflecting lower assets under management. The decline was partly mitigated by income from everyday banking services, such as cash management, supported by a continuation of the positive trend seen in recent quarters.

Net trading income increased to DKK 1,612 million (Q1 2022: DKK 683 million) as market conditions were more supportive and a new fixed income strategy at Large Corporates & Institutions resulted in increased income generated on the basis of a lower capital base.

Net income from Danica Pension increased to DKK 497 million (Q1 2022: net loss of DKK 135 million), due primarily to positive developments in the financial markets.

Underlying expenses continued to progress according to plan, and we continued to see efficiency gains.

Loan impairment charges in core business segments for the first quarter of 2023 were comparable to those in the first quarter of 2022, amounting to DKK 147 million (Q1 2022: DKK 234 million).

Other

In March 2023, Danske Bank appointed Dorthe Tolborg as new Chief Compliance Officer and member of the Executive Leadership Team. Her appointment is evidence of the broad leadership pipeline at Danske Bank.

Annual General Meeting and dividend for 2022

The annual general meeting in March 2023 approved the Board of Directors' proposal not to pay out any dividend for 2022.

Danske Bank's dividend policy remains unchanged, targeting a dividend payout of 40-60% of net profit. Danske Bank has strong capital and liquidity positions, and the Board of Directors remains committed to our capital distribution policy.

The Investor Update scheduled for 7 June 2023 will include an update on our strategic priorities and financial targets.

Outlook for 2023

In respect of our financial outlook for 2023, we continue to expect core income lines to grow, driven mainly by higher net interest income following further normalisation of interest rates and our continued efforts to drive commercial momentum. Fee income is expected to be slightly below the level in 2022.

We expect income from trading and insurance activities to recover towards normalised levels subject to financial market conditions.

We continue to expect costs in 2023 to be in the range of DKK 25-25.5 billion reflecting our focus on cost management and despite the inflationary pressure. The outlook includes continually elevated remediation costs of approximately DKK 1.1 billion.

We now expect loan impairment charges of up to DKK 2.5 billion due to continually strong credit quality and the recoveries we have seen in the first quarter. Loan impairment charges will be driven primarily by a weaker macroeconomic outlook that will affect model-driven impairments.

Net profit is expected to be in the range of DKK 16.5-18.5 billion.

Financial review

Q1 2023 vs Q1 2022

Net profit increased to DKK 5,167 million (Q1 2022: DKK 2,741 million) as a result of significant increases in net interest income, net trading income and income from insurance business. Furthermore, net profit also benefited from a decline in both operating expenses and loan impairment charges.

Income

Net interest income increased to DKK 8,023 million (Q1 2022: DKK 5,591 million). Net interest income saw a positive impact from higher market rates and repricing initiatives. Some of the effect was offset by an increase in the cost of interest rate risk management, which from 2023 is accounted for as net interest income instead of as net trading income.

Net fee income was down slightly to DKK 2,954 million (Q1 2022: DKK 3,379 million). Higher income from everyday banking services, such as cash management, was more than offset by the effect of lower assets under management, lower fees from advisory services and lower fee income from lending activities. Income in Asset Management was lower than the level recorded in the first quarter of 2022, driven mainly by the lower level of assets under management at the beginning of 2023 that was the result of declining asset prices and negative net sales in the second half of 2022, as well as lower performance fees. The decline in fee income from lending activities was due to a decrease in housing market activity caused by higher market rates and an increase in the cost of living. Service fees increased due to repricing initiatives and the transfer of customers to the new service-based fee model implemented in mid-2022, but the increase was offset by lower remortgaging fees caused by the slowdown in the housing market.

Net trading income increased to DKK 1,612 million (Q1 2022: DKK 683 million) as market conditions were more supportive and the new fixed income strategy at Large Corporates & Institutions resulted in increased income generated on the basis of a lower capital base in the first quarter of 2023.

Net income from Danica Pension increased to DKK 497 million (Q1 2022: loss of DKK 135 million), due primarily to positive developments in the financial markets. Favourable financial markets in the first two months meant a positive start for customers' pension savings in 2023. However, March was affected by instability in the global financial sector following a liquidity crisis among a few US and European banks. The direct effect on Danica Pension's investments was marginal, underpinning our diversified investment strategy.

Other income amounted to DKK 325 million (Q1 2022: DKK 669 million). The decrease was due partly to the sale of our activities in Luxembourg, which generated a one-off gain of DKK 421 million in the first quarter of last year.

Operating expenses

Operating expenses amounted to DKK 6,280 million (Q1 2022: DKK 6,371 million) as underlying expenses continued to develop according to plan, and we continued to see efficiency gains and a decrease in transformation costs related to the implementation of the Better Bank plan.

The Resolution fund, bank tax etc. item continued to increase and stood at DKK 254 million (Q1 2022: DKK 240 million).

Loan impairment charges

Loan impairment charges in core business segments remained low for the first quarter of 2023, amounting to DKK 147 million (Q1 2022: DKK 234 million).

Impairments reflect the macroeconomic situation, mainly in terms of declining property prices and interest rate hikes. Although the macroeconomic landscape remains uncertain and develops at a fast pace, the credit quality of individual customers was relatively stable as a result of the continued post-pandemic economic recovery and successful restructurings. The Group continues to allocate significant post-model adjustments related to the macroeconomic uncertainty.

Personal Customers saw an increase in impairment charges in the first quarter of 2023 that was driven by a combination of updated macroeconomic scenarios and falling property prices. Underlying credit quality remained stable.

Business Customers had impairment charges comparable to the charges in the first quarter of 2022, while Large Corporates & Institutions saw net loan impairment reversals owing to successful restructurings within the shipping, oil & gas industry and post-pandemic recoveries resulting in a decline in charges made against facilities to individual customers.

Loan impairment charges

	Q1 2023		Q1 2022	
(DKK millions)	Charges	% of net credit exposure[1]	Charges	% of net credit exposure[1]
Personal Customers	412	0.20	-2	-0.00
Business Customers	149	0.09	112	0.07
Large Corporates & Institutions	-392	-0.42	88	0.12
Northern Ireland	-24	-0.18	19	0.13
Group Functions	1	0.23	17	1.76
Total core	**147**	**0.03**	**234**	**0.05**

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

A lower GDP, rising interest rates and further downward pressure on property prices remained the primary drivers behind the changes to the macroeconomic scenarios. The scenario weights were updated from the fourth quarter of

2022 to reflect the increasing uncertainty and were as follows: The base-case scenario has a probability of 60% (2022: 70%), the upside scenario has a probability of 20% (2022: 10%) and the downside scenario has a probability of 20% (2022: 20%).

Tax

The tax expense of DKK 1,787 million (Q1 2022: DKK 827 million) was affected mainly by an increase in the tax rate applicable to financial institutions. The effective tax rate was 25.7% (Q1 2022: 23.2%).

DKK 5,167 million

Net profit

for the first quarter of 2023

Q1 2023 vs Q4 2022

Net profit increased to DKK 5,167 million (Q4 2022: DKK 4,555 million), due mainly to an increase in both net interest income and trading income as well as a decline in operating expenses and loan impairment charges.

- **Net interest income** increased to DKK 8,023 million (Q4 2022: DKK 7,442 million), driven by increased margins on deposits as a consequence of rising market rates, repricing initiatives and customers moving from investment to savings products. Net interest income was negatively affected by the cost of interest rate risk management being accounted for as net interest income instead of as net trading income.

- **Net fee income** amounted to DKK 2,954 million (Q4 2022: DKK 3,054 million) as a result of lower income from M&A advisory services, with the effect being partly offset by the effect of improved debt capital markets and assets under management. Furthermore, we saw lower remortgaging fees due to the slowdown in the housing market.

- **Net trading income** increased to DKK 1,612 million (Q4 2022: DKK 996 million), driven mainly by more supportive market conditions and the new fixed income strategy at Large Corporates & Institutions, which made us strategically better positioned to take advantage of new market dynamics.

- **Net income from Danica Pension** decreased to DKK 497 million (Q4 2022: DKK 521 million). The net financial result increased in the first quarter due to positive investment results on insurance products where Danica Pension has the investment risk and positive investment returns on Danica Pension's equity capital. The positive impact was, however, offset by a decrease in the insurance service result from the fourth quarter 2022 following the booking of the full risk allowance for 2022.

- **Other income** decreased to DKK 325 million (Q4 2022: DKK 733 million) as the fourth quarter of 2022 was affected by a one-off gain of DKK 415 million on the sale of MobilePay.

- **Operating expenses** amounted to DKK 6,280 million (Q4 2022: DKK 6,909 million). The decrease was primarily driven by lower IT costs due to seasonality and the fourth quarter being affected by the provision related to customer compensation of a further DKK 310 million.

- **Loan impairment charges** for core business segments amounted to DKK 147 million in the first quarter (Q4 2022: DKK 774 million). Impairment charges were driven by updated macroeconomic scenarios, while the underlying credit quality overall remained stable.

- **Tax** amounted to DKK 1,787 million (Q4 2022: DKK 706 million). The tax amount was affected by the increased tax rate applicable to financial institutions. The tax expense in the fourth quarter was affected, among other things, by the non-taxable gain on the sale of shares in MobilePay.

Lending and deposits

Lending stood at DKK 1,770 billion (end-2022: DKK 1,804 billion). Mortgage lending at nominal value at Realkredit Danmark amounted to DKK 803 billion (end-2022: DKK 802 billion).

The increase in lending at Large Corporates & Institutions since the end of March 2022 reflected the volatile operating environment, but was also the result of our strategic ambition to grow our business in Sweden where we are close to reaching the ambition set in 2021 to have welcomed 40 new Large Corporates & Institutions customers by 2023. Relative to the level at the end of 2022, total lending decreased 5%.

At Business Customers, we saw a good inflow in bank lending volumes in all countries. Mortgage lending at nominal value increased in Denmark, however, measured at fair value, there was a decrease due to the higher market rates. Despite the increase in both bank lending and the nominal value of mortgage lending in Denmark, the negative market value adjustment of mortgage loans combined with the depreciation of currencies caused a decrease in total lending.

At Personal Customers, lending volumes in Norway, Sweden and Finland were negatively affected by the slowdown in the housing market as well as the depreciation of currencies. Furthermore, we saw an increase in bank lending volumes in Denmark, driven primarily by the Danske Bolig Fri home finance product. The nominal value of mortgage volumes in Denmark decreased. Total lending volumes decreased 2% from the level at the end of 2022.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 38.3 billion. Lending to personal customers accounted for DKK 8.2 billion of this amount.

In Denmark, our market share of bank lending, excluding repo loans, to personal customers increased to 20.0% at the end of February 2023 (end-2022: 19.8%), while for business customers, the market share decreased to 21.9% at the end of February 2023 (end-2022: 23.2%). The market share in Denmark, including mortgage lending, decreased to 24.4% at the end of February 2023 (end-2022: 24.6%). In Norway, our market share of lending decreased to 6.1% at the end of February 2023 (end-2022: 6.2%). At the end of February, our market shares of lending matched the end-2022 levels of 5.4% and 9.6% in Sweden and Finland,respectively.

Deposits amounted to DKK 1,156 billion at the end of March 2023 (end-2022: DKK 1,170 billion).

In Denmark, our market share of deposits decreased to 27.7% at the end of February 2023 (end-2022: 28.4%). At the end of February 2023, our market share of deposits had increased in Finland, and in Norway and Sweden, our market shares of deposits matched the end-2022 levels.

Credit exposure

Credit exposure from lending activities in core business segments increased to DKK 2,552 billion (end-2022: DKK 2,513 billion). The increase was driven by higher deposits with central banks, while lower activity at Large Corporates & Institutions, primarily loan commitments to the utilities and infrastructure sectors, and a weaker NOK exchange rate reduced credit exposure.

Risk Management 2022, section 3, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remained strong in the first quarter of 2023 at all business units. However, we remain vigilant for any possible deterioration related to the uncertainty mentioned in the loan impairment charges section above.

Stage 3 loans in core segments (DKK millions)	31 Mar. 2023	31 Dec. 2022
Gross exposure	31,027	32,132
Allowance account	8,056	8,251
Net exposure	**22,972**	**23,881**
Collateral (after haircut)*	**22,304**	**22.,442**
Stage 3 coverage ratio (%)*	92	85

** Collateral (after haircut) and Stage 3 coverage ratio have been restated. The stage 3 coverage ratio is calculated as allowance account stage 3 exposures relative to gross stage 3 net of collateral (after haircuts).*

Total gross credit exposure in stage 3 decreased to DKK 31.0 billion (end-2022: DKK 32.1 billion), corresponding to 1.2% of total gross exposure. Stage 3 exposure was concentrated on personal customers, shipping, oil and gas, commercial property and agriculture, which combined accounted for 67% of total gross exposure in stage 3.

Total gross exposure in stage 2 has decreased DKK 15.4 billion since the end of 2022, primarily in the personal customers and commerical property segments, due mainly to exposure reductions and portfolio development.

The allowance account amounted to 1.05% (end-2022: 1.02%) of lending and guarantees.

Allowance account by business units	31 Mar. 2023		31 Dec. 2022	
(DKK millions)	Accum. impairm. charges	% of credit exposure[1]	Accum. impairm. charges	% of credit exposure[1]
Personal Customers	5,570	0.70	5,427	0.66
Business Customers	10,356	1.58	10,235	1.58
Large Corporates & Institutions	2,889	0.78	3,050	0.76
Northern Ireland	853	1.52	863	1.56
Group Functions	29	2.05	31	0.78
Total	**19,698**	**1.05**	**19,605**	**1.02**

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

Interest rate risk in the banking book

Danske Bank is exposed to interest rate risk in the banking book resulting from providing the Group's core banking customers with conventional banking products and from the Group's funding and liquidity management activities at Group Treasury (For more details, please see section 5.3.3 of our Risk Management 2022 report).

As part of managing the interest rate risk in the banking book, the Group holds high-rated bonds. To ensure aligned accounting treatment across the banking book, these bonds are held at amortised cost. As interest rates have risen, asset values in the banking book, including bonds held at amortised cost, have fallen. This should be seen in light of the significant increase in net interest income from deposits and the corresponding impact on liability values. The carrying amount and fair value of the Group's hold-to-collect bond instruments can be seen in note G12.

Funding and liquidity

The first quarter of 2023 was, like 2022, affected by equity and interest rate volatility following high inflation prints, numerous central bank interest rate hikes and a continuously tense geopolitical situation. The credit markets remained active, with decent supply and stable investor appetite for Danske Bank issues. During March, the markets saw increased volatility in the wake of the UBS takeover of Credit Suisse and the failure of a number of small and mid-size US banks. Towards the end of the month, the markets calmed down somewhat.

At the end of March 2023, the Group had issued covered bonds of DKK 6.1 billion, senior debt of DKK 23.7 billion and non-preferred senior debt of DKK 8.7 billion, thus bringing total long-term wholesale funding to DKK 38.5 billion.

Our strategy is to be a regular issuer in the EUR benchmark format and in the domestic USD market for senior and non-preferred senior bonds in the Rule 144A format. Our strategy of securing more funding directly in our main lending currencies, including NOK and SEK, remains in place. The benchmark issues are expected to be supplemented by private placements of bonds.

From time to time, we will make issues in GBP, JPY, CHF and other currencies when market conditions allow. Issuance plans for subordinated debt in either the additional tier 1 or tier 2 formats will depend on balance sheet growth and redemptions on the one hand and our capital targets on the other. Any issuance of subordinated debt may cover part of our funding need. Note G7 provides more information about bond issues in 2023.

Danske Bank's liquidity position remained robust. At the end of March 2023, our liquidity coverage ratio stood at 169% (31 December 2022: 151%), with an LCR reserve of DKK 611 billion (31 December 2022: DKK 570 billion), and our net stable funding ratio stood at 126%.

At 31 March 2023, the total nominal value of outstanding long-term funding, excluding debt issued by Realkredit Danmark, was DKK 381 billion (31 December 2022: DKK 357 billion).

Capital ratios and requirements

At the end of March 2023, the Group's total capital ratio was 22.3%, and its CET1 capital ratio was 18.0%, against 22.1% and 17.8%, respectively, at the end of 2022. The movement in the capital ratios in the first quarter of 2023 was driven by realised net profit after reserved dividend and a decrease in the total REA, which was partly counterbalanced by an increase in the deduction for Danica Pension and a decline in the IFRS 9 add-back.

During the first quarter of 2023, the total REA decreased approximately DKK 16 billion due to a decline in the REA for credit risk and market risk.

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

At the end of March 2023, the Group's solvency need ratio was 10.7%, an increase of 0.1 percentage points from the level at the end of 2022.

A combined buffer requirement (CBR) applies to financial institutions in addition to the solvency need ratio. At the end of March 2023, the Group's CBR was 7.3%, an increase of 0.3 percentage points due to increases in the national countercyclical buffer rates in Denmark and Norway from 2.0% to 2.5%.

With effect from 22 June 2023, the Swedish countercyclical buffer rate will be raised from 1.0% to 2.0%, which will increase the Group's CBR by 0.2 percentage points. Consequently, the fully phased-in countercyclical buffer requirement will be 2.0%, thereby bringing the fully phased-in CET1 requirement to 13.7%.

Capital ratios and requirements

(% of the total REA)	31 Mar. 2023	Fully phased-in*
Capital ratios		
CET1 capital ratio	18.0	17.8
Total capital ratio	22.3	22.1
Capital requirements (incl. buffers)**		
CET1 requirement	13.5	13.7
- portion from countercyclical buffer	1.8	2.0
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer (O-SII)	3.0	3.0
Solvency need ratio	10.7	10.7
Total capital requirement	**18.0**	**18.2**
Buffer to requirement		
CET1 capital	4.5	4.1
Total capital	4.3	3.9

** 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 2022.*

The calculation of the solvency need ratio and the combined capital buffer requirement is described in more detail in section 6 of Risk Management 2022, which is available at www.danskebank.com/ir.

Minimum requirement for own funds and eligible liabilities

The Danish FSA sets the MREL at two times the solvency need plus one time the SIFI buffer and one time the capital conservation buffer. Furthermore, the CBR must be met in addition to the MREL. In the annual MREL decision from the Danish FSA, the (backward-looking) MREL was set at 26.7% of the total REA adjusted for Realkredit Danmark.

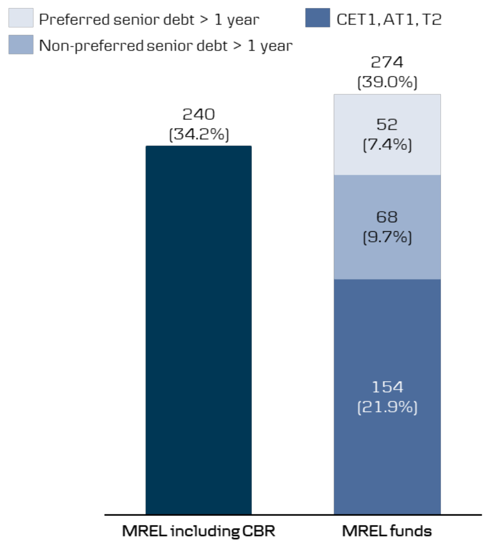
At the end of March 2023, the point-in-time requirement including the CBR was equivalent to DKK 240 billion, or 34.2% of the total REA adjusted for Realkredit Danmark. Taking the deduction of capital and debt buffer requirements for Realkredit Danmark into account, MREL-eligible liabilities amounted to DKK 274 billion. In addition, an MREL of 6% of the leverage ratio exposure (LRE) is in place. The LRE-based requirement equalled 22.5% of the total REA adjusted for Realkredit Danmark, making the REA-based requirement the binding constraint.

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

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

At the end of March 2023, the subordination requirement was equivalent to DKK 202 billion. The backward-looking subordination requirement, as set by the Danish FSA, was 28.5% of the total REA adjusted for Realkredit Danmark. MREL-eligible subordinated liabilities stood at DKK 222 billion.

MREL requirement and eligible funds; Q1 2023; DKK billions (% of total REA)



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

Leverage ratio

At the end of March 2023, the Group's leverage ratio was 4.9% under the transitional rules and 4.8% under the fully phased-in rules.

Capital targets and capital distribution

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

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

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

Danske Bank has strong capital and liquidity positions, and the Board of Directors remains committed to our capital distribution policy.

The Supervisory Diamond

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

At the end of March 2023, Danske Bank was in compliance with all threshold values. A separate report is available at www.danskebank.com/ir.

Realkredit Danmark also complies with all threshold values.

New regulation

As part of the EU Banking Package 2021 and in order to implement Basel IV, the European Commission adopted proposals in October 2021.

On the basis of the Group's current and updated analysis of the EU Banking Package 2021, the Group's current capital planning takes into account the expected REA impact of the initial implementation expected in 2025. The fully phased-in impact of the EU Banking Package 2021 on the Group depends on the final outcome of the EU legislative process, including the calibration of the output floor. Taking into account the proposed transitional arrangements with regard to the output floor, the Group currently expects the output floor to restrict the Group at the earliest in 2033, when the transitional arrangements are set to lapse.

The outcome of the EU legislative negotiations on the proposals is uncertain and may result in further adjustments as the EU negotiations progress towards the final rules, which are expected sometime in mid-2023.

