Annual Report 2020

Danske Bank Group

Danske Bank

Contents

Letter to our stakeholders

This year, Danske Bank will celebrate its 150-year anniversary, and since the foundation in 1871, it has been our role to contribute to economic growth in the societies we are part of by enabling families and businesses to save and invest and to prepare for the opportunities and challenges that lie ahead.

The COVID-19 pandemic was a challenge that few had anticipated. It hit without warning and turned lives and businesses upside down.

But as a solid and well-capitalised bank, Danske Bank has been in a good position to support our customers, and we have helped reduce economic uncertainty by extending credit lines, by helping customers assess risks, and by contributing to the maintenance of a well-functioning financial infrastructure.

The crisis has reaffirmed why we are here. We play an important role for our customers and for the financial infrastructure across the Nordic countries. We contribute to growth and prosperity, and we act as an anchor that creates security and continuity when economic cycles turn and crises arise.

COVID-19 continues to be a tremendous challenge. But our experience over the past year has demonstrated our ability to change and adapt, and it has shown us what we can achieve when we all work together to overcome such a challenging situation. This bodes well for the profound and ambitious transformation we have ahead of us.

In 2019, we announced our ambition to become a better bank for customers, employees, society and shareholders. In addition to changing the way we work and the way we are organised, we are also making substantial investments to become a more digital and agile bank that has lower costs, fewer and simpler products, and better and faster decisionmaking processes.

This will make us more attractive to customers – and more competitive. It will also make us a better and more engaging place to work, which will help us to recruit new talent and retain the good employees we already have. Collectively, this will enable us to strengthen our commercial momentum and to deliver to our shareholders better and more sustainable financial results in a competitive market with low margins and persistently low interest rates.

Over the past year, we have also continued to strengthen our risk and compliance setup and have taken active measures to address and resolve legacy issues that have been both wrong and unacceptable. As we continue this work, we are promoting a culture in which mistakes are addressed, discussed and resolved in a responsible manner. This is the only way we can rebuild trust, and it is a key element of our ambition to become a better bank that works in the interest of all stakeholders.

Danske Bank has evolved over a century and a half as a reflection of the societies we are part of. We have helped shape these societies by creating opportunities, by helping individuals and businesses to realise their ambitions, and by helping to build and innovate the financial infrastructure.

As the largest financial services provider in Denmark and one of the largest financial institutions in the Nordic countries, we have a particular responsibility to contribute to sustainable growth and development. We will fulfil this responsibility by continuing to evolve in tandem with the world around us to run a sustainable and profitable business that delivers the solutions that our customers and society need.

Karsten Dybvad
Chairman of the Board of Directors

Chris Vogelzang
Chief Executive Officer

Danske Bank 2020 at a glance

1st place
Green mortgage bonds

42.4 bn
Total income

Execution on compliance remediation and the Estonia case

Launched new commercial and agile organisation

Continuing the journey towards
2023 ambitions

7 bn
Impairments affected by COVID-19 and oil exposure

4.6 bn
Net profit

Good progress on ESG targets
27 bn investment in the green transition by Danica Pension

Helping customers through the corona crisis
Made liquidity of DKK 100 bn available

Financial highlights – Danske Bank Group

Income statement
(DKK millions)

	2020	2019	Index 20/19	2018	2017	2016
Net interest income	21,875	21,877	100	23,571	23,806	22,028
Net fee income	15,137	15,201	100	15,258	15,852	14,366
Net trading income	4,856	5,441	89	4,570	7,087	8,607
Other income	514	2,463	21	966	1,403	2,957
Total income	42,383	44,982	94	44,365	48,149	47,959
Operating expenses*	28,103	27,193	103	24,991	22,722	22,642
Impairment charges on goodwill	-	1,603	-	-	-	-
Impairment charges other intangible assets*	379	355	107	20	-	-
Profit before loan impairment charges	13,901	15,831	88	19,354	25,427	25,317
Loan impairment charges	7,001	1,516	-	-650	-873	-3
Profit before tax, core	6,900	14,315	48	20,004	26,300	25,320
Profit before tax, Non-core	-596	-493	-	-282	-12	-
Profit before tax	6,304	13,822	46	19,722	26,288	25,357
Tax*	1,715	-1,249	-	4,548	5,388	5,500
Net profit	**4,589**	**15,072**	**30**	**15,174**	**20,900**	**19,858**
Attributable to additional tier 1 etc.	551	786	70	781	786	663

Balance sheet (end of year)
(DKK millions)

	2020	2019	Index 20/19	2018	2017	2016
Due from credit institutions and central banks*	345,938	174,377	198	201,435	351,398	244,423
Repo loans	257,883	346,708	74	316,362	228,538	244,474
Loans	1,838,126	1,821,309	101	1,769,438	1,723,025	1,689,155
Trading portfolio assets	682,945	495,313	138	415,811	449,292	509,678
Investment securities	296,769	284,873	104	276,424	324,618	343,337
Assets under insurance contracts*	545,708	494,993	110	377,369	296,867	285,398
Total assets in Non-core	2,797	7,519	37	14,346	4,886	19,039
Other assets*	139,064	135,958	102	207,282	160,905	148,167
Total assets	**4,109,231**	**3,761,050**	**109**	**3,578,467**	**3,539,528**	**3,483,670**
Due to credit institutions and central banks	125,267	98,828	127	148,095	155,528	155,085
Repo deposits	223,973	232,271	96	262,181	220,371	199,724
Deposits	1,193,173	962,865	124	894,495	911,852	859,435
Bonds issued by Realkredit Danmark	775,844	795,721	98	741,092	758,375	726,732
Other issued bonds	360,127	350,190	103	330,477	405,080	392,512
Trading portfolio liabilities	499,331	452,190	110	390,222	400,596	478,301
Liabilities under insurance contracts*	591,930	535,891	110	417,279	322,726	314,977
Total liabilities in Non-core	2,975	2,501	119	4,014	3,094	2,816
Other liabilities*	135,596	128,353	106	204,243	164,531	149,641
Subordinated debt	32,337	31,733	102	23,092	29,120	37,831
Additional tier 1	8,508	14,237	60	14,300	14,339	14,343
Shareholders' equity	160,171	156,271	102	148,976	153,916	152,272
Total liabilities and equity	**4,109,231**	**3,761,050**	**109**	**3,578,467**	**3,539,528**	**3,483,670**

Ratios and key figures

	2020	2019	Index 20/19	2018	2017	2016
Dividend per share (DKK)	2.0	8.5		8.5	10.0	9.0
Earnings per share (DKK)	4.7	16.7		16.5	22.2	20.2
Return on avg. shareholders' equity (%)	2.6	9.6		9.8	13.6	13.1
Net interest income as % of loans and deposits	0.75	0.80		0.88	0.89	0.86
Cost/income ratio (C/I), (%)	67.2	64.8		56.4	47.2	47.2
C/I, excluding impairment on intangible assets (%)*	66.3	60.5		56.3	47.2	47.2
Total capital ratio (%)	23.0	22.7		21.3	22.6	21.8
Common equity tier 1 capital ratio (%)	18.3	17.3		17.0	17.6	16.3
Share price (end of year) (DKK)	100.7	107.8		128.9	241.6	214.2
Book value per share (DKK)	187.6	183.1		174.3	172.2	162.8
Full-time-equivalent staff (end of year)	22,376	22,006	102	20,683	19,768	19,303

**For restatements, see notes G3, G17 and G18*
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 69.

Executive summary

The year 2020 was a challenging year, not only for Danske Bank but for the entire society, first and foremost due to the outbreak of the coronavirus pandemic. For Danske Bank more specifically, 2020 marked the year when we turned a corner and in many areas made good progress on our efforts to meet our 2023 ambition of becoming a better bank for all our stakeholders.

Our agile transformation project called “Better Ways of Working” kicked off successfully, and the phrase literally got a second meaning as the pandemic significantly changed the way in which we work with our customers and other stakeholders. From the middle of March, we transformed our daily work into a “working from home set-up” backed by virtual communication channels and stable IT systems.

As a result, our dedicated employees made a tremendous effort to help our customers counter the disruption of their financial situation and business caused by the pandemic. Our support covered a wide range of different initiatives, from dedicated advisory services on a one-on-one customer basis to extending credit lines and providing liquidity facilities.

In a year that to a large extent was dominated by the corona crisis, the Nordic economies held up relatively well and our underlying business was stable, with growth coming from Banking Nordic and large corporate customers. Visibility regarding the global economic recovery is still limited however, and many uncertainties remain. Due to the pandemic, the countercyclical buffer requirement in Denmark was released in March with the aim of increasing the lending capacity throughout the sector and support the society. With strong capital and liquidity positions, Danske Bank continues to be well prepared to face these uncertainties and to continue to support our customers.