In April 2023, the European Systemic Risk Board (ESRB) recommended reciprocity on the Systemic Risk Buffer (SyRB) implemented by the Norwegian authorities. Potential implementation and the impact on Danske Bank depends on the approach taken by the Danish authorities. The Norwegian SyRB has, however, been part of the Group's ongoing and ordinary capital planning process, and potential implementation will not have any implications for the Group's capital targets.

Credit ratings

There were no credit rating changes in the first quarter of 2023.

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

Environmental, Social and Governance (ESG) ratings

There were no ESG rating changes in the first quarter of 2023.

Danske Bank's ESG ratings	Score at 31 March 2023	Score at 31 December 2022
CDP Worldwide, UK	B	B
ISS ESG, USA	C+ Prime	C+ Prime
MSCI ESG Ratings, USA	BBB	BBB
Sustainalytics, USA	Medium Risk	Medium Risk
Moody's ESG Solutions, USA	61	61

Estonia matter

As announced on 13 December 2022, Danske Bank has reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. The aggregate amounts payable to the US and Danish authorities were paid in January 2023.

As part of the Bank's agreement with DoJ, Danske Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025, and Danske Bank is committed to continuing to improve its compliance programmes. Danske Bank has taken extensive remediation action to address those failings to prevent any similar occurrences, and the Bank remains in contact with DoJ as a matter of post-resolution obligations set forth in the agreement with DoJ. The coordinated resolutions mark the end of the criminal and regulatory investigations into Danske Bank by the authorities in Denmark and the United States.

The Bank remains subject to a criminal investigation by authorities in France and has posted bail in the amount of DKK 80 million. The Bank continues to cooperate with the authorities.

Civil claims

Danske Bank is subject to ongoing litigation in relation to the Estonia matter. This includes, inter alia, an action against Danske Bank (and other defendants) in the US and a number of court cases initiated against Danske Bank in Denmark. These civil claims were not included in the coordinated resolutions with DoJ, SEC, and SCU. Danske Bank will continue to defend itself vigorously against these claims. The timing of completion of any such civil claims (pending or threatening) and their outcome are uncertain and could be material.

Update on the debt collection case

As announced on 31 August 2022, Danske Bank has chosen an accelerated solution for its debt collection customers, whereby approximately 90,000 debt collection customers in Denmark will have their debt to the bank set to zero, and Danske Bank will not collect this debt. In the fourth quarter, we began communicating to customers whose debt is set to zero.

Furthermore, Danske Bank has decided to compensate customers for any potential overcollection related to the issues in the historical debt collection systems on the basis of a data-driven model.

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

In the third quarter of 2022, operating expenses were impacted by a one-off amount of DKK 600 million, whereas write-downs of debt increased loan impairment charges by a one-off amount of DKK 650 million, which includes part of the compensation to customers. It was furthermore communicated that further sample checks related to the customer compensation model were needed, and this work has now resulted in our taking a more conservative approach, which is to the benefit of our debt collection customers. In the fourth quarter of 2022, this approach impacted our operating expenses by a further DKK 310 million to cover compensation to debt collection customers for potential overcollection of debt.

Danske Bank continues to have a dialogue with and report progress with the debt collection case to the impartial reviewers appointed by the Danish FSA.

Changes to the Board of Directors

On 17 February 2023, it was announced that Bente Avnung Landsnes would not seek re-election at the Annual General Meeting.

On 16 March 2023, the Annual General Meeting re-elected Martin Blessing, Jan Thorsgaard Nielsen, Lars-Erik Brenøe, Jacob Dahl, Raija-Leena Hankonen-Nybom, Allan Polack, Carol Sergeant and Helle Valentin.

The Board of Directors thus now consists of Martin Blessing (Chairman), Jan Thorsgaard Nielsen (Vice Chairman), Lars-Erik Brenøe, Jacob Dahl, Raija-Leena Hankonen-Nybom, Allan Polack, Carol Sergeant and Helle Valentin as well as the four members elected by the employees: Bente Bang, Kirsten Ebbe Brich, Aleksandras Cicasovas and Louise Aggerstrøm Hansen.

Changes to the Executive Leadership Team

On 20 March 2023, it was announced that Dorthe Tolborg, who is currently Chief Audit Executive at Danske Bank, would be taking over the role as Chief Compliance Officer and become part of Danske Bank's Executive Leadership Team on 1 June 2023. This means that the Executive Leadership Team will expand to consist of nine members.

Dorthe Tolborg succeeds Satnam Lehal, who earlier this year announced that he would be leaving Danske Bank in early 2024 as he wants to pursue a career outside Denmark.

Business units

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

Personal Customers

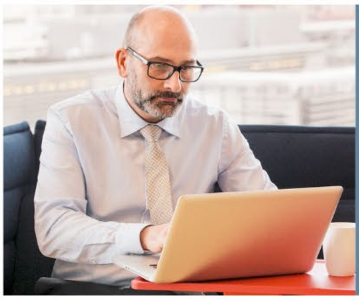
Our Personal Customers unit provides advisory services to personal customers and Private Banking customers in Denmark, Sweden, Norway and Finland. Our advisers and experts are there to help customers when and how it best suits the individual customer – at online meetings, via our websites or if so required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

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

Business Customers

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

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



Large Corporates & Institutions

Large Corporates & Institutions caters to the most complex financing and transaction needs of large corporate and institutional customers, and we help them to prosper and grow.

We offer expertise in financing, risk management, investments and financial advisory services, and our customers have access to our award-winning transaction banking solutions.

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

Danica Pension

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

Northern Ireland

Danske Bank is the leading bank in Northern Ireland, serving personal, business and corporate customers. The business is also a growing bank in targeted sectors across the rest of the United Kingdom. We support our customers through face-to-face, online and mobile solutions. Our focus in Northern Ireland is on remaining a stable, strong and risk-astute bank, consolidating our market-leading position alongside pursuing prudent low-cost growth opportunities in the rest of the UK.

Personal Customers

In the first quarter of 2023, Personal Customers saw a significant increase in net interest income of 76%, mainly as a result of higher income from deposits that was driven by market developments and repricing initiatives. We saw customers moving from investment to savings products and launched new high-rate deposit products to support this development. Fee income decreased due to lower remortgaging activity and lower investment income as a result of the uncertainty on the financial markets. Operating expenses decreased due to continued efficiency gains. Credit quality remained solid, but due to the macroeconomic outlook, loan impairment charges increased to DKK 412 million.

Profit before tax in the first quarter of 2023 amounted to DKK 1,918 million, an increase of 51% from the same period in 2022 that was driven by higher income and lower operating expenses, while the higher loan impairment charges had a partly offsetting effect.

Personal Customers (DKK millions)	Q1 2023	Q1 2022	Index 23/22	Q4 2022	Index Q1/Q4	Full year 2022
Net interest income	3,405	1,936	176	2,739	124	8,778
Net fee income	1,072	1,335	80	1,068	100	4,730
Net trading income	85	105	81	101	84	444
Other income	20	463	4	440	5	987
Total income	4,583	3,839	119	4,348	105	14,939
Operating expenses	2,253	2,567	88	2,770	81	10,104
of which resolution fund, bank tax etc.	41	40	103	40	103	161
Profit before loan impairment charges	2,330	1,273	183	1,578	148	4,836
Loan impairment charges	412	-2	-	592	70	927
Profit before tax	**1,918**	**1,274**	**151**	**986**	**195**	**3,909**
Loans, excluding reverse transactions before impairments	788,736	864,272	91	805,120	98	805,120
Allowance account, loans	4,901	4,903	100	4,727	104	4,727
Deposits, excluding repo deposits	411,316	410,363	100	410,806	100	410,806
Covered bonds issued	602,840	643,149	94	612,997	98	612,997
Allocated capital (average)	29,713	31,463	94	30,325	98	30,898
Net interest income as % p.a. of loans and deposits	1.15	0.62	-	0.90	-	0.71
Profit before loan impairment charges as % p.a. of allocated capital	31.4	16.2	-	20.8	-	15.7
Profit before tax as % p.a. of allocated capital (avg.)	25.8	16.2	-	13.0	-	12.7
Cost/income ratio (%)	49.2	66.9	-	63.7	-	67.6
Full-time-equivalent staff	4,277	4,850	88	4,262	100	4,262

Fact Book Q1 2023 provides financial highlights at customer type level for Personal Customers. Fact Book Q1 2023 is available at danskebank.com/ir.

Business initiatives

The surging energy and food prices continued to drive up household expenditures, which is a new situation with increased uncertainty for many customers. To support our customers in these challenging times, we have provided expert daily banking advice, especially in relation to home finance and investments. In addition, we can now refer our customers in Denmark to a new product from insurance provider Tryg, which covers home loan payments if customers lose their regular income. We have also expanded online legal services through Lexly from Sweden and Finland to now also cover Norway.

Income from deposits increased significantly in the first quarter of 2023, driven by rising market rates, repricing initiatives and customers moving from investment to savings products. With the positive rate environment and volatile investment market, demand for savings products was high. As a result, we introduced savings products that offer customers with excess liquidity a higher interest rate in return for committing to a fixed deposit term. In parallel, we launched a new feature, Danske Monthly Investment, in Danske Mobile Banking in Denmark, which lets customers invest a fixed amount each month in one or more funds of their choice. In this way, Danske Monthly Investment acts as a savings scheme that encourages our customers to start or increase their investments.

A new Global Private Banking organisation was launched in March 2023 when the private banking units in the four Nordic countries as well as central investment departments were gathered in one unit. Global Private Banking was established to sharpen our strategy and allow digital scalability that enables us to create even more value for Private Banking customers in the Nordic region. Private Banking customers are the largest personal consumers of investment solutions, and by moving the investment departments to the new unit, we have created transparency through the value chain from customers to development.

Q1 2023 vs Q1 2022

Profit before tax amounted to DKK 1,918 million (Q1 2022: DKK 1,274 million) and was driven by higher net interest income and lower operating expenses, although the effect was partly offset by loan impairment charges. The financial results were adversely affected by the depreciation of currencies.

Net interest income increased to DKK 3,405 million (Q1 2022: DKK 1,936 million), due primarily to higher income from deposits driven by the rise in market rates, repricing initiatives and higher volumes in Denmark.

Deposit volumes increased slightly, due primarily to an increase of 6% in Denmark as a result of our customers' cautious investment strategy. Deposit volumes in Norway decreased due to a change in scope for the Akademikerne agreement.

There was a positive inflow of bank lending volumes in Denmark of 8%, driven primarily by the Danske Bolig Fri home loan product. Lending volumes in Norway, Sweden and Finland were negatively affected by the slowdown in the housing market as well as the depreciation of currencies. The nominal value of mortgage volumes in Denmark decreased 4%. This was due mainly to remortgaging activity being high in 2022, when many customers reduced their outstanding debt by replacing their fixed rate mortgage loan by a new mortgage loan with either a fixed or a variable rate. The large market rate increases meant that customers with 30-year fixed rate loans in particular could buy back their debt at a lower bond price. Total lending volumes decreased 9%.

Net fee income decreased to DKK 1,072 million (Q1 2022: DKK 1,335 million). Fee income from lending activities decreased as activity in the housing market fell because of higher market rates and an increase in the cost of living. Investment fees decreased as a result of the uncertainty in the financial markets. Service fees were negatively affected by lower activity caused by the sale of MobilePay in 2022.

Net trading income decreased to DKK 85 million (Q1 2022: DKK 105 million) due to lower customer activity.

Other income amounted to DKK 20 million (Q1 2022: DKK 463 million). The decrease was caused by a one-off gain on the sale of our customer portfolio in Luxembourg of DKK 421 million being recognised in the fourth quarter of 2022.

Operating expenses decreased to DKK 2,253 million (Q1 2022: DKK 2,567 million) driven by fewer FTEs and the divestment of MobilePay and the activities in Luxembourg. We continued to see efficiency gains and a decrease in transformation costs related to the implementation of the Better Bank plan.

Loan impairment charges amounted to DKK 412 million in the first quarter of 2023 (Q1 2022: reversal of DKK 2 million). The impairment charges were driven by factors such as updated macroeconomic scenarios and falling property prices. The underlying credit quality remained stable.

Q1 2023 vs Q4 2022

Profit before tax in the first quarter of 2023 increased to DKK 1,918 million (Q4 2022: DKK 986 million) driven by income from deposits as a result of the rise in market rates, repricing initiatives and higher volumes.

- **Net interest income** increased 24%, driven by higher margins on deposits as a consequence of rising market rates, repricing initiatives and customers moving from investment to savings products.
- **Net fee income** was on par with the preceding quarter. We saw an increase of 14% in investment fees, which was partly offset by a decrease in service and loan fees due to lower customer activity as well as the sale of MobilePay.
- **Net trading income** decreased to DKK 85 million (Q4 2022: DKK 101 million) due to lower customer activity.
- **Other income** decreased as the one-off gain of DKK 415 million on the sale of MobilePay was recognised in the fourth quarter of 2022.
- **Operating expenses** decreased 19% and stood at DKK 2,253 million (Q4 2022: DKK 2,770 million). The decrease was driven by the sale of MobilePay and seasonality in marketing and IT costs.
- The first quarter of 2023 saw **loan impairment charges** of DKK 412 million (Q4 2022: DKK 592 million). Credit exposure decreased to DKK 867 billion in the first quarter from DKK 883 billion at the end of 2022, due mainly to a decline in exposure in Personal Customers Norway and Sweden and weaker NOK foreign exchange rates.
- **Total lending** volumes decreased 2% due to the slowdown in the housing market and the depreciation of currencies.
- **Deposit** volumes were on par with the preceding quarter, driven by an increase in Denmark of 3%, which was offset by a decrease in Norway due to a change in scope for the Akademikerne agreement and the depreciation of currencies.

DKK 1,918 million

Profit before tax for the first quarter of 2023

Business Customers

Business Customers started 2023 with good results driven by a positive market environment and increased customer activity. Profitability increased, driven primarily by higher income from deposits as a result of the rise in market rates, repricing initiatives and volume growth, where green lending volumes increased DKK 13 billion from the level in the same period last year. Service fees increased due to repricing initiatives but also to the transfer of customers to a new, service-based fee model. Fees from new lending related to our commercial property business decreased due to the slowdown in the commercial property market.

The organisation was adjusted in the first quarter of 2023 as the next steps were taken towards achieving greater specialisation, increased efficiency and alignment across the Nordic markets. In February 2023, The Hub, which is the most used job portal among start-ups in the Nordic countries, was sold to Norway's Mesh Community. We continue our strategic collaboration with the portal.

In the first quarter of 2023, profit before tax amounted to DKK 2,396 million, an improvement of 79% from the level in the same period in 2022.

Business Customers (DKK millions)	Q1 2023	Q1 2022	Index 23/22	Q4 2022	Index Q1/Q4	Full year 2022
Net interest income	2,927	1,973	148	2,699	108	9,175
Net fee income	456	480	95	472	97	1,825
Net trading income	122	109	112	145	84	517
Other income	287	199	144	215	133	847
Total income	3,792	2,761	137	3,531	107	12,364
Operating expenses	1,246	1,314	95	1,437	87	5,356
of which resolution fund, bank tax etc.	63	58	109	56	113	224
Profit before loan impairment charges	2,546	1,447	176	2,094	122	7,008
Loan impairment charges	149	112	133	669	22	578
Profit before tax	**2,396**	**1,335**	**179**	**1,425**	**168**	**6,430**
Loans, excluding reverse transactions before impairments	635,948	648,224	98	639,557	99	639,557
Allowance account, loans	9,153	8,556	107	8,938	102	8,938
Deposits, excluding repo deposits	279,388	290,063	96	285,177	98	285,177
Covered bonds issued	349,891	365,357	96	344,445	102	344,445
Allocated capital (average)	39,389	40,325	98	39,325	100	39,623
Net interest income as % p.a. of loans and deposits	1.28	0.85	-	1.17	-	0.99
Profit before loan impairment charges as % p.a. of allocated capital	25.9	14.4	-	21.3	-	17.7
Profit before tax as % p.a. of allocated capital (avg.)	24.3	13.2	-	14.5	-	16.2
Cost/income ratio (%)	32.9	47.6	-	40.7	-	43.3
Full-time-equivalent staff	1,664	1,678	99	1,635	102	1,635

Fact Book Q1 2023 provides financial highlights at customer type level for Business Customers. Fact Book Q1 2023 is available at danskebank.com/ir.

Business initiatives

The economy in general was in better shape in the first quarter of 2023 than at the end of last year. Inflation was still at a very high level, though slowly decreasing as a result of lower energy prices. We helped our customers navigate through these challenging times, both by providing financial advisory services across customer segments and by assisting our customers in managing their working capital needs. The Business Customers organisation was adjusted in the first quarter of 2023, as small and medium-sized commercial real estate customers were gathered in a central unit, and growth customers (scalers and scale-ups) across the Nordic region were gathered with one Nordic Growth team. The aim of these changes was to serve our customers even better and meet their increasing needs and the complexity relating, for example, to legislation and ESG, and at the same time maintain the commercial momentum across markets. With these organisational adjustments, we can provide even better conditions for growth and facilitate greater competitiveness.

In February 2023, Danske Bank sold The Hub to Norway's Mesh Community. What began as an experiment ended up as the biggest job portal for entrepreneurs in the Nordic countries with more than 10,000 businesses registered, 60,000 jobs posted, and more than 1,000,000 job applications submitted. However, this growth meant that The Hub had reached the point where additional competencies and a renewed focus were needed to continue the development. Our strategy remains to support start-ups across the Nordic countries, and Danske Bank will continue its strategic collaboration with The Hub.

Sustainability continued to have high priority throughout the organisation, and at Business Customers, the focus is specifically on emission targets for the commercial real estate and agriculture sectors, which will guide our efforts going forward.

Our leasing business in Norway secured a deal to finance 183 green busses, which will replace diesel busses on two major bus lines in Oslo. The delivery of the busses will take place later in 2023. Another new green initiative came from our mortgage business in Denmark, as solar cells were included in the valuation of commercial properties. This will increase the incentive for adding solar installations on commercial properties in Denmark.

In March 2023, we launched a fast and smooth process for applying for an overdraft facility in our District platform for our Business Direct customers in Denmark, Sweden and Norway. For instantly approved cases, documents are ready for signing within minutes. The new process strengthens our digital self-service offering and enhances the customer experience.

We have seen a good increase in bank lending volumes in all countries since the end of March last year. In Denmark, mortgage lending at nominal value increased 2%, however, measured at fair value, there was a decrease of 4% due to the higher market rates. Green lending volumes increased DKK 13 billion, 49% from the same period last year. Despite the increase in both bank lending and the nominal value of mortgage lending in Denmark, the negative market value adjustment of mortgage loans combined with the depreciation of currencies caused a decrease in total lending of 2%. We saw a good increase in deposit volumes. In Norway, the increase was driven by large corporates, in Finland, it was driven primarily by public sector customers. Despite an overall positive underlying development, deposit volumes decreased 4% due to depreciation of currencies.

Q1 2023 vs Q1 2022

Profit before tax amounted to DKK 2,396 million (Q1 2022: DKK 1,335 million). The increase was driven by income from deposits as a result of rising market rates and repricing initiatives as well as lower operating expenses. The financial performance was adversely affected by the depreciation of currencies.

Net interest income increased 48%, driven by higher income on deposits following repricing initiatives and market rate developments as well as increased volumes across most markets.

Net fee income decreased to DKK 456 million (Q1 2022: DKK 480 million). Service fees increased due to repricing as well as the transfer of customers to the new service-based fee model implemented in mid-2022. The increase in service fees was offset by a decline in fees from new lending related to our commercial real estate business caused by the slowdown in the property market.

Net trading income increased to DKK 122 million (Q1 2022: DKK 109 million), driven by increased foreign exchange activity as well as FX volatility, which resulted in increased demand for hedging.

Operating expenses stood at DKK 1,246 million, a decrease of 5% from the same period last year. We continued to see a decrease in costs related to the implementation of the Better Bank plan, however, the decrease was partly offset by the bank tax in Sweden, resolution fund payment and severance pay.

During the second half of 2022 and the first quarter of 2023, the credit quality of the commercial property portfolio remained stable, even though the industry began to feel the impact of rising interest rates and widening credit spreads. Higher interest rates and an uncertain economic outlook are likely to lead to higher yield requirements from investors, which will push property prices down and LTV ratios up. In order to mitigate the risks stemming from rising interest rates and potentially higher vacancy rates in the future, we have a strong focus on our customers' ability to ensure cash flow resilience in such a macroeconomic scenario.

Loan impairment charges amounted to DKK 149 million, which was around the same level as for the first quarter last year. Credit exposure decreased to DKK 736 billion at the end of March 2023 (end-2022: DKK 745 billion), driven mainly by lower exposure to the Other commercials exposure category. Despite a flat exposure development in Norway in Danish kroner, local currency credit exposure increased among business customers in Norway.

Q1 2023 vs Q4 2022

Profit before tax in the first quarter of 2023 increased to DKK 2,396 million (Q4 2022: DKK 1,425 million). The increase was driven by higher net interest income from deposits, lower operating expenses and lower loan impairment charges.

- **Net interest** income increased 8% and stood at DKK 2,927 million (Q4 2022: DKK 2,699 million), driven by higher deposit margins.
- **Net fee income** decreased 3%, driven by lower fees from new lending due to the slowdown in the property market. Service fees increased 11% due to repricing initiatives.
- **Net trading income** decreased to DKK 122 million (Q4 2022: DKK 145 million) due to lower activity and one-offs.
- **Other income increased** 33% due to the sale of used assets in our leasing business.
- **Operating expenses** decreased 13%. The decrease in expenses was driven primarily by lower IT costs due to seasonality.
- The first quarter of 2023 saw **loan impairment charges** of DKK 149 million (Q4 2022: DKK 669 million). The charges in the fourth quarter were driven by changes in post-model adjustments and updated macroeconomic scenarios, which had limited impact in the first quarter of 2023. Credit exposure decreased slightly, mainly because exposure decreased in the Other commercials category.

DKK 2,396 million

Profit before tax for the first quarter of 2023

Large Corporates & Institutions

During the first quarter of 2023, we saw continued monetary policy tightening from central banks in order to fight inflation, which created increased market volatility. However, we stand ready to support our customers in navigating the uncertainty, which led to an increase in risk hedging and credit facilities. Furthermore, we saw a positive effect from executing the new fixed income strategy, calibrating our market risk to new market dynamics. As a result, we are pleased to report the strongest net trading income in recent years, while also having reduced our market risk significantly. We continue to see positive underlying momentum, as the inflow of new customers in Sweden and new house bank mandates resulted in continued growth in net interest income and in everyday banking fees. In addition, we are proud to have maintained our leading position in sustainable finance.

Profit before tax amounted to DKK 2,877 million, an increase of 69% from the same period last year, due primarily to higher trading income and net interest income.

Large Corporates & Institutions (DKK millions)	Q1 2023	Q1 2022	Index 23/22	Q4 2022	Index Q1/Q4	Full year 2022
Net interest income	1,674	1,284	130	1,590	105	5,605
Net fee income	1,351	1,514	89	1,436	94	5,732
Net trading income	1,207	737	164	866	139	1,489
Other income	6	1	-	-	-	2
Total income	4,238	3,535	120	3,892	109	12,828
Operating expenses	1,752	1,744	100	1,876	93	6,966
of which resolution fund, bank tax etc.	124	116	107	125	99	504
Profit before loan impairment charges	2,486	1,791	139	2,016	123	5,861
Loan impairment charges	-392	88	-	-618	63	-774
Profit before tax	**2,877**	**1,703**	**169**	**2,634**	**109**	**6,635**
Loans, excluding reverse trans. before impairments	307,127	291,266	105	322,539	95	322,539
of which loans in General Banking	278,819	243,461	115	281,266	99	281,266
Allowance account, loans (incl. credit institutions)	1,724	2,562	67	2,048	84	2,048
Deposits, excluding repo deposits	378,066	381,753	99	389,486	97	389,486
of which deposits in General Banking	320,672	333,948	96	336,580	95	336,580
Covered bonds issued	29,356	25,424	115	27,495	107	27,495
Allocated capital (average)	39,882	40,906	97	41,816	95	42,138
Net interest income as % p.a. of loans and deposits	0.97	0.79	-	0.87	-	0.81
Profit before loan impairment charges as % p.a. of allocated capital	24.9	17.5	-	19.3	-	13.9
Profit before tax as % p.a. of allocated capital (avg.)	28.9	16.7	-	25.2	-	15.7
Cost/income ratio (%)	41.3	49.3	-	48.2	-	54.3
Full-time-equivalent staff	2,079	2,226	93	2,054	101	2,054

Total income (DKK millions)						
General Banking	2,056	1,625	127	1,947	106	6,936
Markets	1,417	891	159	1,082	131	2,387
of which xVA*	-38	-130	29	124	-	-48
Asset Management	488	577	85	550	89	2,313
of which performance fees	12	20	60	32	38	174
Investment Banking & Securities (IBS)	277	442	63	313	88	1,193
Total income	**4,238**	**3,535**	**120**	**3,892**	**109**	**12,828**

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

Assets under management (DKK millions)						
Institutional clients	414,491	469,299	88	404,211	103	404,211
Retail clients	266,232	301,546	88	262,642	101	262,642
Total assets under management[1]	**680,723**	**770,846**	**88**	**666,853**	**102**	**666,853**

[1] Includes assets under management from Group entities.

Business initiatives

The volatile operating environment and continued monetary policy tightening by central banks created both challenges and opportunities for Nordic corporates and institutions during the first quarter. At the same time, energy prices stabilised somewhat, which led to a lower liquidity requirement in the energy sector in particular.

As a result, total exposures have started to level out after the significant growth in 2022. Nonetheless, customer demand for risk-mitigating solutions continued to rise as illustrated especially by increasing volumes within foreign exchange. As a leading risk facilitator in the Nordic financial markets, we leverage Danske Bank's financial strength to support our customers in managing risks.

Customer activity in the primary debt capital markets began to pick up in the first quarter of 2023, and we were pleased to benefit from having supported customers with lending facilities during the stressed period when debt capital markets were difficult. As a result, we saw customers take advantage of constructive market conditions to refinance in the debt capital markets. We are proud to have acted as joint book runner in Telia's four benchmark tranche transaction, which was the largest corporate SEK bond transaction in the first quarter, and to have maintained our leading position among Nordic banks in the European debt capital markets in terms of volumes supported. Furthermore, we are pleased to have seen that our continuous focus on supporting our customers' M&A activities resulted in a number one position in the Nordic M&A league table.

The Nordic sustainable finance market continued to grow in the first quarter of 2023, and we supported issuers and investors in a substantial number of transactions. For example, we are proud to have structured several frameworks, such as sustainability-linked finance frameworks for Eltel and Glamox, and to have arranged inaugural sustainable bonds for issuers such as Pandora and TINE as well as to have issued sustainable bonds for issuers re-entering the market, including Neste and Vestas. We had a good start to the year, affirming our position as the leading Nordic arranger in the Bloomberg Sustainable Bond League table, and being the leading arranger of sustainable bonds from Nordic borrowers in the first quarter.

As a part of our journey to integrate sustainability into everything we do, we are proud to have integrated the Danske Bank Climate Action plan at Large Corporates & Institutions during the first quarter of 2023. Also, as we endeavour to contribute to a more sustainable society overall, we staffed up specifically on renewable energy and project finance competencies within Loan Capital Markets, allowing us to become better positioned to support our customers in achieving their sustainable finance ambitions.

Q1 2023 vs Q1 2022

Profit before tax increased to DKK 2,877 million (Q1 2022: DKK 1,703 million) as a result of higher net trading income and net interest income combined with loan impairment reversals.

Net interest income increased to DKK 1,674 million (Q1 2022: DKK 1,284 million) as a result of higher deposit margins. Lending volumes in General Banking increased by 15% from the level at the end of the first quarter of 2022, driven both by new credit facilities and customers drawing more on existing facilities. The high growth in lending volumes reflected not only the volatile operating environment, but also our strategic ambition to grow our business in Sweden where we are close to reaching the ambition set in 2021 to have welcomed 40 new Large Corporates & Institutions customers by 2023.

Net fee income declined to DKK 1,351 million (Q1 2022: DKK 1,514 million), as higher income from everyday banking services, such as cash management, was more than offset by the effect of lower assets under management and lower fees from advisory services. Income in Asset Management was lower than the level recorded in the first quarter of 2022, driven mainly by the lower level of assets under management at the beginning of 2023 that was the result of the declining asset prices and negative net sales in the second half of 2022 as well as lower performance fees. However, assets under management increased through the first quarter of 2023, driven partly by recovering financial markets. In addition, net sales were positive to start the year, driven by the institutional segment.

Net trading income increased to DKK 1,207 million (Q1 2022: DKK 737 million), driven by our new fixed income strategy implemented towards the end of 2022, which resulted in increased income generated on the basis of a lower capital base in the first quarter of 2023.

Operating expenses were fairly stable at DKK 1,752 million (Q1 2022: DKK 1,744 million) as lower underlying costs offset higher provisions for performance-based compensation and higher IT costs.

The number of full-time equivalent staff fell to 2,079 (Q1 2022: 2,226) due to reorganisation and staff reductions.

The overall credit quality of our portfolio remained strong in the first quarter of 2023, with the general rating trend being stable. Loan impairments for the first quarter of 2023 amounted to a reversal of DKK 392 million (Q1 2022: charges of DKK 88 million). The reversals were driven by post-pandemic recoveries and successful restructurings within the shipping, oil and gas sectors.

Credit exposure

Net credit exposure from lending activities decreased to DKK 622 billion at the end of the first quarter of 2023 (end-2022: DKK 648 billion), mainly as a result of a decrease in exposure in the utilities and infrastructure and public institutions sectors.

Q1 2023 vs Q4 2022

Profit before tax increased to DKK 2,877 million (Q4 2022: DKK 2,634 million), due primarily to higher net trading income which was, however, partly offset by lower reversals of loan impairment charges.

- **Net interest income** increased to DKK 1,674 million (Q4 2022: DKK 1,590 million), driven by an increase in deposit margins, which was to a small extent offset by the effect of lower deposit volumes. Furthermore, we continued to see a normalisation of lending volumes as credit demand in particular in the energy sector declined further in the first quarter of 2023 and debt capital markets started to pick up.

- **Net fee income** decreased slightly and stood at DKK 1,351 million (Q4 2022: DKK 1,436 million), mainly as a result of a decrease in income from M&A advisory services, which was, however, partly offset by the effect of improved debt capital markets and higher assets under management.

- **Net trading income** increased to DKK 1,207 million (Q4 2022: DKK 866 million) as market conditions were more supportive, and our new fixed income strategy made us strategically better positioned to take advantage of new market dynamics.

- **Operating expenses** decreased to DKK 1,752 million (Q4 2022: DKK 1,876 million), driven primarily by lower IT costs due to seasonality.

- **Loan impairment charges** amounted to a net reversal of DKK 392 million (Q4 2022: net reversal of DKK 618 million). The reversals in the first quarter were due to the continued post-pandemic recoveries and successful restructurings within the shipping, oil and gas sectors.

DKK 2,877 million

Profit before tax for the first quarter of 2023

Danica Pension

Favourable financial markets in the first two months meant a positive start for our customers' pension savings in 2023. However, March was affected by instability in the global financial sector following a liquidity crisis among a few US and European banks. The direct effect on Danica Pension's investments was marginal, and the financial markets have since stabilised.

Net income at Danica Pension amounted to DKK 497 million in the first quarter of 2023, an increase from the level in the same period in 2022, as the net financial result improved due to the positive developments in the financial markets.

Danica Pension (DKK millions)	Q1 2023	Q1 2022	Index 23/22	Q4 2022	Index Q1/Q4	Full year 2022
Insurance service result	201	343	59	870	23	1,895
Net financial result	289	-504	-	-356	-	-1,679
Other income	7	25	28	7	100	-1,562
Net income before tax in Danica Pension	**497**	**-135**	**-**	**522**	**95**	**-1,347**
Goodwill impairment	-	-	-	-	-	1,627
Net income from Danica Pension excl. Goodwill	**497**	**-135**	**-**	**522**	**95**	**280**
Liabilities under insurance contracts	497,090	646,712	77	507,146	98	507,146
Liabilities under pooled unit-linked investment contracts	20,604	20,130	102	20,469	101	20,469
Allocated capital (average)	19,518	21,911	89	19,027	103	20,326
Net income as % p.a. of allocated capital	10.2	-2.5	-	11.0	-	-26.5
Solvency coverage ratio	180	202	-	187	-	187
Full-time-equivalent staff	902	954	-	881	-	881

Asset under management (DKK millions)						
Insurance	412,906	443,987	93	403,789	102	403,789

Danica Pension has changed the format of reporting to align with IFRS 17, which was implemented on 1 January 2023. Business unit reporting for Danica Pension has been changed accordingly, and comparative figures have been restated. See note G2 for more information.

Business initiatives

With optimistic financial markets at the beginning of the year, customers have a solid starting point for obtaining positive returns on their pension savings in 2023. However, the uncertainty in the financial sector reversed some of the positive returns due to downturns in the financial markets, particularly in relation to the financial sector. The direct effect on our customers was only marginal, and this shows the strength of Danica Pension's investment strategy, which includes a high level of diversification.

In the first quarter, Danica Pension launched a national advertising campaign to highlight the option for customers to invest through Danica Balance Responsible Choice – a scheme that has an increased focus on integrating sustainability-related considerations into investments. The campaign was well-received among customers, and assets under management for the Responsible Choice product are steadily rising, showing a desire among customers to investment their funds with an ethical focus.

Q1 2023 vs Q1 2022

Net income from Danica Pension increased to DKK 497 million (Q1 2022: loss of DKK 135 million), due primarily to positive developments in the financial markets.

The insurance service result decreased to DKK 201 million (Q1 2022: DKK 343 million) as the first quarter of 2022 benefited from a reduction of technical provisions.

The net financial result increased to DKK 289 million (Q1 2022: loss of DKK 504 million). The increase was driven mainly by positive investment results on insurance products where Danica Pension has the investment risk and positive investment returns on Danica Pension's equity capital.

Assets under management decreased DKK 31 billion from the level at the end of March 2022, due to the negative developments in the financial markets in 2022.

Premiums increased 4% from the same period in 2022 following an increase in regular premiums due to an inflow of new business customers in earlier periods.

Q1 2023 vs Q4 2022

Net income at Danica Pension decreased to DKK 497 million (Q4 2022: DKK 522 million). The insurance service result decreased from the fourth quarter 2022 result, while the net financial result increased.

- **The insurance service result** decreased DKK 670 million because the fourth quarter of 2022 benefited from Danica Pension being able to book the full risk allowance for 2022 and from the positive effect of an update of parameters affecting the recognition of income for 2022.
- **The net financial result** increased in the first quarter and amounted to DKK 289 million (Q4 2022: a negative DKK 356 million), due mainly to positive investment results on insurance products where Danica Pension has the investment risk and positive investment returns on Danica Pension's equity capital.
- **Total premiums** increased by 18% due to an increase in both single and regular premiums.
- **Assets under management** increased DKK 9 billion, due mainly to the positive developments in the financial markets.

DKK 497 million

Net income at Danica Pension

for the first quarter of 2023

Northern Ireland

Our focus in Northern Ireland is on remaining a stable, strong and risk-astute bank, consolidating our market-leading position in Northern Ireland alongside pursuing prudent low-cost growth opportunities in the rest of the UK. This is supported by a continually strong income and profitability performance, with profit before tax of DKK 506 million in the first quarter of 2023.

Northern Ireland (DKK millions)	Q1 2023	Q1 2022	Index 23/22	Q4 2022	Index Q1/Q4	Full year 2022
Net interest income	599	379	158	568	105	1,900
Net fee income	83	76	109	87	95	335
Net trading income	114	-143	-	269	42	-342
Other income	5	3	167	4	125	21
Total income	801	315	254	928	86	1,914
Operating expenses	319	308	104	347	92	1,290
Profit before loan impairment charges	482	7	-	580	83	623
Loan impairment charges	-24	19	-	132	-	168
Profit before tax	**506**	**-12**	**-**	**449**	**113**	**456**
Loans, excluding reverse transactions before impairments	55,435	56,234	99	53,761	103	53,761
Allowance account, loans	818	724	113	824	99	824
Deposits, excluding repo deposits	94,667	99,094	96	94,562	100	94,562
Allocated capital (average)*	5,831	6,106	95	6,113	95	6,080
Net interest income as % p.a. of loans and deposits	1.56	0.96		1.45		1.19
Profit before tax as % p.a. of allocated capital (avg.)	34.7	-0.8		29.4		7.5
Cost/income ratio (%)	39.8	97.8		37.4		67.4
Full-time-equivalent staff	1,305	1,257	104	1,288	101	1,288

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

Business initiatives and strategy

Our ambition is to deliver sustainable and responsible growth as a more efficient, geographically diverse and digitally orientated business.

Our residential mortgage book continues to grow, supported by a number of new product features, including enhanced mortgage term and overpay options. We also incorporated updated affordability assessments for new customers to reflect current inflationary pressures.

Lending to corporate and business customers also increased in the first quarter of 2023 as a result of the new customers and increased use of asset finance and working capital facilities by existing customers.

We remain mindful that cost of living challenges persist for many customers across our society. We created a Money Worries online hub for personal customers and a Rising Cost of Doing Business online hub for small business customers, offering advice and assistance, including a customer call back service for those who want to talk to one of our specialist advisers. There have been over 13,000 visits to the hubs since they were introduced at the end of last year.

As part of our societal support commitments, during the first quarter we also became one of the driving forces behind a new Good Food Fund launched by Business in the Community. The Fund aims to provide free breakfasts to children at 100 primary schools across Northern Ireland who are in need, with the goal of supporting 10,000 local young people by the end of 2023.

Q1 2023 vs Q1 2022

Profit before tax increased to DKK 506 million (Q1 2022: loss of DKK 12 million), with actions taken in response to higher UK interest rates and increased transactional activity supporting a strong underlying income performance.

Net interest income increased 58% to DKK 599 million (Q1 2022: DKK 379 million), driven by actions taken in response to higher UK interest rates and modest increases in lending volumes (in local currency). Deposits were broadly unchanged year-on-year (in local currency), with high post-pandemic balances maintained.

Net fee income grew 9% to DKK 83 million (Q1 2022: DKK 76 million), reflecting improved activity levels and pricing initiatives.

In the first quarter of 2023, the mark-to-market movements on the bank's hedging portfolio, and thus net trading income, were positive, reflecting a combination of the expectation of more stable interest rates and the reduced remaining life of the hedging instruments. In comparison, both the first quarter of 2022 and the full year 2022 performance were impacted by negative net trading income as a result of adverse mark-to-market movements given rising interest rate expectations.

Operating expenses stood at DKK 319 million (Q1 2022: DKK 308 million) and were up 4% year-on-year, rising by less than inflation due to our continued cost focus. Staff numbers have reverted to more normal levels following higher attrition and vacancy levels during 2022 as a result of ongoing efficiency priorities.

Loan impairment charges remained low with a small net reversal in the first quarter. The macroeconomic outlook improved marginally during the quarter, and the loan portfolio remained strong, driven by a conservative risk appetite and astute handling of existing and new lending opportunities.

Q1 2023 vs Q4 2022

The first quarter of 2023 saw a profit before tax of DKK 506 million (Q4 2022: DKK 449 million).

- **Net interest income** increased to DKK 599 million (Q4 2022: DKK 568 million), reflecting pricing initiatives taken in response to higher UK interest rates and increasing volumes (local currency).
- **Net fee income** of DKK 83 million (Q4 2022: DKK 87 million) reflected some seasonality as underlying activity levels remained strong.
- **Net trading income** of DKK 114 million (Q4 2022: DKK 269 million) reflected mark-to-market movements on the hedging portfolio given ongoing market volatility.
- **Operating expenses** decreased to DKK 319 million (Q4 2022: DKK 347 million), due primarily to seasonal impacts.
- **Loan impairment charges** amounted to a net reversal in the first quarter of 2023 and remain low overall.

DKK 506 million

Profit before tax

for the first quarter of 2023

Non-core

Non-core mainly comprises legacy credit exposures as well as non-strategic private equity investments. The winding up of the Non-core activities is proceeding according to plan. Profit before tax in the first quarter of 2023 amounted to a loss of DKK 30 million, against a loss of DKK 14 million in the first quarter of 2022.

Non-core (DKK millions)	Q1 2023	Q1 2022	Index 23/22	Q4 2022	Index Q1/Q4	Full year 2022
Total income	-17	14	-	2	-	23
Operating expenses	12	26	46	6	200	101
Profit before loan impairment charges	-29	-12	242	-5	-	-78
Loan impairment charges	-	2	-	-2	-	-66
Profit before tax	**-30**	**-14**	**214**	**-2**	**-**	**-13**
Loans, excluding reverse transactions before impairments*	1,121	2,309	49	1,207	93	1,207
Allowance account, loans	-	875	-	39	-	39
Deposits, excluding repo deposits	2,101	2,198	96	2,112	99	2,112
Allocated capital (average)	644	736	88	593	109	668
Net interest income as % p.a. of loans and deposits	-0.24	-0.11		0.11		-0.11
Profit before tax as % p.a. of allocated capital (avg.)	-18.6	-7.6		-1.3		-1.9
Cost/income ratio (%)	-	-		-		-
Full-time-equivalent staff	14	33	42	25	56	25

Loan impairment charges (DKK millions)						
Non-core banking*	-	-	-	-1	-	-1
Non-core conduits etc.	-	2	-	-1	-	-64
Total	**-**	**2**	**-**	**-2**	**-**	**-66**

** In Q1 2022, Loans, excluding reverse transactions before impairments included loans held for sale in the Baltics.*

Initiatives

The Non-core unit focuses on actively managing down legacy assets and portfolios by way of divestment, refinancing with other credit institutions or amortisation.

The winding up of the remaining Non-core activities is proceeding according to plan. Residual portfolios in Luxembourg and Lithuania have been fully exited, resulting in a steady decrease in operating expenses.

The closing of the subsidiary bank in Luxembourg is well underway, and the return of the banking licence was formally approved by regulators in the fourth quarter of 2022.

Q1 2023 vs Q1 2022

Profit before tax amounted to a loss of DKK 30 million (2022: DKK 14 million). The decrease in total income was driven by value adjustments of the non-strategic private equity portfolio. Operating expenses decreased as a result of the general progress made with the winding-up activities across Non-core.