Danske Bank posted a net profit of DKK 4.6 billion for 2020, against DKK 15.1 billion in the year before, which, however, included significant net positive non-recurring items. The return on shareholders’ equity in 2020 was 2.6%, against 9.6% in 2019. The net profit in 2020 was affected mainly by loan impairment charges of DKK 7 billion, reflecting expected credit losses due to the corona crisis.

Total income in 2020 was stable, excluding one-off effects. Net interest income in 2020 reflected the steady progress in our business and was stable from the level in 2019, despite a challenging business environment. Net fee income and net trading income maintained the good momentum from last year, despite significantly lower remortgaging activity and difficult conditions in the financial markets in the beginning of the year. Given an environment with continually negative interest rates, the pricing of deposits was adjusted accordingly, also for retail deposits with effect from January 2021.

Costs were in line with our expectations. We are seeing the effect of our cost management initiatives, and underlying costs were lower in the latter half of 2020. Reported costs, however, came in higher than in 2019 as a result of planned costs for the Better Bank transformation as well as costs for ongoing compliance remediation and the Estonia case. In addition, an extraordinary write-down of intangible assets was made as a result of redesigning the organisation, and a provision was made for part of the transformation costs for 2021.

As a result of the continued execution of our 2023 plan to become a more efficient bank, we took additional cost initiatives. Including the initiatives announced at the end of January 2021, tangible progress has been made, as we have now discontinued approximately 700 out of the up to 1,600 positions that will be discontinued as announced in October 2020. Part of the reduction was achieved through layoffs, voluntary redundancy agreements and natural attrition. Reducing the cost base further is a key part of our 2023 plan to become a better bank and to make sure that we can continue to be competitive in a low-rate and low-margin environment.

Credit quality remained overall strong, and the high level of expected credit losses mainly reflects two things. Firstly, the significant impairment charges in the first quarter relating to changes in the forward-looking macroeconomic scenarios driven by the corona crisis. Most of these were later released as key economic indicators performed better than expected. We have, however, countered these model-driven releases with sector-specific post-model adjustments of DKK 2.7 billion, as we continue our cautious approach to risks and visibility is limited. Secondly, we have booked charges against oil-related exposures of DKK 3.3 billion. So far, the need for charges against corona crisis-sensitive sectors has been fairly limited due to government support programmes and our balanced portfolio.

Better Bank update
In 2020, we laid the foundation for our journey towards becoming a better bank for all our stakeholders. While this work will continue in the coming years towards meeting our 2023 ambitions, we have made tangible progress in many areas in 2020.

We announced changes to the organisation and to the Executive Leadership Team (ELT). The aim of the redesigned organisation is to reduce complexity, increase efficiency and become even more competitive for our customers. From 1 January 2021, our commercial activities are organised in two business units, Personal & Business Customers headed by Glenn Söderholm and Large Corporates & Institutions headed by Berit Behring. We also announced a new Commercial Leadership Team (CLT), comprising 12 senior leaders from across the business in addition to the ELT, to increase our execution power as one bank and achieve a faster time to market.

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

We accelerated the simplification of the product offering across the Group in order to reduce risk and complexity – making it easier to be a customer at Danske Bank.

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

We have seen strong progress on sustainable finance, with green loans and bonds reaching a volume of DKK 102 billion and green investments a volume of DKK 27 billion. Furthermore, we have supported more than 5,000 start-ups and scale-ups as a part of our contribution to the sustainable development of society.

We strengthened our frameworks across anti-money laundering and investor protection and improved our compliance capabilities, as a robust compliance culture is the foundation for fighting financial crime and ensuring that we always have the best interest of our customers in mind. Furthermore, we are investing heavily into both execution of compliance remediation and additional dedicated initiatives to build the required capabilities and processes for future good conduct outcomes.

Danske Bank is undertaking a multi-year enhancement to its AML controls which are set out in a comprehensive financial crime plan. The bank has made significant progress and we continue to improve our financial crime framework in close dialogue with the Danish FSA. In this context, the bank has received a draft decision from the Danish FSA indicating that it intends to appoint one or more independent expert(s) to assist the Danish FSA in its ongoing supervisory activities related to the execution of the bank's financial crime plan. The bank is expecting a final decision from the Danish FSA in the near future.

Estonia and remediation matters
The internal investigation work that Danske Bank had planned to complete during 2020 has been finalised and Danske Bank has reported the findings to the relevant authorities investigating Danske Bank. We continue to fully cooperate and will provide the authorities with further information if and when requested. The overall timing of the authorities' investigations remains unknown and is not within Danske Bank's control.

In December 2020, Dansk Bank was informed by the U.S. Department of Treasury's Office of Foreign Assets Control that it had decided to close its investigation of Danske Bank in relation to the Estonia case with no action.

In addition to the Estonia case, during 2020, we handled various legacy remediation issues such as Flexinvest Fri and the debt collection case in Denmark. A new central unit has been established with the task of overseeing the remediation of the identified legacy issues and ensuring a fully transparent approach along with timely communication with customers and other stakeholders.

Dividend
Due to the corona crisis, it was decided, as was the case also for other European banks, not to pay dividends for 2019, but to add the proposed dividend amount back

to further bolster our already strong capital base. This decision was made to support the initiatives and the recommendations from the government and the Danish FSA aimed at minimising the economic consequences of the pandemic.

For 2020 we propose a dividend of DKK 2 per share, which is slightly below the payout ratio set by our general dividend policy. This is in line with the recommendations issued by the Danish FSA for capital preservation due to the uncertainty associated with the corona crisis.

Our dividend policy, which states our ambition to pay out 40-60% of net profit, remains unchanged.

Outlook for 2021

The outlook has been aligned with the new presentation of earnings from Danica Pension, which going forward will be presented as Net income from insurance business. We refer to page 36 for a further description and presentation of the changes.

We expect net profit for 2021 to be in the range of DKK 9-11 billion.

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

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

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

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

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

Strategy execution

Introduction
At the end of last year, we launched the Better Bank transformation and announced clear ambitions towards 2023 for all our stakeholder groups: customers, employees, society and shareholders. We started our multi-year transformation to become a simpler and more competitive bank, to continue our journey towards becoming more integrated into the lives of our customers and the Nordic societies as well as to address a number of industry- and Danske Bank-specific challenges.

Our 2023 ambitions for our key stakeholders

Customers	Employees
On average to be among the top two in customer satisfaction in everything we do	At least 90% of our employees are engaged
Society	**Shareholders**
We will operate sustainably, ethically, and transparently – and have a positive impact on the societies we are part of	Achieve a 9-10% return on shareholders' equity and a cost/income ratio in the low 50s

One year into our transformation, we are satisfied with progress and traction, although 2020 was a year with challenges that affected both the industry as a whole and Danske Bank specifically. The year 2020 was a busy period for the Group, as we served and supported our customers during the corona crisis while continuing our commitment to handling various remediation matters such as the Estonia case, Flexinvest Fri and, most recently, the debt collection case in Denmark.

Despite these influences, we are well on track with our transformation and already in 2020, we took several significant steps towards becoming a better bank.

We spent about DKK 1.7 billion in transformation initiatives to lay the foundation for delivering on our four ambitions towards key stakeholders by 2023. Most of our transformation costs were linked to four focus areas, which are critical contributors in terms of fulfilling our 2023 ambitions:

- Better Ways of Working: We have transformed our entire development organisation to work agilely, thus creating the foundation for a step change towards a more scalable, digital and better customer experience going forward
- Purpose, Brand, Culture & Engagement: We have engaged our employees and leadership across the organisation to define a new internal culture that we aspire to and a purpose to act as our "North Star"
- Costs: During the year, we achieved a decrease in our underlying cost base and have a clear path towards becoming a simpler and more efficient bank in the future, and we expect lower costs already in 2021
- Compliance under Control: We are establishing an effective and efficient compliance function and implementing enhancements in core areas such as conduct, trade surveillance and transaction monitoring

Even though we are only one year into our transformation, we can already see the first tangible deliveries towards our 2023 ambitions for each of our key stakeholder groups:

Customers
Customers are the reason why we exist and we strive to deliver the best customer experience. We want to provide our customers with reliable, proactive and relevant financial advice that helps them become financially confident in the channel of their choice and at any time.

We are currently on the right path towards achieving our 2023 ambition in relation to customers. While we are not yet meeting our target on average to be among the top two in customer satisfaction and have some way to go, we are on target for example for commercial customers at Banking DK, Banking Nordic and Corporates & Institutions due to the strength of our product offering, high proactivity, and strict focus on customer needs.

To become even more customer-centric, we have developed our service models further over the course of the last year and will continue on this path in 2021. As an outcome, retail customers in both Denmark and the other Nordic countries as well as mid-corp customers stand to benefit from improved advisory services whenever and wherever they want to meet us.

We have further developed and launched new products and tools throughout the year that enable us to provide additional services to our customers. A majority of the products launched targets solving customer needs while also supporting a transition into a sustainable future.

They include new mortgage products in Denmark, where we launched a *FlexLife®* loan type with a fixed rate of interest for 30 years. In order to further promote the sustainability agenda, we continued to give customers a broader range of choices. For example, we launched *Danica Balance Sustainable Choice and Danske Invest Global Sustainable Future*.

Throughout the year, we improved our digital solutions for our customers, which led to Danske Bank being awarded international prizes for Best Use of Mobile and as Digital Financial Institution of the year in Denmark. During the corona crisis, we increased digital interaction with our customers significantly. For example, most customer meetings were held digitally during the lockdown, and we will continue to develop our digital platforms such as Danske Mobile Banking and District in the years to come, further leveraging recent learnings to meet the changing expectations of our customers.

Moreover, we deepened our collaboration with partners to create value for our customers. Our cooperation with Axeptia is one example of this. The joint offering went live in 2020 and gives us a unique position among competitors. We can provide Axeptia's credit management solution to business customers, enabling them to optimise their liquidity and cash flow. After initially going to market in Norway, we are scaling the offering across the Nordic countries.

We also launched a new commercial organisation with a Commercial Leadership Team, which will drive the commercial agenda, and introduced two new Chief Customer Officers to ensure our customers have an even stronger voice in our organisation.

Employees

Our employees are our main asset, and we aspire to have engaged employees who are proud to work at Danske Bank. Further, we want a skilled and motivated workforce and a strong talent pool to ensure that we continue to meet increasing customer expectations.

To pave the way for improving our employee engagement, in 2020, we explored the expectations of our customers, colleagues and other stakeholders through roundtables, surveys and other activities to support us in identifying and shaping a new purpose and cultural commitments. This will be integrated into the organisation as part of our Purpose, Brand, Culture and Engagement initiative in early 2021.

In addition, during the corona crisis we managed to enable almost our entire workforce to work remotely from home within a few weeks, so that our customers continued to receive the services and advice they needed while minimising the risk of infection among our customers and employees in accordance with the health and safety guidelines issued by the authorities. We will continue on this path and give our employees much more flexibility in their work life, for example by working from home, with "Working@Danske".

As part of having a more open, diverse and inclusive culture, we have a dedicated focus on increasing the diversity of our staff with specific initiatives, such as a new policy giving rainbow families equal rights to parental leave, and have taken several other initiatives to further support diversity in the hiring and internal promotion processes.

In order to benefit from the contribution each individual at Danske Bank can make, we also further increased the autonomy of our employees at work. As an example, the entire Agile Transformation will lead to more personal flexibility and development in our daily work, closely embedded in teams working cross-functionally and moving closer to our customers, which will also further drive employee engagement.

Society

We are an integral part of our customers' lives, and at the core of our societal ambition is our desire to act in the best interest of our customers. This includes open and transparent communication while supporting our customers' transformation and the societies that we are part of in becoming sustainable.

We have made significant progress on our sustainability agenda, which we launched in early 2020 with seven dedicated targets towards 2023. Already now, we are well ahead of our expectations in some areas. In the area of sustainable investing, for instance, we have already reached more than two thirds of our ambition of DKK 30 billion in green investments in Danica Pension by 2023, with current green investments totalling in excess of DKK 20 billion. In relation to sustainable financing, early results are even more promising. Here, the volume of green loans and bonds has surpassed DKK 100 billion, against a target of well above DKK 100 billion in sustainable financing, including arranged bonds, by 2023. Hence, both targets will be revised during 2021. Furthermore, we continue to deliver on our long-term commitment to help the societies we are a part of to prosper, for example by fostering entrepreneurship. Our digital platform The Hub is a key channel through which we realise our target of supporting 10,000 start-ups and scale-ups by 2023. Created five years ago, the platform provides access to investors, a recruiting channel, and growth and impact expertise and tools across the Nordic countries. The significant milestones of 500,000 job applications and more than 25,000 jobs posted through the platform recently reached are testament to its success.

One of our important contributions to society is to provide equal opportunities. Hence, we have taken several steps on Diversity & Inclusion (D&I) such as appointing D&I leads across the organisation, updating our D&I policy, launching an internal education programme for managers, and commencing new initiatives on inclusion, equal opportunities and creating an attractive workplace.

A robust compliance culture is the foundation for fighting financial crime and meeting our regulatory compliance obligations, ensuring that we always have the best interest of our customers in mind. We have strengthened our frameworks across AML and investor protection and have improved our compliance capabilities after making it a focus area of the Better Bank transformation in 2020. Further, we are investing heavily into both execution of our AML remediation and four additional Better Bank initiatives dedicated to building the capabilities and processes required to further improve compliance. It is essential that we deliver on our AML remediation to safeguard the financial system. Over the course of the past year, we have completed ODD on more than 2.5 million customers across Danske Bank, a substantial portion of which was completed by harnessing automation.

You can read more about our efforts in relation to sustainability throughout this report and in the Sustainability Report 2020.

Shareholders

In 2023, we have an ambition to achieve a return on shareholders' equity of 9-10%, as we will continuously improve our profitability level by leveraging our full potential.

The year 2020 was a year of investment in our future financial performance on the basis of the Better Bank transformation. As a result, we have progressed considerably towards creating the foundation for regaining commercial momentum. Examples include adopting more agile ways of working and creating end-to-end responsibilities for customer value propositions, commencing the accelerated digitisation of the journeys most relevant for our customers and advancing towards more scalable and standardised processes and operating models in our retail and mid-corp segments across the Nordic countries.

But while we are expecting to reap the benefits of these changes going forward, the past year was overshadowed by the global corona crisis. It caused considerable headwinds for our income, as retail and commercial customers in the Nordic societies together with the rest of the world felt the impact of lockdowns and heightened uncertainty throughout the year. This increased impairment levels, particularly in sectors significantly affected by the lockdowns, either directly or indirectly. Since summer, we have witnessed encouraging signs for the recovery of our business lines across the board, exemplified by increased customer activity and rebounding trading income in Corporates & Institutions. However, despite the commencement of vaccination programmes, tightened restrictions introduced across our markets as recently as January and the extension of monetary and fiscal support packages that are yet to cease underpin the great uncertainty as to how the global pandemic will continue to affect our business.

In addition, we used 2020 to invest in and pave the way for further improvement of cost levels. Through intensive efforts, we will manage to follow a strong trajectory of enhanced cost levels until 2023 – with the first milestone to be reached in 2021, when we expect total costs to amount to around DKK 24.5 billion.

A long-term structural decrease of our cost base will be enabled by two key changes implemented over the course of the past year. Firstly, our agile transformation will allow us to accelerate the digitalisation of key processes in coming months. Secondly, we launched a new and simplified commercial organisation in January 2021 and will serve our customers from two business units going forward: Personal & Business Customers, and Large Corporates & Institutions. The rethinking of our organisation allows us not only to remove unnecessary complexity, but also to bundle our commercial competencies to better support different customer groups in the best possible way and further enhance our business activity.

Further simplification will drive our operational performance. We continued to improve operational effectiveness in customer-facing and back-office processes. For example, while introducing new relevant products, we are also simplifying our product offering and in 2020 reduced the number of products by 25% at Banking DK and Banking Nordic and by more than 50% at Corporates & Institutions. Further, we are improving and modernising our IT infrastructure, leading to a significant reduction in developer waiting time.

BETTER Bank 2023

Road ahead for 2021

We will proceed on our journey to become a Better Bank and will deliver on our ambitious agenda for all our stakeholders. In 2021, we will continue to drive our transformation and at an increasing pace see results made possible by investments made in 2020 and the new business unit structure from the beginning of 2021.

We expect that our customers will benefit from the digitalisation of key customer journeys and easier access to banking products and services. Employees in development functions will experience new ways of working because the agile transformation will increase employee empowerment and give a greater end-to-end responsibility. Improving our compliance further will mark an important next step in our commitment to society and the protection of the integrity of financial markets. And finally, we will drive the process of regaining commercial momentum by, for example, leveraging new digital enablers and launching customer service models and value propositions while continuing to execute diligently on our cost roadmap to improve profitability.

Sustainability

The creation of societal value and business value can and must go hand in hand. This assumption drives our approach to sustainability and is an important lever for our Better Bank plan and the transformation we want to accomplish towards 2023. While 2020 in many ways was a challenging year, the corona crisis has also reinforced the importance of sustainable development, and we will look to support our customers and society at large in 'building back better'.