At the end of March 2023, total lending had decreased from the amount at the end of 2022 and stood at DKK 1.1 billion.

Q1 2023 vs Q4 2022

The Non-core unit posted a loss before tax of DKK 30 million in the first quarter of 2023 (Q4 2022: loss of DKK 2 million).

- **Total income** amounted to a loss of DKK 17 million (Q4 2022: DKK 2 million). The negative income in the first quarter of 2023 was due mainly to value adjustments of the non-strategic private equity portfolio.

- **Operating expenses** amounted to DKK 12 million (Q4 2022: DKK 6 million). The increase was due to the fourth quarter of 2022 benefiting from a one-off reversal of provisions.

- **Loan impairment charges** amounted to a net reversal of DKK 0 million (Q4 2022: DKK -2 million).

- **Total lending** decreased to DKK 1.1 billion (Q4 2022: DKK 1.2 billion).

DKK -30 million

Profit before tax

for the first quarter of 2023

Group Functions

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

In the first quarter of 2023, the loss before tax increased to DKK 1,210 million from a loss of DKK 584 million in the first quarter of 2022 as a result of an increase in the cost of interest rate risk management at Group Treasury.

Group Functions (DKK millions)	Q1 2023	Q1 2022	Index 23/22	Q4 2022	Index Q1/Q4	Full year 2022
Net interest income	-582	19	-	-155	-	-350
Net fee income	-8	-26	31	-8	100	-32
Net trading income	84	-124	-	-385	-	-232
Other income	7	2	-	74	9	78
Total income	-499	-128	-	-473	105	-536
Operating expenses	710	439	162	478	149	2,762
of which resolution fund, bank tax etc.	26	26	100	15	173	74
of which impairment charges, other intangible assets	-	-	-	-	-	24
Provision for Estonia matter	-	-	-	-200	-	13,800
Profit before loan impairment charges	-1,209	-567	213	-751	161	-17,098
Loan impairment charges	1	17	6	-	-	669
Profit before tax	**-1,210**	**-584**	**207**	**-751**	**161**	**-17,767**
Full-time-equivalent staff	10,965	10,856	101	10,878	101	10,878

Profit before tax (DKK millions)						
Group Treasury	-585	-101	-	-593	99	-933
Own shares and issues	98	-39	-	-235	-	71
Additional tier 1 capital	-	81	-	1	-	89
Group support functions	-724	-525	138	76	-	-16,993
Total Group Functions	**-1,210**	**-584**	**207**	**-751**	**161**	**-17,767**

Comparative information for Group Functions has been restated as explained in note G2.

Strategy and initiatives

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

Q1 2023 vs Q1 2022

Group Functions posted a loss before tax of DKK 1,210 million (Q1 2022: loss of DKK 584 million).

Net interest income decreased to a net expense of DKK 582 million (Q1 2022: net income DKK 19 million), due primarily to an increase in the cost of interest rate risk management, which from 2023 is accounted for as net interest income instead of as net trading income.

Net trading income increased to DKK 84 million (Q1 2022: loss of DKK 124 million), due primarily to higher income from own shares and issues.

Operating expenses, after allocation to the business units, increased to DKK 710 million (Q1 2022: DKK 439 million) as a result, among other things, of a lower allocation of costs to the business units.

Loan impairment charges amounted to DKK 1 million (Q1 2022: DKK 17 million).

The number of full-time-equivalent staff increased 1% to 10,965.

Q1 2023 vs Q4 2022

Group Functions posted a loss before tax of DKK 1,210 million (Q4 2022: loss of DKK 751 million). Total income was largely unchanged, while operating expenses, after allocation to the business units, increased. However, the fourth quarter of 2022 benefited from a reversal of part of the provision for the Estonia matter of DKK 200 million.

- **Net interest income** decreased to a net expense of DKK 582 million (Q4 2022: net expense of DKK 155 million) due to the cost of interest rate risk management being accounted for as net interest income instead of as net trading income.

- **Net trading income** increased to DKK 84 million (Q4 2022: loss of DKK 385 million) due primarily to the cost of interest rate risk management being accounted for as net trading income instead of as net interest income.

- **Operating expenses,** after allocation to the business units, increased to DKK 710 million (Q4 2022: DKK 478 million) due to a higher allocation of costs to the business units in the fourth quarter of 2022.

- **Loan impairment charges** amounted to DKK 1 million (Q4 2022: DKK 0 million).

DKK -1,210 million

Profit before tax

for the first quarter of 2023

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. Notes G1 and G3 to the financial statements describe 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 2022, it is the dividend to be paid in 2023.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 0 million (full-year 2022: DKK 86 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 equity of DKK 0 million (2022: 2,340 million) compared to a simple average of total equity (beginning and end of the period).
Adjusted return on average shareholders' equity (% p.a.)	Net profit, excluding the provision for the Estonia matter and the goodwill impairment charge, divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. The numerator and denominator are adjusted as per Return on average shareholders' equity above.
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights divided by the daily average of the sum of loans and deposits. If the ratio was calculated applying the sum of loans and deposits at the end of the period, the ratio for 2023 would be 1.10% (2022: 0.84%) due to the daily average of the sum of loans and deposits being DKK 18.7 billion higher (2022: DKK 39.9 billion higher) than if calculating the ratio by applying the end-of-period sum of loans and deposits. The purpose of the ratio is to show whether the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (C/I), (%)	Operating expenses and provision for Estonia matter and impairment charges on goodwill divided by total income. All amounts are from the financial highlights.
Adjusted 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 numerator is the loan impairment charges of DKK 147 million (2022: DKK 1,568 million) from the financial highlights annualised. The denominator is the sum of Loans at amortised cost of DKK 1,081.7 billion (2022: DKK 1,026.1 billion), Loans at fair value of DKK 724.1 billion (2022: DKK 809.9 billion) and guarantees of DKK 81.4 billion (2022: DKK 81.0 billion) at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of net credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The numerator is the allowance account of DKK 19.7 billion (2022: DKK 19.6 billion) at the end of the period, as disclosed in the "Allowance account in core activities broken down by segment" table in the notes to the financial statements. The denominator is the sum of Loans at amortised cost of DKK 1,042.3 billion (2022: DKK 1,081.7 billion), Loans at fair value of DKK 729.6 billion (2022: DKK 724.1 billion) and guarantees of DKK 80.2 billion (2022: DKK 81.4 billion) at the end of the period, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Market shares of lending and deposits	Market shares are based on data from central banks at the time of reporting. Comparative information is updated on the basis of the latest available data, for example Annual Report 2022 included November 2022 data for Finland and Norway as December 2022 data was not available at the time of publication of Annual Report 2022. This was subsequently updated to December 2022 data in Interim report – first quarter 2023.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	Q1 2023	Q1 2022*	Full year 2022*
G4	Interest income calculated using the effective interest method	13,116	6,023	31,697
G4	Other interest income	7,050	3,524	18,288
G4	Interest expense	12,432	4,344	24,634
	Net interest income	7,734	5,203	25,351
G4	Fee income	3,844	4,662	17,305
	Fee expenses	884	1,263	4,824
G4	Net trading income or loss	1,910	1,057	1,581
G4	Other income	1,184	1,635	6,205
G6	Net insurance result	497	-135	-135
	Operating expenses	7,183	7,356	30,251
G8,G10	Provision for Estonia matter	-	-	13,800
	Impairment charges on goodwill	-	-	1,627
	Profit before loan impairment charges	7,101	3,804	-195
G5	Loan impairment charges	147	236	1,502
	Profit before tax	6,954	3,568	-1,697
	Tax	1,787	827	2,883
	Net profit	**5,167**	**2,741**	**-4,580**
	Portion attributable to			
	Shareholders of Danske Bank A/S (the Parent Company)	5,167	2,660	-4,666
	Additional Tier 1 capital holders	-	81	86
	Net profit	**5,167**	**2,741**	**-4,580**
	Earnings per share (DKK)	6.0	3.1	-5.4
	Diluted earnings per share (DKK)	6.0	3.1	-5.4

* Comparative information has been restated, as described in note G2(a). The general meeting adopted the Board of Directors' proposal that no dividend will be paid out for 2022.

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1 2023	Q1 2022**	Full year 2022**
Net profit	5,167	2,741	-4,580
Other comprehensive income			
Remeasurement of defined benefit pension plans	17	70	-968
Tax*	20	19	-179
Items that will not be reclassified to profit or loss	**-3**	**51**	**-789**
Items that are or may be reclassified subsequently to profit or loss			
Translation of units outside Denmark	-2,374	360	-4,481
Hedging of units outside Denmark	1,163	-139	2,463
Unrealised value adjustments of bonds at fair value (OCI)	124	-621	-1,546
Realised value adjustments of bonds at fair value (OCI)	1	12	-14
Tax*	-244	-92	-674
Items that are or may be reclassified subsequently to profit or loss	**-842**	**-296**	**-2,904**
Total other comprehensive income	**-845**	**-245**	**-3,693**
Total comprehensive income	**4,322**	**2,496**	**-8,273**
Portion attributable to			
Shareholders of Danske Bank A/S (the Parent Company)	4,322	2,415	-8,359
Additional Tier 1 capital holders	-	81	86
Total comprehensive income	**4,322**	**2,496**	**-8,273**

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

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

Balance sheet – Danske Bank Group

Note	(DKK millions)	31 March 2023	31 December 2022*	31 March 2022*
	Assets			
	Cash in hand and demand deposits with central banks	271,802	175,052	259,759
	Due from credit institutions and central banks	71,488	60,786	75,787
	Trading portfolio assets	569,576	638,799	616,565
	Investment securities	291,938	287,423	286,539
	Loans at amortised cost	1,043,465	1,082,818	1,068,022
	Loans at fair value	940,240	932,677	990,142
	Assets under pooled schemes and unit-linked investment contracts	66,778	66,739	71,843
	Assets under insurance contracts	497,029	502,995	661,282
	Assets held for sale	284	350	23,972
	Intangible assets	6,061	6,045	8,022
	Tax assets	4,224	5,199	4,871
G8	Other assets	28,522	31,673	30,121
	Total assets	**3,791,407**	**3,790,556**	**4,096,924**
	Liabilities			
	Due to credit institutions and central banks	147,548	138,777	185,586
	Trading portfolio liabilities	510,300	554,321	477,007
	Deposits	1,272,770	1,262,293	1,337,452
G7	Issued bonds at fair value	736,046	723,923	789,409
G7	Issued bonds at amortised cost	214,367	192,682	207,850
	Deposits under pooled schemes and unit-linked investment contracts	67,548	66,725	72,320
	Liabilities under insurance contracts	480,034	488,891	628,338
	Liabilities in disposal groups held for sale	-	-	22,868
	Tax liabilities	2,373	2,103	2,365
G8	Other liabilities	59,335	68,978	53,194
G7	Non-preferred senior bonds	98,187	93,235	104,829
G7	Subordinated debt	38,324	38,350	38,917
	Total liabilities	**3,626,832**	**3,630,278**	**3,920,135**
	Equity			
	Share capital	8,622	8,622	8,622
G9	Foreign currency translation reserve	-3,841	-2,630	-391
	Reserve for bonds at fair value (OCI)	-1,401	-1,526	-575
	Retained earnings	161,195	155,812	163,397
	Shareholders of Danske Bank A/S (the Parent Company)	164,575	160,278	171,053
G7	Additional tier 1 capital holders	-	-	5,736
	Total equity	**164,575**	**160,278**	**176,789**
	Total liabilities and equity	**3,791,407**	**3,790,556**	**4,096,924**

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

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 2023	8,622	-2,630	-1,526	155,852	-	160,318	-	160,318
Effect of changes in accounting policy	-	-	-	-40	-	-40	-	-40
Restated total equity as at 1 January 2023	8,622	-2,630	-1,526	155,812	-	160,278	-	160,278
Net profit	-	-	-	5,167	-	5,167	-	5,167
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	17	-	17	-	17
Translation of units outside Denmark	-	-2,374	-	-	-	-2,374	-	-2,374
Hedging of units outside Denmark	-	1,163	-	-	-	1,163	-	1,163
Unrealised value adjustments	-	-	124	-	-	124	-	124
Realised value adjustments	-	-	1	-	-	1	-	1
Tax	-	-	-	224	-	224	-	224
Total other comprehensive income	**-**	**-1,211**	**125**	**241**	**-**	**-845**	**-**	**-845**
Total comprehensive income	**-**	**-1,211**	**125**	**5,408**	**-**	**4,322**	**-**	**4,322**
Transactions with owners								
Acquisition of own shares and additional tier 1 capital	-	-	-	-8,762	-	-8,762	-	-8,762
Sale of own shares and additional tier 1 capital	-	-	-	8,738	-	8,738	-	8,738
Total equity as at 31 March 2023	**8,622**	**-3,841**	**-1,401**	**161,195**	**-**	**164,575**	**-**	**164,575**
Total equity as at 1 January 2022	8,622	-612	34	161,439	1,724	171,207	5,497	176,704
Effect of changes in accounting policy	-	-	-	-707	-	-707	-	-707
Restated total equity as at 1 January 2022	8,622	-612	34	160,732	1,724	170,500	5,497	175,997
Net profit	-	-	-	2,660	-	2,660	81	2,741
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	70	-	70	-	70
Translation of units outside Denmark	-	360	-	-	-	360	-	360
Hedging of units outside Denmark	-	-139	-	-	-	-139	-	-139
Unrealised value adjustments	-	-	-621	-	-	-621	-	-621
Realised value adjustments	-	-	12	-	-	12	-	12
Tax	-	-	-	73	-	73	-	73
Total other comprehensive income	**-**	**221**	**-609**	**143**	**-**	**-245**	**-**	**-245**
Total comprehensive income	**-**	**221**	**-609**	**2,803**	**-**	**2,415**	**81**	**2,496**
Transactions with owners								
Dividends paid	-	-	-	19	-1,724	-1,705	-	-1,705
Acquisition of own shares and additional tier 1 capital	-	-	-	-6,908	-	-6,908	-	-6,908
Sale of own shares and additional tier 1 capital	-	-	-	6,753	-	6,753	158	6,911
Tax	-	-	-	-1	-	-1	-	-1
Total equity as at 31 March 2022	**8,622**	**-391**	**-575**	**163,397**	**-**	**171,053**	**5,736**	**176,789**

* See note G2(a) for details on changes in accounting policy.

Dividend

The general meeting on 16 March 2023 adopted the Board of Directors' proposal that no dividend will be paid out for 2022.

Statement of capital – Danske Bank Group

(DKK millions)	31 March 2023	31 December 2022*
Share capital (DKK)	8,621,846,210	8,621,846,210
Number of shares	862,184,621	862,184,621
Number of shares outstanding	858,321,796	858,392,752
Average number of shares outstanding for the period	858,572,924	858,331,842
Average number of shares outstanding, including dilutive shares, for the period	859,929,255	862,922,306

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

Total capital and total capital ratio

(DKK millions)	31 March 2023	31 December 2022*
Total equity	164,575	160,318
Revaluation of domicile property at fair value	217	217
Tax effect of revaluation of domicile property at fair value	-28	-28
Total equity calculated in accordance with the rules of the Danish FSA	164,763	160,506
Common equity tier 1 capital instruments	164,763	160,506
Adjustment to eligible capital instruments	-510	-222
IFRS 9 reversal due to transitional rules	1,797	3,063
Prudent valuation	-1,345	-1,338
Prudential filters	-473	-567
Expected/proposed dividends	-3,100	-
Intangible assets of banking operations	-5,651	-5,529
Minimum Loss Coverage for Non-Performing Exposures	-777	-500
Deferred tax on intangible assets	307	242
Deferred tax assets that rely on future profitability, excluding temporary differences	-313	-352
Defined benefit pension plan assets	-1,507	-1,424
Statutory deduction for insurance subsidiaries	-5,448	-4,683
Common equity tier 1 capital	**147,745**	**149,197**
Additional tier 1 capital instruments	15,083	15,300
Tier 1 capital	**162,828**	**164,497**
Tier 2 capital instruments	20,781	20,765
Total capital	**183,609**	**185,261**
Total risk exposure amount	**822,031**	**838,193**
Common equity tier 1 capital ratio (%)	18.0%	17.8%
Tier 1 capital ratio (%)	19.8%	19.6%
Total capital ratio (%)	22.3%	22.1%

* Comparative information has not been restated. See note G2(a) for more detail.

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

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

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

Cash flow statement – Danske Bank Group

(DKK millions)	Q1 2023	Q1 2022*	Full Year 2022*
Cash flow from operations			
Profit before tax	6,954	3,568	-1,697
Tax paid	-808	-2,084	-3,025
Adjustment for non-cash operating items	1,819	470	21,459
Cash flow from operations before changes in operating capital	**7,965**	**1,954**	**16,737**
Changes in operating capital			
Amounts due to/from credit institutions and central banks	9,644	12,563	-35,969
Trading portfolio	25,202	-5,092	49,989
Acquisition/sale of own shares and additional tier 1 capital	-24	3	-249
Investment securities	-4,515	-5,597	-6,481
Loans at amortised cost and fair value	31,643	-6,497	34,905
Deposits	10,477	45,422	-29,737
Issued bonds at amortised cost and fair value	32,928	-64,796	-150,465
Assets/liabilities under insurance contracts	-2,891	-1,293	16,156
Other assets/liabilities	-7,627	324	-4,243
Cash flow from operations	**102,802**	**-23,010**	**-109,357**
Cash flow from investing activities			
Sale of businesses	-	561	2,032
Acquisition of intangible assets	-132	-371	-560
Acquisition of tangible assets	-326	-152	-826
Sale of tangible assets	3	1	4
Cash flow from investing activities	**-455**	**39**	**650**
Cash flow from financing activities			
Issue of non-preferred senior bonds	8,678	6,633	20,052
Redemption of non-preferred senior bonds	-2,847	-10,593	-30,590
Dividends paid	-	-1,705	-1,705
Redemption of equity accounted additional tier 1 capital	-	-	-5,419
Paid interest on equity accounted additional tier 1 capital	-	-	-164
Principal portion of lessee lease payments	-148	-158	-611
Cash flow from financing activities	**5,683**	**-5,823**	**-18,437**
Cash and cash equivalents as at 1 January	232,531	362,997	362,997
Foreign currency translation	296	-241	-3,322
Change in cash and cash equivalents	108,030	-28,794	-127,144
Cash and cash equivalents, end of period	**340,857**	**333,962**	**232,531**
Cash and cash equivalents, end of period			
Cash in hand	6,516	6,591	6,630
Demand deposits with central banks	265,286	253,168	168,422
Amounts due from credit institutions and central banks within three months	69,055	74,203	57,479
Total	**340,857**	**333,962**	**232,531**

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

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 2022.

On 1 January 2023, the Group implemented a new standard, IFRS 17, and the amendments to IAS 1, IAS 8 and IAS 12. Further information on the changes to accounting policies and presentation in 2023 can be found in note G2(a). Except for these changes, the Group has not changed its significant accounting policies from those applied in Annual Report 2022. Annual Report 2022 provides a full description of the significant accounting policies.

Financial statement figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because totals have been rounded off and the underlying decimals are not presented to financial statement users. The interim report for the first three months of 2023 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 2022) 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 2022). An overview of the classification and measurement basis for financial instruments can be found in note G1(c) of the Annual Report 2022.

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

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

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

The expected credit losses are calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and incorporate forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Note G13 provides information on the scenarios as at 31 March 2023.

The base case scenario enters with a probability of 60% (31 December 2022: 70%), the upside scenario with a probability of 20% (31 December 2022: 10%) and the downside scenario with a probability of 20% (31 December 2022: 20%). On the basis of these assessments, the allowance account as at 31 March 2023 amounted to DKK 19.7 billion (31 December 2022: DKK 19.6 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.7 billion (31 December 2022: DKK 2.1 billion). Compared to the base case scenario, the allowance account would increase DKK 9.1 billion (31 December 2022: DKK 10.9 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 0.5 billion (31 December 2022: DKK 0.4 billion) compared to the base case scenario.

Management applies judgement when determining the need for post-model adjustments. As at 31 March 2023, the post-model adjustments amounted to DKK 6.5 billion (31 December 2022: DKK 6.6 billion) which are predominantly linked to macroeconomic uncertainties related to inflation and increasing interest rates, and other sector-specific factors that ensure prudent coverage of expected credit losses for the Group's credit exposures. On the types of risks covered by post-model adjustments, more information can be found in note G13.

Note G15 of the Annual Report 2022 and the section on credit risk in note G13 in the Interim report – first quarter 2023 provide more details on expected credit losses. As at 31 March 2023, financial assets covered by the expected credit loss model accounted for about 54.7% of total assets (31 December 2022: 55.7%).