Sustainability strategy towards 2023

The 17 UN Sustainable Development Goals (SDGs) and society's sustainability transition towards 2030 continue to drive rapid change across markets. For the financial sector in particular, the EU Action Plan on Sustainable Finance, the Task Force on Climate-related Financial Disclosures (TCFD), the Principles for Responsible Banking (PRB) and the Principles for Responsible Investments (PRI), all of which are supported by Danske Bank, are shaping market developments and our business significantly.

In 2020, we revisited our sustainability strategy to reflect both external and internal developments and to meet our stakeholders' expectations to capture the increasing risks and opportunities. Our updated sustainability strategy builds on our foundation, on results achieved in recent years and on our Better Bank 2023 ambitions, thereby further developing the areas that create both societal value and business value. This will also strengthen Danske Bank's competitiveness.

The strategy has sustainable finance at its core and reflects our ambition to take a leading position on sustainable finance in the Nordic countries by 2023. The strategy includes five additional focus areas, which are of high importance for our stakeholders and are vital to our performance and credibility on the overall sustainability agenda.

2023 Group Sustainability Strategy

With our updated strategy and associated 2023 targets, we aim to contribute to the UN's 2030 Agenda for Sustainable Development and the SDGs. In the past couple of years, we have targeted our efforts on SDG 4: Quality education, SDG 8: Decent work and economic growth, and SDG 13: Climate action. Reflecting our work to promote equal opportunities in leadership and our efforts to reduce illicit financial flows and combat financial crime, the updated strategy also addresses SDG 5: Gender equality and SDG 16: Peace, justice and strong institutions.

Through our sustainable finance offerings, we potentially have an indirect impact on all 17 SDGs. Depending on the underlying activities, the impact can be both negative and positive, which we will start mapping in more detail in 2021 in line with our PRB commitment.

We monitor progress against our 2023 targets, and in 2020, we started to integrate environmental, social and governance (ESG) related KPIs into our performance management framework. We have so far included three KPIs on *Environmental footprint, Employee well-being & diversity* and *Governance & integrity* in the Group's variable remuneration structure to ensure that all employees' variable remuneration is clearly linked to our ambitions in these areas.

Strategy focus areas and value creation	2020 status	SDGs
Sustainable finance Increase volume of sustainable finance to 1) well above DKK 100 billion in sustainable financing including granted green loans and arranged bonds and to 2) DKK 30 billion investments in the green transition by Danica Pension	Sustainable financing: **DKK 102 billion** since 2019 Investing in the green transition: **DKK 27 billion** since 2019	13 CLIMATE ACTION
Set a climate target for our corporate loan portfolio in alignment with the Paris Agreement on Climate Change	**23%** of corporate loan portfolio mapped for climate impact	
Entrepreneurship 10,000 start-ups and scale-ups supported with growth and impact tools, services and expertise	**5,065 start-ups and scale-ups** supported since 2016	8 DECENT WORK AND ECONOMIC GROWTH
Financial confidence 2 million people supported with financial literacy tools and expertise	**1,154,913 people** supported since 2018	4 QUALITY EDUCATION
Governance & integrity Over 95% of employees trained annually in risk and compliance	**95% of employees** trained	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Employee well-being & diversity More than 35% women in senior leadership positions	**28% share of women** in senior leadership positions	5 GENDER EQUALITY
Environmental footprint Reducing our CO_2 emissions by 10% from 2019 and 75% from 2010	**86% CO_2 emissions reduction** since 2010 and 48% since 2019	13 CLIMATE ACTION

Our Group Sustainability Strategy cuts across the entire business, and the majority of employees working with sustainability are firmly rooted in our business units. To further support coordination and to accelerate Group-wide execution, we in 2020 established a Sustainable Finance Council and a Diversity & Inclusion Council, both of which include representatives from all business units and from relevant Group functions.

TCFD reporting
– climate-related risks and opportunities

In our Sustainability Report 2020, we report on the TCFD in relation to governance, strategy, risk management, and metrics and targets. Our TCFD execution relies on embedding climate considerations into business units' operations while collaborating across our organisation to share and develop best practices. We aim to continuously improve in developing the required tools, methods and practices for full TCFD implementation. In 2020, embedding all the necessary climate data for sufficient climate risks and opportunity disclosures has been a key focus area and will continue to be a priority in the coming years. Also, we actively participate in industry-wide collaboration to enhance our own and the financial industry's expertise. We had an active role in UNEPFI's TCFD pilot phase II, and we will continue onto phase III in 2021, when we also look to disclose more quantitative information about the Group's climate-related risks and opportunities.

Sustainable finance
We define sustainable finance as "finance to support economic growth while reducing negative impacts and increasing positive impacts on ESG factors". This aligns well with the EU's definition, and it includes integration of ESG considerations, which we are continuously working to improve, into our financing and investing activities across the Group.

Sustainable financing is the provision of loans and bonds for projects and activities that have a clearly defined environmental or social benefit. We issue our own green bonds to finance our green lending activities, and we arrange sustainable bond issues for our customers to support the financing of their sustainable transition. The overwhelming growth and interest in green loans felt by both Danske Bank and Realkredit Danmark on the back of our green bond issues, as well as the interest in arranged sustainable bonds for customers, continued in 2020 and led to the provision of DKK 102 billion in sustainable financing by the Group. This surpasses our 2023 target of DKK 100 billion set in 2019. We will review our sustainable financing ambitions in 2021.

Responsible investing is a cornerstone of our fiduciary duty to protect and grow our customers' investments and ambition to create value for society. We integrate ESG factors into our investment processes, products and advisory services and we exercise active ownership and apply screenings and restrictions as part of our work. In 2019, Danica Pension communicated our green investment pledge of DKK 100 billion by 2030. In 2020, Danica Pension increased its investments in the green transition by 164% – from DKK 10.3 billion to DKK 27.2 billion. The current volume of investments means Danica Pension is close to reaching its initial 2023 milestone of DKK 30 billion, and we will review our investment milestones in 2021.

In addition to our volume targets on financing and investing, we also work to align our corporate loan portfolio and Danica Pension's investment portfolio to the objectives of the Paris Agreement on Climate Change. To support our work, we in 2020 joined the Partnership for Carbon Accounting Financials (PCAF), which aims to develop and implement a harmonised approach to measuring and disclosing greenhouse gas (GHG) emissions associated with loans and investments based on the GHG Protocol. We also pledged to make Danica Pension's investment portfolio carbon-neutral by 2050 when we joined the global UN-convened Net-Zero Asset Owner Alliance in 2020.

In December 2020, we launched our sustainable finance framework to provide guidance on the implementation of our ambition and targets, while also identifying key focus areas for execution and potential synergies. Towards 2023, we will further develop our position across customer segments and sectors.

Entrepreneurship
When we support the growth of new businesses that can drive innovation and job creation, we contribute to the overall well-being and sustainable development of society. Since 2016, we have supported 5,065 start-ups and scale-ups with growth and impact tools, services and expertise. The Hub, Danske Bank's free, digital community platform, has been a key initiative in our efforts to address the main scalability challenges that growth companies face, such as recruitment and access to capital.

Financial confidence
To contribute to people's financial confidence, we help children and young people to develop sound money habits and to progress all the way to a financially secure adulthood. Since early 2018, we have supported more than one million children, young people and parents with financial literacy tools and expertise. To reach our 2023 target, we will scale up our initiatives and evolve our financial literacy programmes to reflect the digitalisation of money and developments in society and technology.

Governance & integrity
Setting the foundation and being clear on expectations for individual behaviour across our Group is important for building and maintaining a strong culture that embeds compliance into everything we do. Our Code of Conduct Policy identifies the principles we seek to uphold and the associated areas that underpin wider rules and standards across policies, processes and risk management. 95% of our employees completed and passed risk and compliance training on time in 2020, and as regulatory requirements continue to evolve, we continue to invest in developing our risk management framework and capabilities to ensure that expectations remain firmly embedded in our daily activities.

In recent years, we have invested substantially in enhancing our procedures, systems and competencies to prevent money laundering and other financial crime risks. Despite coronavirus-related challenges, 2020 was a year in which we made solid transformational progress towards strengthening our defences. Part of our employee training on financial crime prevention includes understanding tax affairs at customer level and detecting tax evasion. We have a firm position on tax compliance, and we do not participate in abusive tax arrangements.

Furthermore, we introduced an Anti-Bribery and Corruption Policy in late 2020, which in 2021 will be complemented by a separate instruction that includes a set of criteria for sponsorship agreements. This will improve our assessment of anti-corruption risks and controls across the Group. In 2020, we updated our Gifts and Hospitality Instruction and broadened the scope, criteria and principles for providing and receiving gifts and hospitality.