Notes – Danske Bank Group

G1. Significant accounting policies and estimates continued

(b) Significant accounting estimates continued

Fair value measurement of financial instruments

At the end of March 2023, no unusual challenges in obtaining reliable pricing apart from insignificant parts of the portfolio remained. The majority of valuation techniques continues to employ only observable market data, and there has been no significant increase in financial instruments measured on the basis of valuation techniques that are based on one or more significant unobservable inputs. The latter continues to include only unlisted shares, certain bonds and some long-dated derivatives for which there is no active market. On the derivatives portfolio, the Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA and ColVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. As at 31 March 2023, the adjustments totalled DKK 0.2 billion (31 December 2022: DKK 0.2 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note G12 of this report and note G33(a) of the Annual Report 2022 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 is replacing existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. The Group's IBOR Transition Programme's focus is on the transition of USD LIBOR contracts ahead of the June 2023 deadline, in addition to the continued implementation of the DESTR, SWESTR and NOVA indexes into its core Nordic customer base. Following IASB's project 'Interest Rate Benchmark Reform' for the assessment of effectiveness of such hedges, it is assumed that the interest rate benchmark is not altered as a result of the reform. For further information, see note G12(d) of the Annual Report 2022.

Measurement of goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the present value of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. At 31 March 2023, goodwill amounted to DKK 4.4 billion (31 December 2022: DKK 4.4 billion).

In connection with the quarterly reporting, management performs an impairment review to assess whether there are indications that goodwill might be impaired. This includes a review of decline in income, increase in loan impairment charges, decline in the market value of assets under management, major restructurings, macroeconomic developments etc. No indications of impairment have been noted at the end of March 2023.

Goodwill mainly consists of DKK 2.1 billion (31 December 2022: DKK 2.1 billion) in Markets, DKK 1.8 billion (31 December 2022: DKK 1.8 billion) in Asset Management and DKK 0.5 billion (31 December 2022: DKK 0.5 billion) in General Banking (all part of the business segment Large Corporates & Institutions) showing significant amounts of excess value in the impairment tests in 2022.

Note G19 of the Annual Report 2022 provides more information about impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured using either the General Measurement Model (GMM), Variable Fee Approach (VFA) or Premium Allocation Approach (PAA). GMM and VFA both comprise fulfilment cash flows, which are estimates of the present value of future cash flows for insurance contracts, adjusted for time value of money and financial risks related to future cash flows, and a risk adjustment for non-financial risk. Such estimates include actuarial computations, that rely on a number of variables, including mortality and disability rates, as well as discount rates. Note G2 provides more information on the measurement of insurance liabilities.

Notes – Danske Bank Group

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

(a) Changes in accounting policies

On 1 January 2023, the Group implemented IFRS 17, and the amendments to IAS 1, IAS 8 and IAS 12. The sections below explain in further details the changes to accounting policies implemented.

IFRS 17, Insurance contracts

On 1 January 2023, the Group implemented IFRS 17, Insurance Contracts. Under IFRS 17, insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder, by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Insurance contracts with direct participation features are those which, at inception, (i) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items, (ii) the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items, and (iii) the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Each portfolio of insurance contracts (i.e. contracts that are subject to similar risks and are managed together) is divided into (i) groups of contracts that are onerous at initial recognition (ii) groups of contracts that at initial recognition, have no significant possibility of becoming onerous subsequently, and (iii) groups of remaining contracts in the portfolio. Groups of insurance contracts issued are initial recognised from the earliest of the (i) the beginning of the coverage period of the group, (ii) the date when the first payment from a policyholder becomes due, or (iii) for a group of onerous contracts, when the group becomes onerous. Furthermore, each group is divided into annual cohorts so that each group only includes contracts issued no more than one year apart.

In Danske Bank Group, insurance contracts are held by the wholly owned subsidiary Danica Pension (Danica). The Group has four portfolios of insurance contracts, based on an assessment of similar risks and whether they are managed together:

- an average-rate portfolio
- a unit-linked portfolio
- a portfolio of legacy life insurance product in run-off
- a portfolio containing health and accident insurance contracts.

The Group measures insurance contracts using the General Measurement Model (GMM, or Building Block approach), Variable Fee Approach (VFA) or Premium Allocation Approach (PAA). Groups of insurance contracts under GMM or VFA are initially measured as the total of fulfilment cash flows (which comprise estimated future cash flows, an adjustment for time value of money and financial risks related to future cash flows, and a risk adjustment for non-financial risk) and contractual service margin (CSM; unearned profit that will be recognised as the Group provides insurance contract services). An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition are in total a net outflow. The loss from onerous insurance contracts is recognised immediately in profit or loss, and no CSM is recognised on the balance sheet on initial recognition.

At each reporting date, the group of insurance contracts is subsequently measured as the sum of the liability for remaining coverage (comprising fulfilment cash flows relating to future service and CSM) and liability for incurred claims (comprising fulfilment cash flows relating to past service).

Health and accident insurance contracts are measured under PAA, which means the liability for remaining coverage is measured on initial recognition at premiums received less any acquisition cash flows paid and any amounts arising from the derecognition of insurance acquisition cash flows asset.

The key impacts of the implementation of IFRS 17 are:

- Life insurance products and Health and Accident products have been disaggregated, as they are subject to different risks and therefore cannot be managed together (bundled) under IFRS 17. This has resulted in a decrease of DKK 1.4 billion in the Group's equity as at 1 January 2022
- Premiums are no longer recognised in profit or loss at their due dates. Instead, the contractual service margin is recognised in insurance revenue as services are provided over the expected coverage period of the group of insurance contracts.
- Benefits are no longer recognised in profit or loss when paid. Instead, insurance service expenses are recognised, comprising incurred claims and other incurred insurance expenses.
- Changes to provisions caused by fair value adjustment of expected payments are no longer carried under Net trading income or loss. This is now included in net finance expenses from insurance contracts.
- The return on assets earmarked for insurance contracts is no longer carried under Net interest income and Net trading income or loss. This is now included in Net return on investment within the Net insurance result.
- The Group has simplified its reporting of Danica, and now reports the majority of Danica's assets and liabilities under Assets under insurance contracts and Liabilities under insurance contracts respectively in the Balance sheet. Previously, an allocation of Danica's assets and liabilities (equating to Danica's equity) were consolidated on a line-by-line basis in the Balance sheet.

Changes in accounting policies are a result of IFRS 17 have been applied using the fair value approach.

In addition, the following changes have been made to accounting policies as a result of IFRS 17 implementation:

- When, and only when, the Group reacquires its own equity instruments (i.e. own shares) to be included in investment funds that provides investors with benefits determined by units in the fund, and for which financial liabilities are recognised for the amounts to be paid to those investors, IAS 32 has been amended with an optional election not to deduct these shares from equity, and account for them as financial assets held at fair value through profit or loss. The Group has applied this election to its own shares in Pooled schemes and Unit-linked investment contracts which meet the IAS 32 election criteria.

Notes – Danske Bank Group

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

- When, and only when, the Group reacquires its own shares and includes these shares as underlying items of direct participating contracts, IAS 32 has been amended with an optional election to not deduct these own shares from equity, and to account for the reacquired shares as financial assets held at fair value through profit or loss. The Group has applied this election to own shares in Assets under insurance contracts which meet the IAS 32 election criteria.

- When, and only when the Group repurchases its own financial liabilities to be included in investment funds that provides investors with benefits determined by units in the fund, and for which financial liabilities are recognised for the amounts to be paid to those investors, or includes the own financial liabilities as underlying items of direct participating contracts, IFRS 9 has been amended with an optional election to not derecognise the financial liabilities, and to account for the repurchased instruments as financial assets held at fair value through profit or loss. The Group has applied this election to own bonds in Assets under insurance contracts which meet the IFRS 9 election criteria.

The impact of the changes in IAS 32 and IFRS 9 accounting policies resulted in an increase of DKK 0.7 billion in the Group's equity as at 1 January 2022.

At the transition date of 1 January 2022, the Group:
- Identified, recognised and measured each group of insurance contracts and reinsurance contracts
- Derecognised previously reported balances that would not have existed if IFRS 17 had always been applied
- Reclassified Danica's assets and liabilities to Assets under insurance contracts and Liabilities under insurance contracts respectively where relevant
- Recognised own shares and own bonds that were underlying items of direct participating contracts at fair value
- Recognised own shares that were reacquired to be held in investment funds on behalf of customers
- Recognised the resulting net differences in equity.

The DKK 1.4 billion decrease in the Group's equity from IFRS 17 implementation and DKK 0.7 billion increase from the IAS 32 and IFRS 9 accounting policy changes result in a net decrease of DKK 0.7 billion as at 1 January 2022, which is presented in the Statement of changes in equity. The impact of these changes increases the Group's 2022 result by DKK 0.5 billion. The impact on the Group's equity as at 31 December 2022 is a net decrease of DKK 40 mil-lion, as result of the increase in the Group's 2022 result and the direct impact on equity from the change in treatment of own shares.

A reconciliation of balances between 31 December 2021 and 1 January 2022 is presented below, showing the impact of IFRS 17 (including the reclassification of Danica's assets and liabilities), the change in treatment of the Group's own shares, and the change in treatment of the Group's own bonds.

Ratios for regulatory requirements in 2022 have not been restated as a result of the changes described above. The overall impact on equity at 31 December 2022 of DKK 40 million is immaterial, and therefore the Group's total capital and capital ratios for 2022 will not be revised nor resubmitted to regulators, and will remain as published in the Annual Report 2022.

Amendment to IAS 1, Presentation of financial statements

The amendments require disclosure of material accounting policy information, rather than significant accounting policies. Accounting policy information is considered to be material if users of the financial statements need it to understand other material information in the financial statements. If immaterial accounting policy information is disclosed, it should not obscure material accounting policy information.

The amendments have no impact on the financial statements.

Amendment to IAS 8, Accounting policies, changes in accounting estimates and errors

The amendments introduce a definition of accounting estimates – monetary amounts in financial statements that are subject to measurement uncertainty – and clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. Similarly, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments also make a distinction between how changes in accounting policies and changes in accounting estimates should be presented and disclosed.

The amendments have no impact on the financial statements.

Amendment to IAS 12, Income taxes

The amendment to IAS 12 clarifies how entities should account for deferred tax on transactions such as leases and decommissioning obligations.

The main change is that the initial recognition exemption in IAS 12 does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments have no impact on the financial statements.

Notes – Danske Bank Group

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

Effect of changes in accounting policy as at 1 January 2022

(DKK millions)	31 December 2021	IFRS 17	Remeasurements IAS 32 – own shares	Remeasurements IFRS 9 – own bonds	1 January 2022
Assets					
Cash in hand and demand deposits with central banks	293,386	-	-	-	293,386
Due from credit institutions and central banks	71,156	-7	-	-	71,149
Trading portfolio assets	509,590	-164	-	-	509,426
Investment securities	303,777	-22,835	-	-	280,942
Loans at amortised cost	1,027,442	-	-	-	1,027,442
Loans at fair value	1,024,461	-	-	-	1,024,461
Assets under pooled schemes and unit-linked investment contracts	76,654	-	151	-	76,805
Assets under insurance contracts	547,806	29,731	507	44,590	622,634
Assets held for sale	28,800	-	-	-	28,800
Intangible assets	8,819	-2,628	-	-	6,191
Tax assets	4,510	-	-	-	4,510
Other assets	39,433	-4,097	-	-	35,336
Total assets	**3,935,834**	**-**	**658**	**44,590**	**3,981,082**
Liabilities					
Due to credit institutions and central banks	172,976	-	-	-	172,976
Trading portfolio liabilities	374,959	-	-	-	374,959
Deposits	1,292,030	-	-	-	1,292,030
Issued bonds at fair value	794,909	-	-	44,426	839,335
Issued bonds at amortised cost	223,854	-	-	-	223,854
Deposits under pooled schemes and unit-linked investment contracts	76,982	-	-	-	76,982
Liabilities under insurance contracts	588,736	2,247	-	-	590,983
Liabilities in disposal groups held for sale	29,577	-	-	-	29,577
Tax liabilities	1,864	-460	-	-	1,404
Other liabilities	56,268	-422	-	164	56,010
Non-preferred senior bonds	107,654	-	-	-	107,654
Subordinated debt	39,321	-	-	-	39,321
Total liabilities	**3,759,130**	**1,365**	**-**	**44,590**	**3,805,085**
Equity					
Share capital	8,622	-	-	-	8,622
Foreign currency translation reserve	-612	-	-	-	-612
Reserve for bonds at fair value (OCI)	34	-	-	-	34
Retained earnings	161,439	-1,365	658	-	160,732
Proposed dividends	1,724	-	-	-	1,724
Shareholders of Danske Bank A/S (the Parent Company)	171,207	-1,365	658	-	170,500
Additional tier 1 capital holders	5,497	-	-	-	5,497
Non-controlling interests	**-**	**-**	**-**	**-**	**-**
Total equity	**176,704**	**-1,365**	**658**	**-**	**175,997**
Total liabilities and equity	**3,935,834**	**-**	**658**	**44,590**	**3,981,082**

Notes – Danske Bank Group

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

b) Changes in financial highlights and segment reporting

On 1 January 2023, the Group implemented IFRS 17, Insurance contracts, resulting in the restatement of 2022. See note G2(a) for details of the changes in accounting policy. At the same time, the Group has simplified its reporting of Danica Pension, by stopping the allocation of Danica's equity to Group Treasury (within Group Functions). The table below shows the restated amounts in the financial highlights and segment reporting for first quarter 2022:

Changes in financial highlights and segment reporting - first quarter 2022 restated

(DKK millions)	Financial Highlights first quarter 2022	Implementation of IFRS 17	Elimination of own shares	Elimination of own bonds	Adjusted Financial Highlights
Net interest income	5,630	-39	-	-	5,591
Net fee income	3,379	-	-	-	3,379
Net trading income	565	123	-5	-	683
Net income from insurance business	84	-219	-	-	-135
Other income	669	-	-	-	669
Total income	10,327	-135	-5	-	10,187
Operating expenses	6,371	-	-	-	6,371
of which resolution fund, bank tax etc,	240	-	-	-	240
Profit before loan impairment charges	3,955	-135	-5	-	3,816
Loan impairment charges	234	-	-	-	234
Profit before tax, core*	**3,721**	**-135**	**-5**	**-**	**3,582**
Loans, excluding reverse transactions	1,843,815	-	-	-	1,843,815
Other assets (including Non-core)	2,209,139	-	742	43,228	2,253,109
Total assets	**4,052,954**	**-**	**742**	**43,228**	**4,096,924**
Deposits, excluding repo deposits	1,176,842	-	-	-	1,176,842
Other liabilities (including Non-core)	2,704,336	1,465	-	43,228	2,749,028
Allocated capital	171,776	-1,465	742	-	171,053
Total liabilities and equity	**4,052,954**	**-**	**742**	**43,228**	**4,096,924**
Profit before tax as % p,a, of allocated capital (avg,)	8,6	-	-	-	8,1
Cost/income ratio (%)	61,7	-	-	-	62,5
Full-time-equivalent staff, end of period	21,854	-	-	-	21,854

* The reconciliation above excludes Profit before tax, Non-core, which is not impacted by any of the changes described above.

Notes – Danske Bank Group

G3. Business segments

a) Business model and business segmentation

The Group's commercial activities are organised in five reporting business units:

- Personal Customers, which serves personal customers across all markets
- Business Customers, which serves small and medium-sized business customers across all markets, and includes the Group's Asset Finance operations
- Large Corporates & Institutions, which serves large corporates and institutional customers across all Nordic markets
- Danica Pension, which specialises in pension schemes, life insurance policies and health insurance policies in Denmark
- Northern Ireland, which serves retail and commercial customers through a network of branches and business centres in Northern Ireland alongside digital channels.

Besides the five commercial business units, the Group's reportable segments under IFRS 8 include Non-core and Group Functions.

Notes – Danske Bank Group

G3. Business segments continued

Business segments Q1 2023

(DKK millions)	Personal Customers	Business Cus-tomers	Large Corporates & Institutions	Danica	Northern Ireland	Non-core	Group Functions	Eliminati-ons	Financial highlights	Reclas-ification	IFRS financial statements
Net interest income	3,405	2,927	1,674	-	599	-	-542	-39	8,023	-289	7,734
Net fee income	1,072	456	1,351	-	83	-	-53	45	2,954	6	2,960
Net trading income	85	122	1,207	-	114	-	98	-15	1,612	298	1,910
Net income from insurance business*	-	-	-	497	-	-	-	-	497	-	497
Other income	20	287	6	-	5	-	673	-666	325	859	1,184
Total income	4,583	3,792	4,238	497	801	-	176	-675	13,411	874	14,285
Operating expenses	2,253	1,246	1,752	-	319	-	1,361	-651	6,280	903	7,183
of which resolution fund, bank tax etc,	41	63	124	-	-	-	26	-	254	-254	-
Profit before loan impair-ment charges	2,330	2,546	2,486	497	482	-	-1,185	-24	7,131	-29	7,101
Loan impairment charges	412	149	-392	-	-24	-	1	-	147	-	147
Profit before tax, core	1,918	2,396	2,877	497	506	-	-1,186	-24	6,984	-30	6,954
Profit before tax, Non-core	-	-	-	-	-	-30	-	-	-30	30	-
Profit before tax	**1,918**	**2,396**	**2,877**	**497**	**506**	**-30**	**-1,186**	**-24**	**6,954**	**-**	**6,954**
Loans, excluding reverse transactions	783,836	626,795	305,403	-	54,617	-	26,588	-27,412	1,769,827	1,121	1,770,948
Other assets (including Non-core)	335,125	195,327	3,426,244	560,843	59,654	1,482	4,455,461	-7,012,557	2,021,580	-1,121	2,020,458
Total assets	**1,118,961**	**822,121**	**3,731,648**	**560,843**	**114,271**	**1,482**	**4,482,049**	**-7,039,968**	**3,791,407**	**-**	**3,791,407**
Deposits, excluding repo de-posits	411,316	279,388	378,066	-	94,667	-	3,527	-10,662	1,156,302	2,101	1,158,404
Other liabilities (including Non-core)	678,247	503,235	3,313,558	542,238	14,073	2,436	4,446,050	-7,029,307	2,470,530	-2,101	2,468,428
Allocated capital	29,398	39,498	40,024	18,605	5,531	-	31,519	-	164,575	-	164,575
Total liabilities and equity	**1,118,961**	**822,121**	**3,731,648**	**560,843**	**114,271**	**2,436**	**4,481,095**	**-7,039,968**	**3,791,407**	**-**	**3,791,407**
Profit before tax as % p,a, of allocated capital (avg,)	25,8	24,3	28,9	10,2	34,7	-	-14,3	-	17,1	-	17,1
Cost/income ratio (%)	49,2	32,9	41,3	-	39,8	-	-	-	46,8	-	50,3
Full-time-equivalent staff, end of period	4,277	1,664	2,079	902	1,305	14	10,965	-	21,205	-	21,205

* Net income from insurance business in the financial highlights is equivalent to Net insurance result in the IFRS financial statements.

Notes – Danske Bank Group

G3. Business segments continued

Business segments Q1 2022

(DKK millions)	Personal Customers	Business ustomers	Large Corporates & Institutions	Danica*	Northern Ireland	Non-core	Group Functions*	Eliminati-ons*	Financial highlights*	Reclas-sifica-tion*	IFRS finan-cial state-ments*
Net interest income	1,936	1,973	1,284	-	379	-	21	-2	5,591	-388	5,203
Net fee income	1,335	480	1,514	-	76	-	23	-49	3,379	20	3,399
Net trading income	105	109	737	-	-143	-	-104	-20	683	374	1,057
Net income from insurance business	-	-	-	-135	-	-	-	-	-135	-	-135
Other income	463	199	1	-	3	-	625	-622	669	966	1,635
Total income	3,839	2,761	3,535	-135	315	-	565	-693	10,187	973	11,160
Operating expenses	2,567	1,314	1,744	-	308	-	493	-54	6,371	985	7,356
of which resolution fund, bank tax etc,	40	58	116	-	-	-	26	-	240	-240	-
Profit before loan impair-ment charges	1,273	1,447	1,791	-135	7	-	73	-640	3,816	-12	3,804
Loan impairment charges	-2	112	88	-	19	-	17	-	234	2	236
Profit before tax, core	1,274	1,335	1,703	-135	-12	-	56	-640	3,582	-14	3,568
Profit before tax, Non-core	-	-	-	-	-	-14	-	-	-14	14	-
Profit before tax	**1,274**	**1,335**	**1,703**	**-135**	**-12**	**-14**	**56**	**-640**	**3,568**	**-**	**3,568**
Loans, excluding reverse transactions	859,369	639,668	288,704	-	55,510	-	29,921	-29,357	1,843,815	1,434	1,845,249
Other assets (including Non-core)	315,088	205,996	2,905,178	716,737	61,377	2,078	4,155,690	-6,109,036	2,253,109	-1,434	2,251,675
Total assets	**1,174,457**	**845,665**	**3,193,881**	**716,737**	**116,887**	**2,078**	**4,185,611**	**-6,138,393**	**4,096,924**	**-**	**4,096,924**
Deposits, excluding repo de-posits	410,363	290,063	381,753	-	99,094	-	7,089	-11,519	1,176,842	2,198	1,179,040
Other liabilities (including Non-core)	732,824	516,099	2,770,183	694,667	12,015	2,547	4,148,309	-6,127,616	2,749,028	-2,198	2,746,831
Allocated capital	31,270	39,503	41,946	22,070	5,779	-	29,745	742	171,053	-	171,053
Total liabilities and equity	**1,174,457**	**845,665**	**3,193,881**	**716,737**	**116,887**	**2,547**	**4,185,142**	**-6,138,393**	**4,096,924**	**-**	**4,096,924**
Profit before tax as % p,a, of allocated capital (avg,)	16,2	13,2	16,7	-2,5	-0,8	-	0,5	-	8,1	-	8,1
Cost/income ratio (%)	66,9	47,6	49,3	-	97,8	-	87,3	-	62,5	-	65,9
Full-time-equivalent staff, end of period	4,850	1,678	2,226	954	1,257	33	10,856	-	21,854	-	21,854

* Comparative information has been restated, as described in note G2(a) and 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 2022. Net income from insurance business is presented before elimination of intra-group transactions. The decomposition of the reclassification between the IFRS income statement and Financial highlights is shown in the tables below.