Adding to this, we in 2020 updated our Escalation Policy to give additional clarity to employees on how to recognise and properly raise issues of concern, thereby enabling us to respond faster and more effectively. Employees can also report concerns about irregularities or wrongdoings anonymously through our whistleblowing scheme, which also applies to external stakeholders. In 2020, we redesigned the whistleblowing reporting site to make it more inviting, user-friendly and to provide a strong sense of trust and security, and we further developed our training on whistleblowing. The number of whistleblowing reports increased by more than 50% from 2019 to 2020.

We also work closely with partners and suppliers to promote responsible business conduct throughout our supply chain. Our responsible sourcing process is part of our supplier due diligence programme alongside other supplier assessments, such as IT security, financial assessment and GDPR.

Employee well-being & diversity
To become a more engaging workplace, we seek better ways of working, a sense of belonging and equal opportunities for all our employees, and we foster well-being among our employees, and build a diverse and inclusive culture that mirrors the societies we are part of. We recognise gender diversity as a driving force for other diversity aspects, and we aim to increase the share of women in senior leadership positions from 28% in 2020 to 35% in 2023. Measures include targeted recruitment where there is always at least one woman in the final field of candidates for leadership positions and on the hiring committee.

In a short period of time, the coronavirus pandemic drastically changed our ways of working. Also, the execution of our Better Bank plan with increased focus on cost and more effective ways of working led to layoffs. Both of these factors have had a negative effect on employee engagement, and reversing this trend is a strong ambition for us.

In a survey conducted among our employees in 2020, working from home was seen as an important measure for improving mental health, because it increased engagement, made life less stressful and decreased common illnesses. On this basis, we in June introduced our Working from Home initiative, which allows employees across the Group to work from home one to two days a week, subject to agreement with their manager. Our expert team on mental health and well-being and our close to 500 mental health ambassadors also played a vital role in promoting initiatives that build mental resilience and elevate the well-being of our employees. We introduced a new intranet site that provides inspiration, tools and training for management and employees on how to cope with change and uncertainties – in both a professional and a private context.

Environmental footprint
Efforts to minimise our own environmental footprint focus on reducing the emissions of greenhouse gases from our premises, operations and travel. Key initiatives include more digital meetings, energy-efficient buildings, environmentally friendly company cars and a reduction in air travel. In 2020, our operations resulted in 7,871 tonnes of CO2 emissions, which is a 48% decrease from 2019 and an 86% decrease from 2010. Because this significant drop in CO2 emissions was mainly a result of the coronavirus pandemic, our current 2023 target will be retained without change.

More information
We have continued to integrate ESG considerations into our Risk Management Framework, which is covered in our Risk Management Report 2020.

In terms of ESG ratings, these cover a range of analytical activities that address a business's societal impact. Danske Bank has chosen to focus on dialogue with six providers, who are selected on the basis of their importance to our investors. This is described further in the Capital and liquidity management section on p. 30.

Altogether, our independently assured Sustainability Report 2020 serves as our Communication on Progress to the UN Global Compact, it meets proposal 14, cf. the 25 proposals by Finance Denmark's Anti-money Laundering Task Force, and ensures compliance with sections 135a and b of the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. The report is available at danskebank.com/sustainability. The report is supplemented by our Sustainability Fact Book 2020, which also includes our PRB reporting obligation.

Estonia and remediation matters

In 2020, Danske Bank continued the handling of a number of remediation matters, including the Estonia case, the Flexinvest Fri case and, most recently, the debt collection case in Denmark.

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

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

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

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

In December 2020, Danske Bank was informed by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") that it had decided to close its investigation of Danske Bank in relation to the Estonia case with no action. OFAC is the U.S. authority responsible for civil enforcement of U.S. sanctions.

Civil claims
Danske Bank is also subject to ongoing litigation in relation to the Estonia case. This includes, inter alia, an action filed against Danske Bank in the United States District Court for the Southern District of New York (which was initially dismissed but has been appealed) and a number of court cases initiated against Danske Bank in Denmark. Danske Bank intends to defend itself against the various claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain and could be material.

Flexinvest Fri case
In November 2020, Danske Bank accepted a fine of DKK 9 million from SØIK for violating the Danish Executive Order on Investor Protection in connection with the Flexinvest Fri case.

All affected customers have been contacted, and we have compensated more than 99%. We have taken several initiatives to handle the issue and make sure something similar should not happen again.

Market monitoring
In 2019, the Danish FSA conducted an inspection of Danske Bank's market monitoring function and issued a number of orders on 6 December 2019. Danske Bank has since then taken a series of steps to ensure compliance with the orders. In addition, the Danish FSA also announced further investigation, which in June 2020 led the Danish FSA to file a criminal complaint against Danske Bank A/S for violation of the Market Abuse Regulation on account of inadequate market monitoring and market manipulation in respect of opposite trades. Danske Bank has a dialogue with and cooperates with SØIK, but cannot comment further on the criminal complaint as long as SØIK is investigating the case.

Debt collection case
In our efforts to become a better bank, we have in recent years systematically improved compliance, risk and control capabilities and processes and sought to foster a management culture under which potential issues are raised and addressed.

In connection with this work, several issues have been identified. These include the debt collection issue, which we have worked on remediating since 2019, including by providing information to the authorities and initiating communication to customers in June 2020.

On 21 September 2020, the Danish FSA issued four orders to Danske Bank in relation to the systemic errors in our debt collection system and the ongoing remediation. On 20 October 2020, Danske Bank confirmed to the Danish FSA that it would comply with the orders.

On 26 November 2020, the Danish FSA ordered Danske Bank to arrange for and bear the costs of an impartial investigation into the measures taken and to be taken by Danske Bank to correct the errors in the debt collection process and into the IT systems used for debt collection.

We welcome the impartial investigation, and will continue the cooperation with the Danish FSA.

Danske Bank remains committed to contacting and compensating all affected customers.

Other legacy issues
As communicated on 22 October 2020, we have identified a number of other legacy issues. To accelerate and strengthen the remediation efforts and to ensure consistent and timely remediation of these issues, a new central unit has been established with the task of overseeing the remediation of the identified legacy issues and ensuring a transparent approach along with timely communication with customers and other stakeholders.

In addition to the debt collection case, the new remediation unit is currently also overseeing remediation of the following legacy issues, as previously communicated:

- Wrong profit and loss reporting for custody accounts, which for some customers have resulted in wrong tax reporting.
- Issues relating to the handling of dividend tax, which have resulted in delays in tax reclaims.
- Wrong registration of rebates on specific trades (FX trades).
- For some customers, repayment terms have been set in such a way that the term of their loan is very long or infinite.
- Discrepancies between investment profiles and investment agreements that may have meant that some customers have received a lower – or in some cases a higher – return than agreed.
- For a number of business customers, Danske Bank has charged unjustified credit renewal fees.

The financial consequences of these matters for Danske Bank have either already been recognised or are not deemed material.

We are working hard to remediate these issues and will contact and compensate affected customers as soon as possible.

While we cannot guarantee that other issues will not emerge in the remediation process, we remain committed to solving any issue that emerges with transparency and to compensate all affected customers.

Financial review

Income statement
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Net interest income	21,875	21,877	100	5,377	5,509	98
Net fee income	15,137	15,201	100	4,457	3,369	132
Net trading income	4,856	5,441	89	1,093	1,463	75
Other income	514	2,463	21	32	202	16
Total income	42,383	44,982	94	10,959	10,543	104
Operating expenses	28,103	27,193	103	7,694	6,692	115
Impairment charges on goodwill	-	1,603	-	-	-	-
Impairment charges, other intangible assets	379	355	107	379	-	-
Profit before loan impairment charges	13,901	15,831	88	2,886	3,851	75
Loan impairment charges	7,001	1,516	-	713	1,018	70
Profit before tax, core	6,900	14,315	48	2,173	2,833	77
Profit before tax, Non-core	-596	-493	-	-113	-37	-
Profit before tax	**6,304**	**13,822**	**46**	**2,059**	**2,795**	**74**
Tax*	1,715	-1,249	-	609	692	88
Net profit	**4,589**	**15,072**	**30**	**1,450**	**2,103**	**69**
Attributable to additional tier 1 etc.	551	786	70	118	117	101

** In 2019, tax included a net income of DKK 4.1 billion from reversal of a deferred tax liability for international joint taxation and increased provisions for deferred tax on assets and liabilities measured at amortised cost.*

2020 vs 2019
In 2020, profit before loan impairment charges amounted to DKK 13.9 billion (2019: DKK 15.8 billion). The development related mainly to higher expenses due to remediation and transformation costs and lower income, as 2019 benefited from several non-recurring items.

Net profit amounted to DKK 4.6 billion (2019: DKK 15.1 billion), which was just above our expectations. Net profit was heavily affected by the corona crisis, primarily in the form of loan impairment charges, which increased to DKK 7.0 billion (2019: DKK 1.5 billion). Further, net profit for 2019 benefited from Danske Bank's exit from the International Joint Taxation scheme.

Income
Net interest income was stable at DKK 21.9 billion. There were positive effects from deposit and lending volumes, higher deposit margins and an increase in amortisation of loan origination fees. There was also a positive effect from structural changes to the Group's funding and liquidity management. The positive developments were, however, offset by adverse exchange-rate developments, lower lending margins, higher funding costs and a fall in other interest income from, among other things, mortgage lending activities.

Net fee income was stable at DKK 15.1 billion (2019: DKK 15.2 billion). Net fee income at Wealth Management increased. In Asset Management, net fee income increased due to record-high performance fees. In Danica Pension, net fee income increased due to higher risk allowance fees and positive results from risk products, for example the health and accident business. At Corporates & Institutions, net fee income from Capital Markets offerings increased. The increases were offset by the effects of the corona crisis at Banking DK, which resulted in a decline in card use and transaction-related fees. Further, net fee income was affected by lower income from a distribution agreement in Finland. Net fee income in 2019 was affected by the compensation paid to customers in relation to the *Flexinvest Fri* product, the effect of which was partly offset by high remortgaging activity.

Net trading income totalled DKK 4.9 billion (2019: DKK 5.4 billion) and thus increased DKK 0.3 billion, when taking the sale of LR Realkredit A/S in 2019 into account. Net trading income at Corporates & Institutions, FI&C, increased due to higher customer activity, improved market conditions and positive value adjustments of the derivatives portfolio (xVA). This development was partly offset by a decrease in net trading income at Wealth Management, caused largely by a lower investment result, which includes provisions for pension yield tax in relation to the health and accident business for this year and previous years and the clean-up of accounting balances after the merger of Danica Pension and the former SEB Pension. Furthermore, income from remortgaging activity at Banking DK decreased.

Other income amounted to DKK 0.5 billion, against DKK 2.5 billion in 2019. The decrease in other income was due mainly to other income in 2019 benefiting from the gain on the sale of Danica Pension Sweden and the change in the presentation of Danica Pension in the Financial Highlights as described in note G3.

Expenses
Operating expenses amounted to DKK 28.1 billion, an increase of 3% from the level in 2019, which is at the lower end of our guided range for 2020. Underlying costs started to decrease in the second half of the year as the initial effects of the cost transformation are beginning to show and as a consequence of lower spending due to the corona crisis. This was, however, more than countered by higher remediation costs, which totalled DKK 4.1 billion as guided and related to compliance, financial crime prevention and the Estonia case. Further, expenses were affected by transformation costs, which amounted to around DKK 1.7 billion, including provisions for restructuring costs in 2020 and partly in 2021.

Impairment charges for other tangible assets
Due to our transformation efforts and organisational changes, software of DKK 0.4 billion (2019: DKK 0.4 billion) was impaired.

Loan impairments
Loan impairments in core activities amounted to DKK 7.0 billion (2019: DKK 1.5 billion). In the fourth quarter, the macroeconomic scenarios and weights were updated following a similar update of the Group's Nordic Outlook. The downside has become a W-shape scenario with positive trends for 2021 following a second-wave impact during the winter. On the basis of timely estimates applied in the Group's impairment process, loan impairments include a charge of DKK 2.4 billion to cover the effects of the limited visibility caused by the corona crisis. The impairment charges are a combination of specific adjustments for industries expected to be impacted by the corona crisis and charges due to the updating of macroeconomic scenarios. Impairments relating to specific customers amounted to DKK 4.6 billion, of which a part also relates to the corona crisis. This includes charges relating to the oil and gas industry, as uncertainty in the offshore segment continues to exist. Despite the above, credit quality remained overall strong.

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

Loan impairment charges

	2020		2019	
(DKK millions)	Charges	% of net credit exposure*	Charges	% of net credit exposure*
Banking DK	907	0.10	-342	-0.04
Banking Nordic	1,404	0.22	510	0.08
C&I	4,304	1.80	1,348	0.57
Northern Ireland	378	0.69	5	0.01
Other Activities	8	0.14	-5	-0.07
Total	**7,001**	**0.37**	**1,516**	**0.08**

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

Tax
Tax on profit for the period amounted to DKK 1.7 billion, or 27.2% of profit before tax, against 22% of profit before tax for 2019 adjusted for the specific changes in deferred tax. The increase in the effective tax rate was due primarily to expenses that are expected to be non-deductible.

Q4 2020 vs Q3 2020

In the fourth quarter, the Group posted a net profit of DKK 1.5 billion, against DKK 2.1 billion in the third quarter. Loan impairment charges fell to DKK 0.7 billion, a decrease of 30%. However, this positive effect was more than offset by an increase in operating expenses related to transformation costs and impairment charges on other intangible assets.

Net interest income amounted to DKK 5.4 billion, a 2% decrease from the level in the third quarter of 2020. There were positive effects from lower funding costs, favourable exchange rate developments, higher deposit volumes and an increase in amortisation of loan origination fees. However, these effects were more than offset by the negative effects from lower deposit and lending margins as well as lower lending volumes. We also saw lower income at the Internal Bank from managing short-term liquidity in the fourth quarter.

Net fee income amounted to DKK 4.5 billion, an increase of 32% from the level in the third quarter of 2020. The increase was due to seasonality at Corporates & Institutions, Capital Markets. At Wealth Management, performance fees from asset management booked in the fourth quarter of 2020 had a positive effect on net fee income. Some of the effect was offset by lower income from a distribution agreement in Finland.

Net trading income decreased to DKK 1.1 billion (Q3 2020: DKK 1.5 billion). The decrease was due mainly to provisions for pension yield tax in relation to the health and accident business for previous years and the clean-up of accounting balances after the merger of Danica Pension and the former SEB Pension.

Operating expenses increased to DKK 7.7 billion from DKK 6.7 billion in the third quarter. The increase was driven primarily by the transformation efforts and also included restructuring costs not only for the fourth quarter of 2020 but also partly for 2021.

Impairment charges for software related mainly to our transformation efforts and organisational changes and amounted to DKK 0.4 billion in the fourth quarter of 2020.

Loan impairments amounted to DKK 0.7 billion, against DKK 1.0 billion in the third quarter of 2020. Loan impairments relating to specific customers amounted to DKK 0.5 billion. In the fourth quarter, the macroeconomic scenarios were updated. The effect of these updates amounted to a reversal of DKK 0.5 billion. However, given continually clouded visibility regarding the corona crisis, additional impairments of DKK 0.3 billion were booked to cover specific adjustments for industries likely to be affected by the corona crisis. Further, DKK 0.4 billion was booked in relation to the continued implementation of revised EBA guidelines and DKK 0.1 billion was booked at Banking DK. Overall charges for Banking DK and Banking Nordic were unchanged, while Corporates & Institutions saw charges driven by single-name exposures, mainly in the oil & gas and retailing industries.

Balance sheet

Lending (end of period)
(DKK billions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Banking DK	935.0	943.7	99	935.0	927.3	101
Banking Nordic	655.3	635.0	103	655.3	634.3	103
Corporates & Institutions	213.5	209.1	102	213.5	203.9	105
Wealth Management	0.3	0.1	300	0.3	0.1	300
Northern Ireland	52.2	54.3	96	52.2	54.1	96
Other Activities incl. eliminations	1.6	-3.0	-	1.6	2.7	59
Allowance account, lending	19.8	18.0	110	19.8	21.0	94
Total lending	**1,838.1**	**1,821.3**	**101**	**1,838.1**	**1,801.4**	**102**

Deposits (end of period)
(DKK billions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Banking DK	398.0	358.0	111	398.0	396.6	100
Banking Nordic	327.2	270.5	121	327.2	304.9	107
Corporates & Institutions	393.7	270.7	145	393.7	354.4	111
Wealth Management	-	0.2	-	-	0.2	-
Northern Ireland	84.2	70.9	119	84.2	81.4	103
Other Activities incl. eliminations	-9.9	-7.4	-	-9.9	-8.7	-
Total deposits	**1,193.2**	**962.9**	**124**	**1,193.2**	**1,128.7**	**106**

Covered bonds
(DKK billions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Bonds issued by Realkredit Danmark	775.8	795.7	97	775.8	772.7	100
Own holdings of bonds	43.5	9.7	-	43.5	37.7	115
Total Realkredit Danmark bonds	**819.4**	**805.4**	**102**	**819.4**	**810.3**	**101**
Other covered bonds issued	160.9	176.5	91	160.9	162.7	99
Own holdings of bonds	97.1	61.9	157	97.1	89.6	108
Total other covered bonds	**258.0**	**238.4**	**108**	**258.0**	**252.3**	**102**
Total deposits and issued mortgage bonds etc.	**2,270.5**	**2,006.7**	**113**	**2,270.5**	**2,191.3**	**104**
Lending as % of deposits and issued mortgage bonds etc.	81.0	90.8		81.0	82.2	-

**Includes only bonds issued to fund lending. For further information, see the Definition of alternative performance measures section.*

Lending
At the end of 2020, total lending was up 1% from the level at the end of 2019. At Banking Nordic, lending grew in most market areas. Sweden and Norway saw growth in the retail segment, Finland mostly saw growth in the commercial segment. At Corporates & Institutions, lending also increased, despite a decrease in bank lending towards the end of the year. This was partly offset by a decrease in lending at Banking DK as lending volumes were adversely affected by lower demand for credit among commercial and retail customers, reflecting the general uncertainty caused by the corona crisis. For commercial customers in particular, the decline was driven not only by uncertainty but also by the substantial relief packages offered by the government, including tax postponement and salary compensation schemes.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 87.2 billion (2019: DKK 72.8 billion) due to an increase in fixed-term loans in Denmark. Lending to retail customers accounted for DKK 26.0 billion (2019: DKK 28.2 billion) of this amount. The decrease in retail lending related to home loans.