Reclassification Q1 2023

(DKK millions)	IFRS financial statements	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Non-core	Total reclassification*	Financial highlights
Net interest income	7,734	-	287	2	289	8,023
Net fee income	2,960	-	-6	-	-6	2,954
Net trading income	1,910	-	-301	3	-298	1,612
Other income	1,184	-891	20	12	-859	325
Net insurance result*	497	-	-	-	-	497
Total income	14,285	-891	-	17	-874	13,411
Operating expenses	7,183	-891	-	-12	-903	6,280
Profit before loan impairment charges	7,101	-	-	29	29	7,131
Loan impairment charges	147	-	-	-	-	147
Profit before tax, core	6,954	-	-	30	30	6,984
Profit before tax, Non-core	-	-	-	-30	-30	-30
Profit before tax	**6,954**	**-**	**-**	**-**	**-**	**6,954**

*Net insurance result in the IFRS financial statements is equivalent to Net income from insurance business in the Financial highlights.

Reclassification Q1 2022

(DKK millions)	IFRS financial statements*	Operating leases	Markets, Investment Banking & Securities and Group Treasury	Non-core	Total reclassification*	Financial highlights*
Net interest income	5,203	-	388	1	388	5,591
Net fee income	3,399	-	-17	-3	-20	3,379
Net trading income	1,057	-	-371	-3	-374	683
Other income	1,635	-959	-	-8	-966	669
Net insurance result**	-135	-	-	-	-	-135
Total income	11,160	-959	-	-14	-973	10,187
Operating expenses	7,356	-959	-	-26	-985	6,371
Profit before loan impairment charges	3,804	-	-	12	12	3,816
Loan impairment charges	236	-	-	-2	-2	234
Profit before tax, core	3,568	-	-	14	14	3,582
Profit before tax, Non-core	-	-	-	-14	-14	-14
Profit before tax	**3,568**	**-**	**-**	**-**	**-**	**3,568**

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

** Net insurance result in the IFRS financial statements is equivalent to Net income from insurance business in the Financial highlights.

Notes – Danske Bank Group

G4. Income

(a) Interest income and interest expense

Negative interest income during Q1 2023 amounted to DKK 3 million (Q1 2022: DKK 527 million). Negative interest expenses amounted to DKK 3 million (Q1 2022: DKK 1,120 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

(b) Fee income

Note G6 of the Annual Report 2022 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Fee income Q1 2023

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	1,043	192	1,235	592	1,828
Money transfers, account fee, cash management and other fees	948	-63	885	264	1,148
Lending and Guarantees	644	160	804	28	832
Capital markets	319	-283	36	-	36
Total	**2,954**	**6**	**2,960**	**884**	**3,844**

Fee income Q1 2022

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment*	1,295	193	1,488	919	2,406
Money transfers, account fee, cash management and other fees	929	-56	873	317	1,190
Lending and Guarantees	804	166	970	27	997
Capital markets	351	-282	69	-	69
Total	**3,379**	**20**	**3,399**	**1,263**	**4,662**

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

(c) Other income

Other income amounted to DKK 1,184 million for Q1 2023 (Q1 2022: DKK 1,635 million). Other income includes income from lease assets, investment property and real estate brokerage, and income from holdings in associates. During the first quarter of 2022, Other income also included the gain on the sale of business activities in Luxembourg.

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)	Q1 2023	Q1 2022
ECL on new assets	747	1,302
ECL on assets derecognised	-807	-2,154
Impact of net remeasurement of ECL (incl. changes in models)	315	509
Write-offs charged directly to income statement	300	690
Received on claims previously written off	-337	-49
Interest income, effective interest method	-71	-61
Total	**147**	**236**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2022	2,717	6,807	13,223	22,746
Transferred to stage 1 during the period	699	-653	-46	-
Transferred to stage 2 during the period	-219	478	-258	-
Transferred to stage 3 during the period	-14	-290	303	-
ECL on new assets	418	270	615	1,302
ECL on assets derecognised	-303	-422	-1,429	-2,154
Impact of net remeasurement of ECL (incl, changes in models)	-188	325	372	509
Write-offs debited to the allowance account	-	-	-1,852	-1,852
Foreign exchange adjustments	1	5	76	81
Other changes	-18	212	-188	6
ECL allowance account as at 31 March 2022	**3,091**	**6,732**	**10,815**	**20,638**
ECL allowance account as at 1 January 2023	**3,273**	**8,082**	**8,290**	**19,645**
Transferred to stage 1 during the period	864	-832	-32	-
Transferred to stage 2 during the period	-162	232	-70	-
Transferred to stage 3 during the period	-10	-122	131	-
ECL on new assets	191	358	198	747
ECL on assets derecognised	-118	-385	-305	-807
Impact of net remeasurement of ECL (incl, changes in models)	-753	1,113	-45	315
Write-offs debited to the allowance account	-	-	-57	-57
Foreign exchange adjustments	-20	-66	-65	-150
Other changes	-2	-1	10	7
ECL allowance account as at 31 March 2023	**3,263**	**8,380**	**8,056**	**19,699**

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 note G13.

Notes – Danske Bank Group

G6. Net insurance result

The Group implemented IFRS 17, Insurance contracts on 1 January 2023, as described in note G2(a).

Net insurance result

(DKK millions)	Q1 2023	Q1 2022
Insurance revenue	1,269	1,268
Insurance service expenses	1,057	920
Net expenses from reinsurance	11	5
Insurance service result	201	343
Net return on investment	7,871	-23,751
Net finance income or expense from insurance	-7,582	23,248
Other insurance related income	7	25
Net insurance result	**497**	**-135**

Notes – Danske Bank Group

G7. Issued bonds, subordinated debt and additional tier 1 capital

Issued bonds at fair value

(DKK millions)	31 March 2023	31 December 2022*
Bonds issued by Realkredit Danmark (covered bonds)	724,600	711,773
Commercial papers and certificates of deposits	8,606	9,119
Structured retail notes	2,840	3,032
Issued bonds at fair value, total	**736,046**	**723,923**

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

Issued bonds at amortised cost

(DKK millions)	31 March 2023	31 December 2022
Commercial papers and certificates of deposits	2,063	-
Preferred senior bonds*	71,862	48,356
Covered bonds	137,832	140,829
Structured retail notes*	2,609	3,498
Issued bonds at amortised cost, total	**214,367**	**192,682**
Non-preferred senior bonds	**98,187**	**93,235**

* DKK 3,498 million of Structured retail notes that were included in Preferred senior bonds as at 31 December 2022 is now presented in a separate line.

Further information on issued bonds at fair value through profit or loss can be found in note G16 of the Annual Report 2022. The issuance and redemption of bonds (including commercial papers and certificates of deposits at fair value) during the year are presented in the tables below.

Nominal value (DKK millions)	1 January 2023	Issued	Redeemed	Foreign currency translation	31 March 2023
Commercial papers and certificate of deposits	9,128	19,377	17,547	-288	10,669
Preferred senior bonds*	59,348	23,700	1,175	-486	81,388
Covered bonds	156,740	6,100	4,595	-3,888	154,356
Non-preferred senior bonds	100,586	8,700	2,840	-1,517	104,928
Other issued bonds	**325,801**	**57,876**	**26,157**	**-6,179**	**351,341**

* Preferred senior bonds includes structured retail notes.

Nominal value (DKK millions)	1 January 2022	Issued	Redeemed	Foreign currency translation	31 December 2022
Commercial papers and certificate of deposits	23,712	13,445	26,709	-1,321	9,128
Preferred senior bonds*	67,724	1,400	14,630	4,854	59,348
Covered bonds	165,067	39,600	39,605	-8,322	156,740
Non-preferred senior bonds	108,104	20,100	30,530	2,913	100,586
Other issued bonds	**364,607**	**74,545**	**111,475**	**-1,876**	**325,801**

* Preferred senior bonds includes structured retail notes.

Subordinated debt and additional tier 1 capital

As at 31 March 2023, the nominal value of subordinated debt, including liability accounted additional tier 1 capital, amounted to DKK 40,288 million (31 December 2022: DKK 40,514 million). During the three months ended 31 March 2023, the Group did not issue or redeem any additional tier 1 or tier 2 capital instruments. During 2022, the Group redeemed EUR 750 million of additional tier 1 capital accounted for as equity.

For the additional tier 1 capital, Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 6.4.3 of Risk Management 2022 for further information). As at 31 March 2023, distributable items for Danske Bank A/S amounted to DKK 130.4 billion (31 December 2022: DKK 126.7 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shar es, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. As at 31 Marc h 2023 the common equity tier 1 capital ratio was 20.8% (31 December 2022: 20.3%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

G8. Other assets and Other liabilities

(A) Other assets and other liabilities (DKK millions)	31 March 2023	31 December 2022*
Other assets		
Accrued interest and commissions due	6,435	2,256
Prepayments, accruals and other amounts due	9,861	17,048
Defined benefit pension plan, net assets	1,603	1,486
Investment property	145	146
Tangible assets	7,482	7,586
Right of use lease assets	2,515	2,615
Holdings in associates	482	536
Total	**28,522**	**31,673**
Other liabilities		
Sundry creditors	38,694	35,822
Estonia settlement	-	15,300
Accrued interest and commissions due	10,661	7,634
Defined benefit pension plans, net liabilities	327	366
Other staff commitments	1,547	1,804
Lease liabilities	2,642	2,743
Loan commitments and guarantees etc,	2,680	2,627
Reserves subject to a reimbursement obligation	4	4
Provisions, including litigations	2,780	2,678
Total	**59,335**	**68,978**

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

In the table above, Provisions, including litigations includes customer relations, regulatory and legal proceedings, restructuring costs and other provisions.

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 37,567 million (31 December 2022: DKK 34,573 million). The loans are part of the net investment in those units and the foreign currency gains/losses on these loans are recognised in Other comprehensive income. The funding of the loans is partly done in DKK in order to create a so-called structural FX hedge position in accordance with banking regulations, i.e. to reduce the impact on capital ratios resulting from changes in the risk exposure amount due to changes in currency rates. The Group's net investment in its subsidiaries Danske Hypotek AB (Sweden) and Danske Mortgage Bank Plc (Finland) is included in the structural FX hedge position to extend the hedge to the risk exposure amount measured by currency for EUR, NOK and SEK across the entire Group balance sheet, although with constraints to the size of the loans to the foreign branches and the net investments in the foreign subsidiaries. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decreases the hedge of the currency risk on the net investments in those units. As at 31 March 2023, the structural FX hedge position totalled DKK 41,918 million (31 December 2022: DKK 41,350 million) and a loss of DKK 1,137 million has been recognised in Other comprehensive income during the first quarter of 2023, primarily due to a weakening of NOK against DKK throughout the first quarter of 2023. During the first quarter of 2022, a gain of DKK 226 million related to the structural FX hedge position was recognised in Other comprehensive income due to an appreciation of NOK against DKK throughout the first quarter of 2022.

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)	31 March 2023	31 December 2022
Financial guarantees	5,228	5,512
Other guarantees	74,962	75,884
Total	**80,190**	**81,396**

(b) Commitments (DKK millions)	31 March 2023	31 December 2022
Loan commitments shorter than 1 year	219,386	236,062
Loan commitments longer than 1 year	190,186	199,888
Other unutilised commitments	14,257	15,196
Total	**423,829**	**451,146**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 223 billion (31 December 2022: DKK 205 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

As announced on 13 December 2022, Danske Bank has reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch. The aggregate amounts payable to the US and Danish authorities were paid in January 2023.

As part of the Bank's agreement with DoJ, Danske Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025 and Danske Bank committed to continue improving its compliance programs. Danske Bank has taken extensive remediation action to address those failings to prevent any similar occurrences, and the Bank remains in contact with DoJ as a matter of post-resolution obligations set forth in the agreement with DoJ.

The coordinated resolution marks the end of the criminal and regulatory investigations into Danske Bank by the authorities in Denmark and the United States.

The Bank remains subject to a criminal investigation by authorities in France and has posted bail in the amount of DKK 80 million. The Bank continues to cooperate with the authorities.

The civil claims filed against Danske Bank by institutional investors can be summarised to six case complexes with a current total claim amount of approximately DKK 12.8 billion. One of the case complexes has partly been referred to the Eastern High Court, while the remaining case complexes are stayed or pending before the Copenhagen City Court. The civil claims were not included in the coordinated resolutions with DoJ, SEC, and SCU. Danske Bank will continue to defend itself vigorously against these claims. The timing of completion of such civil claims (pending or threatening) and their outcome are uncertain and could be material.

Danske Bank has been procedurally notified in two claims filed against Thomas F. Borgen. 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. The first case was dismissed in the first instance and subsequently appealed by the claimants. The original claim amount for both claims was approximately DKK 3.2 billion, but has been reduced to approximately DKK 1.7 billion.

An action has been filed in the United States District Court for the Eastern District of New York against Danske Bank and others. The complaint sought unspecified punitive and compensatory damages. On 29 December 2022, the action was dismissed by the court and on 27 January 2023, the complainants filed an appeal of the dismissal. The timing of the completion of the lawsuit and the outcome are uncertain.

Notes – Danske Bank Group

G10. Guarantees, commitments and contingent liabilities continued

Other

Owing to its business volume, Danske Bank is continually a party to various other lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA and the Danish Tax Agency on other matters. 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 and the UK. As in Denmark, the contributions to the schemes in these countries are annual contributions combined with extraordinary contributions if the means of the schemes are not sufficient to cover the required payments.

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

With effect from 1 April 2022, Danske Bank A/S is no longer registered jointly with all significant Danish entities of Danske Bank Group for financial services employer tax and VAT, for which Danske Bank A/S and the entities had been jointly and severally liable.

Notes – Danske Bank Group

G11. Assets provided or received as collateral

As at 31 March 2023, the Group had deposited securities (including bonds issued by the Group) worth DKK 37.8 billion as collateral with Danish and international clearing centres and other institutions (31 December 2022: DKK 30.6 billion).

As at 31 March 2023, the Group had provided cash and securities (including bonds issued by the Group) worth DKK 71.8 billion as collateral for derivatives transactions (31 December 2022: DKK 90.4 billion).

As at 31 March 2023, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts and unit-linked investment contracts worth DKK 423.6 billion (31 December 2022: DKK 417.5 billion) as collateral for policyholders' savings of DKK 411.6 billion (31 December 2022: DKK 404.6 billion).

As at 31 March 2023, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 734.1 billion (31 December 2022: DKK 728.6 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 282.9 billion (31 December 2022: DKK 306.3 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

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

	31 March 2023			31 December 2022		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	20,467	20,467	-	22,917	22,917
Trading and investment securities	179,350	44,876	224,226	139,807	72,697	212,504
Loans at fair value	-	729,570	729,570	-	724,051	724,051
Loans at amortised cost	-	296,085	296,085	-	328,800	328,800
Assets under insurance contracts and unit-linked investment contracts	-	399,209	399,209	-	347,673	347,673
Other assets	-	-	-	-	93	93
Total	179,350	1,490,207	1,669,557	139,807	1,496,231	1,636,038
Own issued bonds	30,684	59,687	90,372	31,064	76,754	107,818
Total, including own issued bonds	**210,035**	**1,549,894**	**1,759,929**	**170,871**	**1,572,985**	**1,743,856**

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 179.4 billion as at 31 March 2022 (31 December 2022: DKK 139.8 billion).

As at 31 March 2023, the Group had received securities worth DKK 309.8 billion (31 December 2022: DKK 303.8 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. As at 31 March 2023, the Group had sold securities or provided securities as collateral worth DKK 148.3 billion (31 December 2022: DKK 119.2 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. Note G41 of the Annual Report 2022 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.

	31 March 2023		31 December 2022*	
(DKK millions)	Fair value instruments	Amortised cost instruments	Fair value instruments	Amortised cost instruments
Financial assets				
Cash in hand and demand deposits with central banks	-	271,802	-	175,052
Due from credit institutions and central banks	44,641	26,848	38,147	22,639
Trading portfolio assets	569,576	-	638,799	-
Investment securities	130,989	160,949	135,850	151,573
Loans at amortised cost	-	1,043,465	-	1,082,818
Loans at fair value	940,240	-	932,677	-
Assets under pooled schemes and unit-linked investment contracts	66,778	-	66,739	-
Assets under insurance contracts	479,922	-	465,720	-
Total	**2,232,146**	**1,503,064**	**2,277,932**	**1,432,082**
Financial liabilities				
Due to credit institutions and central banks	69,607	77,942	52,252	86,525
Trading portfolio liabilities	510,300	-	554,321	-
Deposits	130,539	1,142,231	97,917	1,164,375
Issued bonds at fair value	736,046	-	723,923	-
Issued bonds at amortised cost	-	214,367	-	192,682
Deposits under pooled schemes and unit-linked investment contracts	67,548	-	66,725	-
Non-preferred senior bonds	-	98,187	-	93,235
Subordinated debt	-	38,324	-	38,350
Loan commitments and guarantees	-	2,680	-	2,627
Total	**1,514,039**	**1,573,731**	**1,495,138**	**1,577,795**

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

Liabilities under insurance contracts are measured using the General Measurement Model, Variable Fee Approach, or Premium Allocation Approach as defined by IFRS 17. Liabilities under insurance contracts are therefore not included in the table above.

Investment securities at fair value includes bonds measured at fair value through other comprehensive income, see the table on bonds in note G13. All other financial assets in the column 'Fair value' are mandatorily measured at fair value through profit or loss under IFRS 9. Except for trading portfolio liabilities, all other financial liabilities at fair value are measured at fair value through profit or loss using the fair value option.

Financial instruments at fair value

Note G33(a) of the Annual Report 2022 provides more information about fair value calculation methods for financial instruments.

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

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

Financial instruments at amortised cost

The liquidity portfolio managed by Group Treasury includes a bond portfolio held within a business model for the purpose of collecting contractual cash flows (hold to collect) and with cash flows that are solely payments of principal and interest on the principal amount outstanding, which is measured at amortised cost. For bonds classified as hold-to-collect, amortised cost exceeded fair value as at 31 March 2023 with DKK 10,473 million (31 December 2022: DKK 11,758 million). This portfolio mainly contains Danish mortgage bonds and central and local government bonds and has a weighted average rating factor of 3.7, following Moody's numerical rating factor to scale, which corresponds to a strong Aa1 rating. The interest rate risk duration for the portfolio is 3.3 years. Without any reinvestments, respectively 24%, 57% and 19% of this portfolio will reach maturity within a period of 1 year, between 1 to 5 years, and after 5 years. The difference between amortised cost and fair value will reduce along with time to maturity of the bonds running off. Note G13 and G33 (b) in Annual Report 2022 provides information on the business models and the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost, respectively.

Notes – Danske Bank Group

G12. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 March 2023				
Financial assets				
Due from credit institutions and central banks	-	44,641	-	44,641
Derivatives	9,149	360,359	1,097	370,605
Trading portfolio bonds	167,525	20,778	-	188,303
Trading portfolio shares	10,564	-	103	10,667
Investment securities, bonds	96,159	34,305	-	130,464
Investment securities, shares	-	-	525	525
Loans at fair value	-	940,240	-	940,240
Assets under pooled schemes and unit-linked investment contracts	66,778	-	-	66,778
Assets under insurance contracts, bonds	201,436	22,275	3,281	226,992
Assets under insurance contracts, shares	139,297	4,846	47,254	191,397
Assets under insurance contracts, derivatives	423	60,334	776	61,533
Total	**691,331**	**1,487,778**	**53,036**	**2,232,146**
Financial liabilities				
Due to credit institutions and central banks	-	69,607	-	69,607
Derivatives	9,667	351,442	921	362,030
Obligations to repurchase securities	145,812	2,436	21	148,269
Deposits	-	130,539	-	130,539
Issued bonds at fair value	736,046	-	-	736,046
Deposits under pooled schemes and unit-linked investment contracts	-	67,548	-	67,548
Total	**891,524**	**621,572**	**942**	**1,514,039**

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2022*				
Financial assets				
Due from credit institutions and central banks	-	38,147	-	38,147
Derivatives	6,942	421,917	1,263	430,123
Trading portfolio bonds	183,205	17,190	-	200,395
Trading portfolio shares	8,198	-	83	8,281
Investment securities, bonds	97,209	37,454	-	134,663
Investment securities, shares	-	-	1,187	1,187
Loans at fair value	-	932,677	-	932,677
Assets under pooled schemes and unit-linked investment contracts	66,739	-	-	66,739
Assets under insurance contracts, bonds	188,260	23,834	3,369	215,463
Assets under insurance contracts, shares	124,338	4,788	47,045	176,171
Assets under insurance contracts, derivatives	817	72,406	863	74,086
Total	**675,708**	**1,548,413**	**53,810**	**2,277,932**
Financial liabilities				
Due to credit institutions and central banks	-	52,252	-	52,252
Derivatives	4,967	429,138	1,036	435,141
Obligations to repurchase securities	113,830	5,327	23	119,180
Deposits	-	97,917	-	97,917
Issued bonds at fair value	723,923	-	-	723,923
Deposits under pooled schemes and unit-linked investment contracts	-	66,725	-	66,725
Total	**842,721**	**651,358**	**1,059**	**1,495,139**

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

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.

		Sensitivity (change in fair value)		Gains/losses for the period	
(DKK millions)	Carrying amount	Increase	Decrease	Realised	Unrealised
31 March 2023					
Unlisted shares					
allocated to insurance contract policyholders	47,254	-	-	-12	-
other	607	61	61	3	-90
Illiquid bonds	3,281	58	58	-74	-
Derivatives, net fair value	952	-	-	-	-8
31 December 2022					
Unlisted shares					
allocated to insurance contract policyholders	47,045	-	-	6,423	-706
other	1,247	125	125	175	-31
Illiquid bonds	3,369	67	67	-128	-61
Derivatives, net fair value	1,090	-	-	-	-420

For unlisted shares allocated to insurance contract policyholders, the policyholders assume most of the risk on the shares. Therefore, changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The Group's remaining portfolio of unlisted shares consists primarily of banking-related investments and holdings in private equity funds. The sensitivity of the fair value measurement to changes in the unobservable input disclosed in the table is calculated as a 10% increase or 10% decrease in fair value. Under current market conditions, a 10% decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the period. The unrealised adjustments in the three month period ended 31 March 2023 were attributable to various unlisted shares.

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

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

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

Reconciliation from beginning to end of period	31 March 2023			31 December 2022		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	48,292	3,369	1,090	46,573	5,300	2,504
Value adjustment through profit or loss	-99	-74	-8	5,861	-189	-420
Acquisitions	1,011	31	187	20,800	107	186
Sale and redemption	-1,343	-45	-316	-24,942	-1,849	-42
Transferred from quoted prices and observable input	-	-	-3	-	-	-
Transferred to quoted prices and observable input	-	-	-	-	-	-1,136
Fair value end of period	**47,861**	**3,281**	**952**	**48,292**	**3,369**	**1,090**

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

Notes – Danske Bank Group

G13. Risk management notes

The consolidated financial statements for 2022 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions)		Lending activities				
31 March 2023	Total	Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	265.3	265.3	-	-	-	-
Due from credit institutions and central banks	71.5	26.8	-	44.6	-	-
Trading portfolio assets	569.6	-	-	370.6	199.0	-
Investment securities	291.9	-	-	-	291.9	-
Loans at amortised cost	1,043.5	1,042.3	1.1	-	-	-
Loans at fair value	940.2	729.6	-	210.7	-	-
Assets under pooled schemes and unit-linked investment contracts	66.8	-	-	-	-	66.8
Assets under insurance contracts	497.0	-	-	-	-	497.0
Assets held for sale	-	-	-	-	-	-
Off-balance-sheet items						
Guarantees	80.2	80.2	-	-	-	-
Loan commitments shorter than 1 year	219.4	218.1	1.3	-	-	-
Loan commitments longer than 1 year	190.2	190.2	-	-	-	-
Other unutilised commitments	14.3	-	-	-	0.1	14.2
Total	**4,249.8**	**2,552.5**	**2.4**	**625.9**	**491.0**	**578.0**
31 December 2022*						
Balance sheet items						
Demand deposits with central banks	168.4	168.4	-	-	-	-
Due from credit institutions and central banks	60.8	22.7	-	38.1	-	-
Trading portfolio assets	638.8	-	-	430.1	208.7	-
Investment securities	287.5	-	-	-	287.5	-
Loans at amortised cost	1,082.8	1,081.7	1.2	-	-	-
Loans at fair value	932.7	724.1	-	208.6	-	-
Assets under pooled schemes and unit-linked investment contracts	66.7	-	-	-	-	66.7
Assets under insurance contracts	503.0	-	-	-	-	503.0
Assets held for sale	-	-	-	-	-	-
Off-balance-sheet items						
Guarantees	81.4	81.4	-	-	-	-
Loan commitments shorter than 1 year	236.1	234.8	1.3	-	-	-
Loan commitments longer than 1 year	199.9	199.9	-	-	-	-
Other unutilised commitments	15.2	-	-	-	0.1	15.1
Total	**4,273.2**	**2,512.8**	**2.5**	**676.9**	**496.2**	**584.8**

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

In addition to credit exposure from lending activities, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 223 billion at 31 March 2023 (31 December 2022: DKK 216 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.

The Group's definition of default for accounting aligns with the regulatory purposes. All exposures in stage 3 are considered default. This includes all non-performing loans. A small amount of credit exposure in stage 3 can be found outside default. This is due to impairment staging being updated monthly (after each month-end), whereas default is updated daily. For the same reason, some credit exposure in default is outside stage 3. The stage 3 coverage ratio is 92% (31 December 2022: 85%).

For further details about the Group's credit risk management and the use of information on expected credit losses for risk management purposes, see Risk Management 2022.

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 173 in Annual report 2022.

31 March 2023	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	132.9	0.1	-	-	-	-	132.8	0.1	-	111.5	-	-
2	0.01	0.03	316.6	0.1	-	-	-	-	316.6	0.1	-	202.9	-	-
3	0.03	0.06	535.2	0.6	-	0.1	-	-	535.1	0.6	-	265.4	0.3	-
4	0.06	0.14	600.8	1.6	-	1.0	-	-	599.8	1.6	-	278.8	0.6	-
5	0.14	0.31	464.4	11.3	-	0.4	0.2	-	464.0	11.1	-	145.5	5.3	-
6	0.31	0.63	238.7	47.6	-	0.6	0.8	-	238.2	46.7	-	75.9	20.6	-
7	0.63	1.90	81.5	50.3	-	0.6	2.5	-	80.8	47.8	-	24.7	14.9	-
8	1.90	7.98	9.1	30.6	0.4	0.5	3.2	-	8.7	27.4	0.4	2.5	5.0	0.1
9	7.98	25.70	0.8	4.9	-	-	0.6	-	0.8	4.3	-	0.1	1.9	-
10	25.70	99.99	0.4	13.0	0.4	-	1.1	0.1	0.4	11.9	0.2	0.1	3.4	-
11 (default)	100.00	100.00	0.2	0.5	30.2	-	-	7.9	0.2	0.5	22.2	-	0.1	0.6
Total			**2,380.6**	**160.6**	**31.0**	**3.3**	**8.4**	**8.1**	**2,377.3**	**152.2**	**23.0**	**1,107.6**	**52.1**	**0.7**

31 December 2022	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	135.9	0.1	-	-	-	-	135.9	0.1	-	115.2	-	-
2	0.01	0.03	233.5	0.2	-	-	-	-	233.5	0.2	-	116.8	0.1	-
3	0.03	0.06	540.9	0.8	-	0.1	-	-	540.8	0.8	-	262.9	0.3	-
4	0.06	0.14	630.6	1.9	-	0.6	-	-	630.0	1.9	-	298.0	0.9	-
5	0.14	0.31	463.1	14.0	-	0.4	0.1	-	462.7	13.9	-	148.1	7.7	-
6	0.31	0.63	235.8	54.3	-	0.5	0.9	0.1	235.3	53.3	-	76.1	21.4	-
7	0.63	1.90	75.5	59.5	-	0.9	2.6		74.6	56.9	-	24.2	20.7	-
8	1.90	7.98	7.3	29.9	-	0.4	2.8	-	6.8	27.0	-	1.7	4.3	-
9	7.98	25.70	0.9	3.1	0.1	-	0.7	-	0.9	2.4	0.1	0.2	0.2	0.1
10	25.70	99.99	0.6	12.0	0.2	-	0.9	0.1	0.6	11.1	0.1	0.3	2.1	-
11 (default)	100.00	100.00	0.2	0.4	31.6	0.3	-	8.1	-	0.4	23.5	-	0.1	1.3
Total			**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,043.5**	**58.0**	**1.4**

*Net exposure, ex collateral as at 31 December 2022 has been restated.

Notes – Danske Bank Group

Credit exposure continued

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

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

31 March 2023	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	311.5	1.0	0.3	-	-	-	311.5	0.9	0.3	308.9	-	-
Financials	121.5	3.4	0.3	0.1	0.1	0.1	121.4	3.2	0.2	109.0	2.6	0.1
Agriculture	55.2	5.3	2.7	0.3	0.9	0.8	54.9	4.5	1.9	13.9	0.5	-
Automotive	26.2	2.4	0.2	-	0.2	0.1	26.2	2.3	0.1	21.3	1.0	-
Capital goods	85.7	8.9	1.2	0.1	0.3	0.6	85.6	8.6	0.7	77.1	6.8	-
Commercial property*	247.3	43.5	3.1	0.5	2.1	0.7	246.8	41.4	2.4	36.8	5.9	-
Construction and building materials	42.4	8.7	1.2	0.2	0.6	0.5	42.2	8.1	0.7	30.8	4.9	0.1
Consumer goods	72.8	7.0	0.9	0.1	0.5	0.3	72.8	6.5	0.6	58.4	4.4	0.1
Hotels, restaurants and leisure	11.1	3.0	0.9	-	0.1	0.2	11.1	2.9	0.6	2.7	0.9	0.1
Metals and mining	15.7	0.4	-	-	-	-	15.7	0.4	-	13.5	0.2	-
Other commercials	16.0	0.7	0.3	0.1	-	0.1	15.8	0.7	0.2	12.6	0.1	-
Pharma and medical devices	42.5	3.0	-	-	-	-	42.4	3.0	-	39.6	2.6	-
Private housing co-ops and non-profit associations	189.9	3.9	0.7	0.1	0.4	0.1	189.9	3.5	0.5	29.4	0.6	-
Pulp, paper and chemicals	45.7	3.7	0.3	-	0.1	0.2	45.7	3.6	0.2	33.4	2.5	-
Retailing	28.7	4.5	1.7	0.1	0.3	0.5	28.7	4.2	1.2	17.6	3.2	-
Services	59.3	5.5	0.7	0.3	0.3	0.3	59.0	5.2	0.4	49.0	3.5	-
Shipping, oil and gas	33.5	1.0	4.9	-	-	0.8	33.5	0.9	4.1	19.0	0.7	-
Social services	26.0	0.9	0.7	-	0.1	0.1	26.0	0.8	0.6	11.7	0.4	-
Telecom and media	22.3	1.4	0.2	-	-	0.1	22.3	1.4	0.1	17.0	1.1	-
Transportation	14.2	2.5	0.4	-	0.2	0.1	14.2	2.3	0.4	6.8	0.7	-
Utilities and infrastructure	84.7	4.7	-	0.1	0.3	-	84.6	4.4	-	63.8	4.2	-
Personal customers	828.4	45.3	10.2	1.2	2.0	2.6	827.1	43.3	7.6	135.0	5.4	-
Total	**2,380.6**	**160.6**	**31.0**	**3.3**	**8.4**	**8.1**	**2,377.3**	**152.2**	**23.0**	**1,107.6**	**52.1**	**0.7**

*As at 31 March 2023, DKK 123 billion of the net exposure in Commercial property is towards residential assets.

As at 31 March 2023, oil and gas exposures (within the Shipping, oil and gas industry) represent a gross exposure of DKK 18.3 billion (31 December 2022: DKK 19.3 billion) and expected credit losses of DKK 0.5 billion (31 December 2022: DKK 0.7 billion). Those exposures represent the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of March 2023.

Notes – Danske Bank Group

Credit exposure continued

31 December 2022	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral*		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	225.8	1.3	-	-	-	-	225.8	1.3	-	223.1	-	-
Financials	116.6	3.9	0.3	0.1	0.2	0.1	116.5	3.7	0.2	104.0	2.7	0.1
Agriculture	54.9	5.9	2.9	0.2	0.9	0.8	54.6	5.1	2.1	14.1	0.8	-
Automotive	25.4	2.3	0.2	-	0.1	0.1	25.4	2.2	0.1	20.7	0.9	-
Capital goods	87.3	9.2	1.3	0.1	0.3	0.7	87.2	8.9	0.7	79.0	7.2	-
Commercial property	250.6	46.9	3.6	0.4	2.2	0.7	250.3	44.7	2.9	44.9	7.9	-
Construction and building materials	43.6	8.6	1.2	0.1	0.5	0.5	43.5	8.1	0.7	32.4	4.6	0.1
Consumer goods	72.4	7.6	0.9	0.1	0.4	0.2	72.3	7.2	0.6	57.1	5.2	0.3
Hotels, restaurants and leisure	10.3	4.2	1.0	-	0.1	0.3	10.3	4.0	0.8	5.1	0.8	0.1
Metals and mining	13.9	1.1	-	-	-	-	13.9	1.1	-	11.8	0.8	-
Other commercials	15.4	0.8	0.2	0.3	-	0.1	15.1	0.8	0.2	11.9	0.3	-
Pharma and medical devices	42.3	3.7	-	-	0.1	-	42.2	3.6	-	39.6	3.2	-
Private housing co-ops and non-profit associations	187.4	3.8	0.6	0.1	0.1	0.1	187.3	3.7	0.5	26.9	0.8	-
Pulp, paper and chemicals	47.5	3.9	0.3	-	0.1	0.1	47.5	3.8	0.1	35.8	2.7	-
Retailing	30.3	3.1	1.7	0.1	0.1	0.6	30.2	3.0	1.1	19.0	2.2	0.2
Services	59.7	6.8	0.8	0.3	0.2	0.3	59.4	6.6	0.4	49.1	4.8	0.1
Shipping, oil and gas	34.6	1.2	5.4	-	-	1.0	34.6	1.2	4.4	22.5	0.9	-
Social services	26.9	0.8	0.7	-	0.1	0.1	26.8	0.7	0.6	12.9	0.3	-
Telecom and media	23.1	1.0	0.2	-	-	0.1	23.1	0.9	0.1	17.8	0.6	-
Transportation	13.7	2.6	0.5	-	0.1	0.1	13.6	2.4	0.3	6.3	0.9	0.1
Utilities and infrastructure	103.4	4.3	-	0.1	0.2	-	103.2	4.1	-	80.4	3.6	-
Personal customers	839.3	52.8	10.3	1.2	2.0	2.3	838.1	50.8	8.0	129.2	7.0	-
Total	**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,043.5**	**58.0**	**1.4**

*Net exposure, ex collateral as at 31 December 2022 has been restated.

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral. In Annual Report 2022, a table showing collateral by type (after haircut) is included. The mitigating effect from collateral at the end of March 2023 can be found as the difference between the columns 'Net exposure' and 'Net exposure, ex collateral' and amounted to DKK 1,392.1 billion at 31 March 2023 (31 December 2022: DKK 1,409.9 billion).

Notes – Danske Bank Group

Credit exposure continued

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

31 March 2023	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Personal Customers												
Personal Customers Denmark	413.7	22.1	6.0	0.9	1.4	1.3	412.7	20.6	4.7	53.2	1.9	-
Personal Customers Nordic	333.1	13.3	3.0	0.2	0.3	0.8	332.9	13.0	2.1	76.7	1.5	-
Global Private Banking	76.0	4.6	0.6	0.1	0.2	0.2	75.9	4.4	0.4	16.6	1.8	-
Personal Customers Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Personal Customers	**822.8**	**40.0**	**9.6**	**1.2**	**2.0**	**2.4**	**821.6**	**38.0**	**7.2**	**146.5**	**5.3**	**0.1**
Business Customers												
Asset Finance	48.4	12.1	1.1	0.1	0.5	0.3	48.3	11.6	0.8	19.2	2.3	-
Business Customers	319.2	53.8	10.8	1.0	3.8	3.6	318.2	50.0	7.3	110.1	16.3	0.6
Commercial Real Estate	280.1	19.4	0.9	0.2	0.6	0.3	279.9	18.7	0.7	39.5	2.2	-
Business Customers Other	0.4	-	-	-	-	-	0.4	-	-	0.2	-	-
Total Business Customers	**648.0**	**85.3**	**12.9**	**1.3**	**4.9**	**4.2**	**646.7**	**80.4**	**8.8**	**169.1**	**20.8**	**0.6**
Large Corporates & Institutions	**588.8**	**28.7**	**6.9**	**0.4**	**1.4**	**1.1**	**588.4**	**27.3**	**5.8**	**508.4**	**24.8**	**-**
Northern Ireland	**81.1**	**6.3**	**1.6**	**0.3**	**0.1**	**0.4**	**80.8**	**6.1**	**1.2**	**43.9**	**0.9**	**-**
Group Functions	**239.9**	**0.4**	**-**	**-**	**-**	**-**	**239.9**	**0.4**	**-**	**239.7**	**0.4**	**-**
Total	**2,380.6**	**160.6**	**31.0**	**3.3**	**8.4**	**8.1**	**2,377.3**	**152.2**	**23.0**	**1,107.6**	**52.1**	**0.7**

31 December 2022	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral*		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Personal Customers**												
Personal Customers DK	404.3	25.5	6.1	0.9	1.4	1.2	403.3	24.0	4.9	45.8	2.2	-
Personal Customers Nordic	349.4	15.9	3.2	0.2	0.3	0.8	349.2	15.6	2.4	72.2	2.0	-
Global Private Banking	76.1	7.1	0.6	0.1	0.2	0.2	76.0	6.9	0.4	16.0	2.9	-
Personal Customers Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Personal Customers	**829.8**	**48.5**	**9.9**	**1.3**	**2.0**	**2.2**	**828.5**	**46.5**	**7.7**	**134.1**	**7.1**	**-**
Business Customers												
Asset Finance	47.6	12.9	1.2	0.1	0.5	0.3	47.4	12.4	0.8	18.6	2.4	-
Business Customers	324.0	56.4	11.1	0.9	3.9	3.5	323.1	52.5	7.5	119.7	17.8	1.0
Commercial Real Estate	279.1	22.1	1.3	0.2	0.6	0.3	278.9	21.5	1.0	43.4	3.9	0.2
Business Customers Other	0.1	-	-	-	-	-	0.1	-	-	0.1	-	-
Total Business Customers	**650.7**	**91.4**	**13.6**	**1.2**	**4.9**	**4.2**	**649.5**	**86.4**	**9.4**	**181.7**	**24.1**	**1.2**
Large Corporates & Institutions	**615.2**	**29.1**	**7.0**	**0.5**	**1.0**	**1.5**	**614.7**	**28.1**	**5.5**	**535.3**	**25.5**	**-**
Northern Ireland	**81.4**	**6.9**	**1.7**	**0.3**	**0.2**	**0.4**	**81.1**	**6.7**	**1.2**	**45.4**	**1.1**	**0.1**
Group Functions	**147.1**	**0.2**	**-**	**-**	**-**	**-**	**147.1**	**0.2**	**-**	**146.9**	**0.2**	**-**
Total	**2,324.2**	**176.0**	**32.1**	**3.3**	**8.1**	**8.3**	**2,321.0**	**168.0**	**23.9**	**1,043.5**	**58.0**	**1.4**

* Net exposure, ex collateral as at 31 December 2022 has been restated.

** Global Private Banking is a new sub-segment in Personal Customers in 2023. Comparatives have been reclassified from other sub-segments of Personal Customers.

Notes – Danske Bank Group

Credit exposure continued

Exposures subject to forbearance measures

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

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. At the end of the first quarter of 2023, the Group had recognised properties taken over in Denmark at a carrying amount of DKK 5 million (2022: DKK 4 million), and there were no properties taken over in other countries (2022: DKK 0 million). The properties are held for sale and included under Assets held for sale in the balance sheet.

The Group applies the European Banking Authority's (the EBA's) definition of loans subject to forbearance measures. The EBA definition states that a probation period of a minimum of two years must pass from the date when forborne exposures are considered to be performing again. Forbearance measures lead to changes in staging for impairment purposes, and impairments relating to forborne exposures are handled according to the principles described in note G15 in Annual Report 2022.