The main increase in market share occurred in Finland, where our market share rose to 9.9% from 9.6% in 2019. In Denmark, our market share of total lending, excluding repo loans, decreased to 25.5% from 26.2% in 2019 due primarily to decreasing market shares in the retail segment of the mortgage credit market and in the commercial segment of the banking market.

Market shares of lending

(%)	31 December 2020	31 December 2019
Denmark incl. RD (excl. repo)	25.5	26.2
Finland*	9.9	9.6
Sweden (excl. repo)*	5.4	5.5
Norway*	6.5	6.4

Source: Market shares are based on data from central banks at the time of reporting.
** The market shares for Finland and Norway are based on data as at 30 November 2020.*

Lending equalled 81.0% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.8% at the end of 2019, which reflects the increasing level of deposits as well as own holdings of bonds.

Deposits
At the end of 2020, total deposits were up 24% from the level at the end of 2019 as deposits increased at all business units. Our market shares of deposits increased in Denmark, Sweden, Finland and Norway.

Market shares of deposits

(%)	31 December 2020	31 December 2019
Denmark (excl. repo)	30.5	28.9
Finland*	11.8	10.7
Sweden (excl. repo)*	5.1	4.3
Norway**	7.8	6.5

Source: Market shares are based on data from central banks at the time of reporting.
** The market shares for Finland and Norway are based on data as at 30 November 2020.*

Credit exposure
Credit exposure from lending activities in core segments increased to DKK 2,728 billion, against DKK 2,444 billion at the end of 2019, driven primarily by a DKK 169 billion increase in deposits with central banks and due from credit institutions and central banks and an increase in loans and loan offers at Corporates & Institutions and at Banking Nordic.

Risk Management 2020, section (3), which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality
Credit quality remained overall strong in most segments in 2020. The effects of the corona crisis are expected to materialise in the coming quarters. Total net non-performing loans (NPL) decreased DKK 2.5 billion from the end of 2019. The decrease was due to a few single-name exposures to the capital goods and shipping, oil & gas industries at Corporates & Institutions, with the effect being partly offset by an increase in NPL related to single-name exposures in the hotels, restaurants and leisure, transportation and consumer goods industries at Banking Nordic and the retailing industry at Corporates & Institutions. The coverage ratio decreased slightly to 75% from 78% at the end of 2019.

The risk management notes on pp. 178-213 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments

(DKK millions)	31 December 2020	31 December 2019
Gross NPL	31,776	34,713
NPL allowance account	12,934	13,367
Net NPL	**18,842**	**21,346**
Collateral (after haircut)	**14,567**	**17,479**
NPL coverage ratio (%)	75.2	77.6
NPL coverage ratio of which is in default (%)	100.0	73.6
NPL as a percentage of total gross exposure (%)	1.2	1.4

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

Accumulated impairments increased to 1.2% (end-2019: 1.1%) of lending and guarantees due to impairment charges against single-name exposures, mainly in the oil and gas industry, updates of macroeconomic scenarios and post-model adjustments.

Allowance account by business units

	31 December 2020		31 December 2019	
(DKK millions)	Accum. impairm. charges	% of net credit expo-sure*	Accum. impairm. charges	% of net credit expo-sure*
Banking DK	11,520	1.20	11,662	1.21
Banking Nordic	5,643	0.85	4,333	0.68
C&I	4,387	1.74	3,718	1.61
Northern Ireland	990	1.87	730	1.37
Other Activities	15	0.24	8	0.09
Total	**22,554**	**1.17**	**20,451**	**1.08**

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

Trading and investment activities
Credit exposure from trading and investment activities amounted to DKK 1,239 billion at the end of 2020, against DKK 1,124 billion at the end of 2019. The increase was due primarily to increased positive market values of derivatives, increased bond holdings and repo deposits.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 109.6 billion, against DKK 76.4 billion at the end of 2019.

The value of the bond portfolio was DKK 583 billion, against DKK 473 billion at the end of 2019. Of the total bond portfolio, 77% was recognised at fair value and 23% at amortised cost.

Bond portfolio

(%)	31 December 2020	31 December 2019
Government bonds and bonds guaranteed by central or local governments	45	32
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	37	53
Swedish covered bonds	12	10
Other covered bonds	2	2
Corporate bonds	2	2
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	23	26

The financial highlights on page 6 provide information about the balance sheet.

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 43.1 billion at the end of 2019 to net assets of DKK 183.6 billion at the end of 2020. The increase in net assets was due mainly to increased bond holdings and increased positive values of derivatives.

Other balance sheet items
Due from credit institutions and central banks increased DKK 172 billion from the end of 2019. The increase was due to general liquidity management. More information on this is provided under the Funding and liquidity heading in the Capital and liquidity management section.

Assets under insurance contracts, including derivatives, and Liabilities under insurance contracts increased DKK 50.7 billion and DKK 56.0 billion, respectively, from the end of 2019, primarily as a result of the positive developments on the financial markets.

Capital and liquidity management

The main purposes of our capital management practices are to support our business strategy and to ensure a sufficient level of capital to withstand even severe downturns without breaching regulatory requirements.

Capital ratios

At the end of 2020, the total capital ratio was 23.0%, and the CET1 capital ratio was 18.3%, against 22.7% and 17.3%, respectively, at the end of 2019. The movement in the capital ratios in 2020 was driven by the cancellation of dividends for 2019, the accumulated net profit for 2020 and changes to IFRS 9 transitional arrangements. The total capital ratio was further affected by a redemption of additional tier 1 capital instruments, which was partly offset by net issues of tier 2 capital, resulting in a 0.3 percentage point increase in the total capital ratio.

During 2020, the total REA increased by approximately DKK 17 billion, due mainly to the effect of initial implementation of the EBA guidelines and two Swedish corporate residential and commercial real estate risk weight floors implemented in December 2020. These increases were partly countered by the early implementation of the CRR II SME supporting factor in June 2020.

Capital requirements

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 2020, the Group's solvency need ratio was 12.6%, a slight decrease of 0.1 percentage points from the level at the end of 2019.

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

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

In March 2020, as a result of the corona crisis, the Danish Minister for Industry, Business and Financial Affairs decided to release the countercyclical buffer requirement and cancel the planned increases intended to take effect in 2020. The Swedish FSA also released the Swedish buffer requirement, while the Norwegian Ministry of Finance decreased the Norwegian buffer requirement from 2.5% to 1% with immediate effect.

Capital ratios and requirements

(% of total REA)	2020	Fully phased-in*
Capital ratios		
CET 1 capital ratio	18.3	18.0
Total capital ratio	23.0	22.6
Capital requirements (incl. buffers)**		
CET 1 requirement	13.2	13.2
- portion from countercyclical buffer	0.1	0.1
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Solvency need ratio	12.6	12.7
Total capital requirement	**18.2**	**18.2**
Excess capital		
CET 1 capital	5.1	4.7
Total capital	4.8	4.4

** Based on fully phased-in rules and requirements incl. 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 2020.*

The calculation of the solvency need ratio and the combined capital buffer requirement is described in more detail in section 5 of Risk Management 2020, which is available at danskebank.com/ir.

Minimum requirement for own funds and eligible liabilities

The Group received an updated decision from the Danish FSA on the minimum requirement for own funds and eligible liabilities (MREL) on 28 December 2020 based on Q2 2020 data. The requirement is set at two times the solvency need and one time the SIFI buffer and capital conservation buffer. Further, the CBR must now be met in addition to the MREL. At the end of 2020, the requirement was equivalent to DKK 200 billion and DKK 237 billion with the CBR considered in addition to the MREL, corresponding to 30.5% and 36.1% of the REA adjusted for Realkredit Danmark, respectively. Taking the deduction of capital and debt buffer requirements in Realkredit Danmark into account, MREL eligible liabilities amounted to DKK 279 billion.