Exposures subject to forbearance measures

(DKK millions)	31 March 2023	31 December 2022
Stage 1	342	367
Stage 2	3,831	3,029
Stage 3	6,336	6,165
Total	**10,508**	**9,561**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2022	2,733	6,804	12,397	21,935
Transferred to stage 1 during the period	698	-653	-46	-
Transferred to stage 2 during the period	-219	476	-257	-
Transferred to stage 3 during the period	-14	-285	299	-
ECL on new assets	417	270	615	1,302
ECL on assets derecognised	-301	-416	-1,423	-2,140
Impact of net remeasurement of ECL (incl. changes in models)	-213	327	377	492
Write-offs debited to the allowance account	-	-	-1,849	-1,850
Foreign exchange adjustments	1	5	58	64
Other changes	-13	202	-229	-40
ECL allowance account as at 31 March 2022	**3,090**	**6,730**	**9,942**	**19,762**
ECL allowance account as at 1 January 2023	**3,273**	**8,082**	**8,251**	**19,605**
Transferred to stage 1 during the period	864	-832	-32	-
Transferred to stage 2 during the period	-162	232	-70	-
Transferred to stage 3 during the period	-10	-122	131	-
ECL on new assets	191	358	198	747
ECL on assets derecognised	-118	-385	-301	-803
Impact of net remeasurement of ECL (incl. changes in models)	-753	1,113	-10	350
Write-offs debited to the allowance account	-	-	-57	-57
Foreign exchange adjustments	-20	-66	-65	-150
Other changes	-2	-1	10	7
ECL allowance account as at 31 March 2023	**3,263**	**8,380**	**8,056**	**19,698**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Personal Customers	Business Customers	Large Corporates & Institutions	Northern Ireland	Group Functions	Allowance account Total
ECL allowance account as at 1 January 2022	5,654	10,186	5,227	850	17	21,935
ECL on new assets	172	567	536	23	4	1,302
ECL on assets derecognised	-227	-618	-1,253	-41	-1	-2,140
Impact on remeasurement of ECL (incl. change in models)	-12	135	312	42	14	492
Write-offs debited to allowance account	-50	-405	-1,290	-104	-	-1,850
Foreign currency translation	4	4	61	-6	-	64
Other changes	8	-61	13	-	-	-40
ECL allowance account as at 31 March 2022	**5,549**	**9,809**	**3,607**	**763**	**34**	**19,762**
ECL allowance account as at 1 January 2023	**5,427**	**10,235**	**3,050**	**863**	**31**	**19,605**
ECL on new assets	159	460	117	17	-7	747
ECL on assets derecognised	-220	-554	-15	-9	-4	-803
Impact on remeasurement of ECL (incl. change in models)	261	304	-206	-23	13	349
Write-offs debited to allowance account	-18	-34	-	-5	-	-57
Foreign currency translation	-22	-77	-60	10	-1	-150
Other changes	-16	21	3	-	-1	7
ECL allowance account as at 31 March 2023	**5,570**	**10,356**	**2,889**	**853**	**29**	**19,698**

The method used for calculating expected credit losses is described in detail in note G15 of the Annual Report 2022.

Forward-looking information

The incorporation of forward-looking information reflects the expectations of the Group's senior management and involves both macroeconomic scenarios (base case, upside and downside scenarios), including an assessment of the probability for each scenario, and post-model adjustments. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Post-model adjustments are used to capture specific risks which are not fully covered by the macroeconomic scenarios, as well as the process related risk, which could lead to an underestimation of the expected credit losses.

Macroeconomic scenarios

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. That is, after the forecast period, the macroeconomic scenarios revert slowly towards a steady state.

The applied scenarios that drive the expected credit loss calculation in the first quarter of 2023 have been updated with the latest macroeconomic data. Compared to the end of 2022, the base case and upside scenarios have been revised to reflect expectations of higher inflation, declining house prices and interest rate hikes. The scenario weighting have been updated to increase the weight on the upside scenario to 20% (10% in 2022), by decreasing the weight on the base case scenario to 60% (70% in 2022). The weight on the downside scenario remains at 20% despite the use of a severe stagflation scenario.

The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 March 2023, the base case scenario reflects an expectation of high inflation and high interest rates. This results in a weaker GDP growth due to soaring energy costs, skills shortages and wage pressures that affect consumers and businesses in the Nordic economies. House price have been revised downwards to larger decrease, which is a consequence of the increasing interest rates.

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters. In this scenario, the global inflation declines which allows the central banks to ease the tightening pace, which lowers bond yields and boosts equity markets. Consumer sentiment increases and consumers run down a large proportion of the savings accumulated during the corona crisis.

In Q4 2022, the downside scenario was changed to the severe recession with high interest rates scenario (reflecting a stagflation scenario) applied in the Group's ICAAP processes, and is similar in nature to regulatory stress tests. The severe recession scenario reflected negative growth, increasing interest rates, and falling property prices for a longer period. The change of the downside scenario was made to better capture the increasing risk from high interest rates and high inflation. A trigger of the economic setback could be continued macroeconomic worsening and challenges linked to high business costs while inflation remain elevated. This adversely impacts the labour market, results in higher and more persistent unemployment. This would lead to a severe slowdown in the economies in which the Group is represented.

The main macroeconomic parameters in the base case, upside and downside scenario entering into the ECL calculation for the forecast horizon across the Group's Nordic markets are included below.

Notes – Danske Bank Group

Credit exposure continued

Denmark	Base-case			Downside			Upside		
2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-1.0	1.0	1.5	-3.7	-2.1	-	-0.2	2.0	1.0
Unemployment	3.1	3.4	3.8	6.0	7.0	7.4	3.0	3.0	3.5
Inflation	4.9	2.0	1.8	4.0	3.0	2.0	4.1	1.4	2.0
Property prices - Residential	-8.8	-3.6	1.5	-19.7	-12.7	-8.0	-8.8	-0.6	3.5
Interest rate - 3 month	3.5	2.6	2.0	3.3	4.3	3.8	3.3	2.1	1.3

Sweden	Base-case			Downside			Upside		
2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-1.4	1.2	1.8	-3.8	-3.6	-1.0	-0.7	2.1	1.8
Unemployment	8.2	8.1	7.5	8.9	9.9	10.3	7.9	7.7	7.1
Inflation	8.5	1.3	1.7	4.9	3.9	2.9	7.8	0.7	1.7
Property prices - Residential	-13.0	1.5	2.0	-23.6	-14.6	-10.0	-13.0	4.5	4.0
Interest rate - 3 month	3.1	2.5	2.0	3.8	4.8	4.3	2.9	2.0	1.3

Norway	Base-case			Downside			Upside		
2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	0.6	1.5	1.5	-2.9	-1.2	0.6	1.2	2.0	1.4
Unemployment	2.2	2.4	2.2	5.2	6.1	6.2	2.2	2.2	2.0
Inflation	4.8	2.1	2.0	4.5	3.0	2.0	4.0	1.4	2.3
Property prices - Residential	-3.5	1.5	2.5	-20.5	-14.5	-8.0	-3.5	4.5	3.5
Interest rate - 3 month	3.0	2.9	2.4	4.4	5.4	4.9	2.7	2.4	1.6

Finland	Base-case			Downside			Upside		
2023	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-0.7	0.5	1.3	-2.7	-2.2	-0.3	-	1.4	1.2
Unemployment	7.3	7.2	7.0	9.4	10.4	10.4	7.3	7.1	6.9
Inflation	4.8	2.2	1.8	4.0	3.0	2.0	4.0	1.5	1.9
Property prices - Residential	-4.0	3.0	2.0	-14.2	-9.2	-5.0	-4.0	5.0	3.0
Interest rate - 3 month	3.4	2.7	1.8	3.2	4.2	3.7	3.2	2.2	1.1

Notes – Danske Bank Group

Credit exposure continued

At 31 December 2022, the following base case and downside scenarios were used:

Denmark	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-0.6	0.5	1.5	-3.7	-2.1	-	0.4	1.6	1.1
Unemployment	3.2	3.8	3.8	6.0	7.0	7.4	3.0	3.3	3.3
Inflation	4.9	2.5	1.8	4.0	3.0	2.0	4.0	1.9	1.9
Property prices - Residential	-5.9	-4.0	1.5	-19.7	-12.7	-8.0	-2.9	-2.0	2.5
Interest rate - 3 month	2.8	2.5	2.0	3.3	4.3	3.8	2.3	1.8	1.8

Sweden	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-1.2	1.1	1.8	-3.8	-3.6	-1.0	-0.6	2.1	1.7
Unemployment	8.2	8.0	7.5	8.9	9.9	10.3	8.2	7.8	7.3
Inflation	6.2	1.5	1.7	4.9	3.9	2.9	5.4	0.9	1.3
Property prices - Residential	-8.0	-	2.0	-23.6	-14.6	-10.0	-5.0	2.0	3.0
Interest rate - 3 month	2.8	2.5	2.0	3.8	4.8	4.3	2.3	1.8	1.8

Norway	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	0.9	1.7	1.5	-2.9	-1.2	0.6	1.5	2.5	1.7
Unemployment	2.4	2.5	2.2	5.2	6.1	6.2	2.3	2.2	1.9
Inflation	3.4	1.8	2.0	4.5	3.0	2.0	2.4	1.3	1.9
Property prices - Residential	-2.1	2.0	2.5	-20.5	-14.5	-8.0	0.9	3.0	3.5
Interest rate - 3 month	3.1	2.9	2.4	4.4	5.4	4.9	2.6	2.1	2.1

Finland	Base-case			Downside			Upside		
31 December 2022	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	-0.2	1.0	1.3	-2.7	-2.2	-0.3	0.5	2.0	1.3
Unemployment	7.3	7.4	7.0	9.4	10.4	10.4	7.3	7.3	6.9
Inflation	3.7	2.1	1.8	4.0	3.0	2.0	2.9	1.4	1.6
Property prices - Residential	-1.0	1.0	2.0	-14.2	-9.2	-5.0	1.0	2.0	3.0
Interest rate - 3 month	2.6	2.3	1.8	3.2	4.2	3.7	2.1	1.6	1.6

The base case scenario enters with a probability of 60% (31 December 2022: 70%), the upside scenario with a probability of 20% (31 December 2022: 10%) and the downside scenario with a probability of 20% (31 December 2022: 20%). On the basis of these assessments, the allowance account as at 31 March 2023 amounted to DKK 19.7 billion (31 December 2022: 19.6 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 1.7 billion (31 December 2022: 2.1 billion). Compared to the base case scenario, the allowance account would increase DKK 9.1 billion (31 December 2022: 10.9 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease by DKK 0.5 billion (31 December 2022: 0.4 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).

Notes – Danske Bank Group

Credit exposure continued

Post-model adjustments

Management applies judgement when determining the need for post-model adjustments. At 31 March 2023, the post-model adjustments amounted to DKK 6.5 billion (31 December 2022: 6.6 billion). The post-model adjustments primarily relate to the following types of risks:

- specific macroeconomic risks on certain industries not fully captured by the expected credit loss model, for instance the Agriculture industry. For such industries, supplementary calculations are made to ensure sufficient impairment coverage. This also includes post-model adjustments relating to secondary effects from the war in Ukraine or the macroeconomic uncertainty.
- non-linear downside risk, for instance on the property market in Copenhagen and other high growth areas for which the macroeconomic forecasts used in the models are based on the property market as a whole
- portfolios where the credit risk assessment process has identified an underestimation of the expected credit losses
- upcoming model changes that will impact the expected credit loss model.

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

Post-model adjustments by type and mostly impacted industries

(DKK billions)	31 March 2023	31 December 2022
Coverage of individual industries and types		
Agriculture	0.8	0.8
Commercial Property	1.8	1.8
Construction and building materials	0.5	0.5
Personal customers (including other retail exposures)	1.5	1.4
Others*	1.9	2.1
Total	**6.5**	**6.6**

*No individual industry included in Others exceeds DKK 0.3 billion at 31 March 2023 (31 December 2022: DKK 0.3 billion).

In first quarter of 2023, the total balance of post-model adjustments remained consistent with the end of 2022.

The Group continues to have significant post-model adjustments related to the current macroeconomic uncertainties characterised by the slowing growth environment, labour shortages, interest rate hikes and inflation giving rise to a new set of challenges that affect economic and business activity. The post-model adjustments cut across industries that are sensitive to price rises on energy, e.g. agriculture and metals, and industries vulnerable to business cycles and increasing interest rates, which have been assessed for idiosyncratic risks to ensure a prudent coverage of expected credit loss in the Group's portfolios.

Notes – Danske Bank Group

Credit exposure from Non-core lending activities

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

31 March 2023	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	-	-	-	-	-	-	-	-	-	-	-	-
Non-core conduits etc.	2,443	-	-	-	-	-	2,442	-	-	-	-	-
Total	**2,443**	**-**	**-**	**-**	**-**	**-**	**2,442**	**-**	**-**	**-**	**-**	**-**

31 December 2022	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	1	-	-	-	-	-	1	-	-	-	-	-
Non-core conduits etc.	2,444	-	94	-	-	39	2,444	-	55	24	-	15
Total	**2,445**	**-**	**94**	**-**	**-**	**39**	**2,445**	**-**	**55**	**24**	**-**	**15**

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

31 March 2023	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	678	-	-	-	-	-	678	-	-	-	-	-
2	0.01	0.03	900	-	-	-	-	-	900	-	-	-	-	-
3	0.03	0.06	864	-	-	-	-	-	864	-	-	-	-	-
4	0.06	0.14	-	-	-	-	-	-	-	-	-	-	-	-
5	0.14	0.31	-	-	-	-	-	-	-	-	-	-	-	-
6	0.31	0.63	-	-	-	-	-	-	-	-	-	-	-	-
7	0.63	1.90	-	-	-	-	-	-	-	-	-	-	-	-
8	1.90	7.98	-	-	-	-	-	-	-	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	-	-	-	-	-	-	-	-	-	-	-
11 (default)	100.00	100.00	-	-	-	-	-	-	-	-	-	-	-	-
Total			**2,443**	**-**	**-**	**-**	**-**	**-**	**2,442**	**-**	**-**	**-**	**-**	**-**

31 December 2022	PD level		Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	-	0.01	817	-	-	-	-	-	817	-	-	-	-	-
2	0.01	0.03	1,163	-	-	-	-	-	1,163	-	-	24	-	-
3	0.03	0.06	453	-	-	-	-	-	453	-	-	-	-	-
4	0.06	0.14	-	-	-	-	-	-	-	-	-	-	-	-
5	0.14	0.31	-	-	-	-	-	-	-	-	-	-	-	-
6	0.31	0.63	12	-	-	-	-	-	12	-	-	-	-	-
7	0.63	1.90	-	-	-	-	-	-	-	-	-	-	-	-
8	1.90	7.98	-	-	-	-	-	-	-	-	-	-	-	-
9	7.98	25.70	-	-	-	-	-	-	-	-	-	-	-	-
10	25.70	99.99	-	-	-	-	-	-	-	-	-	-	-	-
11 (default)	100.00	100.00	-	-	94	-	-	39	-	-	55	-	-	15
Total			**2,445**	**-**	**94**	**-**	**-**	**39**	**2,445**	**-**	**55**	**24**	**-**	**15**

Notes – Danske Bank Group

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	31 March 2023	31 December 2022*
Counterparty credit risk		
Derivatives with positive fair value	370.6	430.1
Reverse transactions and other loans at fair value**	255.3	246.8
Credit exposure from other trading and investment securities		
Bonds	479.7	486.7
Shares	11.2	10.2
Other unutilised commitments***	0.1	-
Total	**1,116.9**	**1,173.7**

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

** Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of Large Corporates & Institutions. These loans consist of reverse transactions of DKK 251.7 billion (31 December 2022: DKK 246.0 billion), of which DKK 41.1 billion relates to credit institutions and central banks (31 December 2022: DKK 37.4 billion), and other primarily short-term loans of DKK 3.6 billion (31 December 2022: DKK 0.8 billion), of which DKK 3.6 billion (31 December 2022: DKK 0.8 billion) relates to credit institutions and central banks.

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

Derivatives with positive fair value

(DKK millions)	31 March 2023	31 December 2022
Derivatives with positive fair value before netting	1,077,619	1,202,931
Netting (under accounting rules)	707,013	772,809
Carrying amount	370,605	430,123
Netting (under capital adequacy rules)	289,347	340,984
Net current exposure	81,258	89,139
Collateral	70,643	78,549
Net amount	**10,615**	**10,590**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	286,329	306,248
Currency contracts	83,404	122,848
Other contracts	872	1,027
Total	**370,605**	**430,123**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2023							
Held-for-trading (FVPL)	133,634	1,631	19,874	16,953	6,051	10,160	188,303
Managed at fair value (FVPL)	2,293	394	15,040	978	281	-	18,986
Held to collect and sell (FVOCI)	15,483	4,155	60,948	6,143	23,512	1,237	111,478
Held to collect (AMC)	54,487	9,909	90,835	5,044	674	-	160,948
Total	**205,897**	**16,089**	**186,698**	**29,118**	**30,518**	**11,397**	**479,716**
31 December 2022*							
Held-for-trading (FVPL)	149,059	3,452	13,729	19,753	5,543	8,859	200,395
Managed at fair value (FVPL)	2,339	594	13,577	1,011	409	304	18,233
Held to collect and sell (FVOCI)	15,730	4,597	63,108	6,695	25,045	1,253	116,429
Held to collect (AMC)	53,681	9,292	81,991	5,599	1,011	-	151,573
Total	**220,809**	**17,935**	**172,405**	**33,057**	**32,007**	**10,417**	**486,630**

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

At 31 March 2023, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 226,992 million (31 December 2022: DKK 173,393 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2022 provides more information. For bonds classified as hold-to-collect, amortised cost exceeded fair value as at 31 March 2023 and 31 December 2022, see note G12 for more information.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2023							
Denmark	36,365	-	186,698	-	-	1,089	224,152
Sweden	58,188	-	-	29,118	-	4,536	91,841
UK	8,469	289	-	-	2,739	908	12,405
Norway	4,774	-	-	-	26,065	2,178	33,017
USA	16,301	4,425	-	-	-	7	20,732
Spain	1,082	-	-	-	1	1	1,083
France	9,796	18	-	-	323	131	10,268
Luxembourg	-	6,046	-	-	-	157	6,203
Finland	7,210	3,827	-	-	338	1,503	12,878
Ireland	537	-	-	-	-	32	568
Italy	828	-	-	-	-	3	831
Portugal	5	-	-	-	-	-	5
Austria	3,899	-	-	-	64	149	4,112
Netherlands	3,964	2	-	-	16	488	4,471
Germany	52,714	-	-	-	351	105	53,170
Belgium	1,765	819	-	-	1	-	2,584
Other	-	664	-	-	620	111	1,395
Total	**205,897**	**16,089**	**186,698**	**29,118**	**30,518**	**11,397**	**479,716**
31 December 2022*							
Denmark	46,390	-	172,405	-	-	4,573	223,369
Sweden	77,432	-	-	33,057	-	2,628	113,117
UK	6,795	-	-	-	2,680	897	10,371
Norway	3,902	-	-	-	28,163	-	32,065
USA	16,534	4,361	-	-	-	-	20,895
Spain	2,372	-	-	-	1	-	2,372
France	11,163	17	-	-	229	96	11,505
Luxembourg	-	6,123	-	-	-	82	6,205
Finland	8,293	4,637	-	-	362	1,253	14,544
Ireland	1,120	-	-	-	-	26	1,145
Italy	1,322	-	-	-	-	2	1,324
Portugal	14	-	-	-	-	-	14
Austria	4,393	-	-	-	13	61	4,467
Netherlands	3,261	2	-	-	16	512	3,791
Germany	37,142	-	-	-	290	288	37,719
Belgium	676	2,195	-	-	1	-	2,872
Other	-	600	-	-	253	-	853
Total	**220,809**	**17,935**	**172,405**	**33,057**	**32,007**	**10,417**	**486,630**

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

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2023							
AAA	168,870	15,060	186,517	29,008	29,930	1,891	431,278
AA+	9,044	831	-	-	54	325	10,253
AA	16,745	197	-	110	438	1,711	19,200
AA-	8,703	-	-	-	-	35	8,738
A+	537	-	-	-	-	149	686
A	1,028	-	174	-	96	3,241	4,540
A-	-	-	-	-	-	462	462
BBB+	54	-	-	-	-	662	716
BBB	191	-	6	-	-	1,979	2,176
BBB-	643	-	-	-	-	336	979
BB+	-	-	-	-	-	283	283
BB	-	-	-	-	-	189	189
BB-	-	-	-	-	-	30	30
Sub. "investment-grade" or unrated	83	-	-	-	-	103	186
Total	**205,897**	**16,089**	**186,698**	**29,118**	**30,518**	**11,397**	**479,716**
31 December 2022*							
AAA	180,479	15,513	172,222	33,048	31,728	1,521	434,510
AA+	9,542	2,207	-	-	64	222	12,035
AA	19,234	215	-	10	117	1,292	20,868
AA-	6,727	-	-	-	-	27	6,754
A+	1,120	-	-	-	-	267	1,387
A	2,204	-	179	-	98	2,207	4,688
A-	-	-	-	-	-	368	368
BBB+	167	-	-	-	-	863	1,030
BBB	230	-	5	-	-	2,242	2,477
BBB-	1,106	-	-	-	-	336	1,443
BB+	-	-	-	-	-	650	650
BB	-	-	-	-	-	247	247
BB-	-	-	-	-	-	15	15
Sub. "investment-grade" or unrated	-	-	-	-	-	161	161
Total	**220,809**	**17,935**	**172,405**	**33,057**	**32,007**	**10,417**	**486,630**

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

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved Interim report – first quarter 2023 of the Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 31 March 2023 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2023 and ending on 31 March 2023. Moreover, in our opinion, the management's report includes a fair view of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 28 April 2023

Executive Leadership Team

Carsten Egeriis
CEO

Magnus Agustsson

Berit Behring

Christian Bornfeld

Karsten Breum

Stephan Engels

Johanna Norberg

Frans Woelders

Board of Directors

Martin Blessing
Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Lars-Erik Brenøe

Jacob Dahl

Raija-Leena Hankonen-Nybom

Allan Polack

Carol Sergeant

Helle Valentin

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Aleksandras Cicasovas
Elected by the employees

Louise Aggerstrøm Hansen
Elected by the employees

Supplementary information

Financial calendar

21 July 2023	Interim report – first half 2023
27 October 2023	Interim report – first nine months 2023

Contacts

Claus Ingar Jensen Head of Investor Relations	+45 45 12 84 83

Links

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

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