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

The Danish FSA has set the subordination requirement as the higher of 8% of TLOF and two times the solvency need and one time the CBR.

At the end of 2020, the subordination requirement was equivalent to DKK 201 billion. Subordinated MREL-eligible liabilities stood at DKK 242 billion.

Leverage ratio
With the adoption of Capital Requirements Regulation 2 (CRR2), a minimum leverage ratio requirement of 3% will be introduced in the second quarter of 2021. At the end of December 2020, the Group's leverage ratio was 4.5% under the transitional rules and 4.4% under the fully-phased in rules.

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

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

Capital distribution policy
As our capital position continues to be strong, the Board of Directors is proposing a dividend of DKK 2.0 per share. This is in line with the recommendations issued by the Danish FSA for capital preservation due to the uncertainty associated with the corona crisis.

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

In order to support the initiatives aimed at minimising the economic consequences of the corona crisis, no dividends were paid for 2019.

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

Credit ratings
In 2020, all credit rating agencies incorporated the impact of the corona crisis in their ratings.

On 31 March, Fitch Ratings (Fitch) placed its long-term ratings on Danske Bank on Watch Negative due to the sharp deterioration of economic conditions caused by the corona crisis. At the same time, it downgraded its Subordinated Tier 2 debt ratings to 'BBB+' from 'A-' and upgraded its Additional Tier 1 Capital Instrument ratings to 'BBB-' from 'BB+'. These changes reflected previously announced changes to ratings criteria.

At the same time, Fitch affirmed its ratings and revised its outlook on Realkredit Danmark to Negative from Stable. The change in outlook also reflects the expected consequences of the corona crisis. However, Fitch expects the effects for Realkredit Danmark to be less negative than for the Group as a whole and more manageable relative to earnings and capitalisation.

On 19 June, Fitch removed its ratings from Rating Watch Negative and affirmed its ratings of Danske Bank. At the same time, Fitch assigned a Negative outlook to Danske Bank's 'A' issuer rating. The Negative outlook reflects the economic uncertainties relating to the fallout from the corona crisis and the financial uncertainties relating to the Estonia case. At the time, Fitch revised its outlook for Realkredit Danmark from Negative back to Stable.

S&P Global Ratings (S&P) and Moody's Investors Service (Moody's) took no rating action in respect of

Danske Bank in 2020. S&P affirmed its ratings and outlook for Danske Bank on 2 July, 21 September and 16 December, and Moody's affimed its ratings and outlook for Danske Bank on 19 June, 23 September and 18 December.

Moody's and S&P have a Stable outlook for Danske Bank, whereas Fitch retains its Negative outlook. The outlooks reflect the economic uncertainties relating to the fallout from the corona crisis and the financial uncertainties relating to the Estonia case.

Danske Bank's ratings, 31 December 2020

	Moody's	S&P	Fitch Ratings
Counterparty rating	A1/P-1	A+/A-1	A+
Deposits	A2/negative/P-1	-	A+/F1
Senior debt	A3/P-2	A/A-1	A+/F1
Issuer rating	A3/P-2	A/A-1	A/F1
Outlook	Stable	Stable	Negative
Non-preferred senior debt	Baa3	BBB+	A
Tier 2	-	BBB	BBB+
AT1	-	BB+	BBB-

Mortgage bonds and covered bonds (*RO* and *SDRO*) issued by Realkredit Danmark are rated 'AAA' (Stable outlook) by S&P and Scope Ratings. Fitch upgraded the covered bonds issued from capital centre T to 'AAA' (Stable outlook) from 'AA+' (Stable outlook) on 8 January 2021, due to a lowering of the required overcollateralisation.

Covered bonds (*SDO*) issued by Danske Bank A/S are rated 'AAA' (stable outlook) by both S&P and Fitch, while covered bonds issued by Danske Mortgage Bank Plc are rated 'Aaa' by Moody's and covered bonds issued by Danske Hypotek AB are rated 'AAA' (stable outlook) by S&P and, as of 30 April, 'AAA' by Nordic Credit Rating.

ESG ratings
ESG (Environmental, Social and Governance) ratings cover analytical activities that address a business's societal impact. ESG analysis may include a broad range of sub-assessments, and definitions vary considerably among research providers.

Unlike credit ratings, ESG ratings are unsolicited and in principle based on publicly available information.

ESG rating agency

	Score at 31 December 2020	Score at 31 December 2019
CDP Worldwide, UK	B	C
ISS ESG, USA	C+ Prime	C Prime
MSCI ESG Ratings, USA	BB	B
Sustainalytics, USA	Medium Risk	Medium Risk
Vigeo Eiris, France	64	59

Dansk Bank made the CDP Worldwide climate change B List in 2020, an improvement from the C List in 2019, which puts the Group second only to the 271 companies on the A List.

In December, ISS ESG ratings upgraded its rating of Danske Bank to 'C+' from 'C' due to a reassessment of risk weights relating to business ethics, and also in December, MSCI ESG Ratings upgraded its ESG rating of Danske Bank to 'BB' from 'B', due to the strong performance of Danske Bank's green financing.

In December, Sustainalytics lowered its ESG Risk Rating for Danske Bank to High Risk from Medium Risk, due primarily to an error correction.

Funding and liquidity
The corona crisis continued to impact the market for credit in the second half of 2020, though credit markets generally improved considerably from conditions in the first half of the year.

During 2020, the Group issued non-preferred senior bonds of DKK 23.7 billion, senior debt of DKK 19.9 billion, covered bonds of DKK 31.4 billion and tier 2 capital of DKK 3.7 billion, bringing total long-term wholesale funding to DKK 78.7 billion.

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

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

From time to time, we will issue in GBP, JPY, CHF and other currencies when market conditions allow. Issuance plans for subordinated debt in either the additional tier 1 or tier 2 formats will depend on balance-sheet growth and redemptions on the one side and our capital targets on the other. Any issuance of subordinated debt may cover part of our funding need. Note G22 provides more information about the issuing of bonds in 2020.

Danske Bank's liquidity position remained robust. Stress tests show that we have a sufficient liquidity buffer well beyond 12 months. At the end of 2020, our liquidity coverage ratio stood at 154% (31 December 2019: 140%), with an LCR reserve of DKK 710 billion (31 December 2019: DKK 432 billion).

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

At 31 December 2020, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 384 billion. (31 December 2019: DKK 370 billion).

The Supervisory Diamond

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

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

Realkredit Danmark also complies with all threshold values.

New regulation

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

The Danish implementation of the EU banking package (CRD IV and BRRD II) was adopted by the Danish parliament in December 2020 and took effect on 28 December 2020. The Group expects the Danish implementation of the EU banking package to have a limited impact on the Group's capital and REA.

As part of the European Banking Authority's (EBA) roadmap to enhance internal models used to calculate credit risk, Danske Bank has started implementing the revised set of EBA guidelines and technical standards, which caused REA increases in 2020. We expect further increases amounting to around DKK 30 billion in the first half of 2021, all else equal, and increases again in the second half of 2021.

In October 2020, the Danish implementation of the EU covered bonds package was published for consultation. The draft legislation is expected to be presented to the Danish parliament in the first quarter of 2021.The rules include a requirement for a cover pool liquidity buffer and stipulate eligible cover pool assets. Further, a new requirement for a minimum level of cover pool overcollateralisation is introduced. On the basis of the draft legislation, the new rules are expected to have a limited impact on the Group.

Investor Relations

Investor Relations keeps investors and analysts updated on Danske Bank's strategic development, financial performance and outlook through participation in all types of proactive investor communication such as roadshows, conferences and consultations, including roadshows for debt investors on specific major transactions.

This work normally includes extensive travel activity with the participation of the Executive Leadership Team, however, in 2020 all travelling activity ceased from March due to the outbreak of the coronavirus pandemic. As a result, all types of investor relations activities were changed to virtual events in order to ensure that we continued to provide timely updates on the latest developments and maintained our relations with key stakeholders in the investor community.

In 2020, investor events were held with participation of more than 500 investors from the Nordic countries, other European countries, Asia and the US.

Danske Bank shares
Danske Bank shares are listed on Nasdaq Copenhagen and are included in a number of Danish and international equity indices, such as the OMX Copenhagen 25 CAP Index (OMXC25CAP). At the end of 2020, Danske Bank shares had an index weighting of 5%.

Danske Bank's share price declined from DKK 107.8 at 31 December 2019 to DKK 100.6 at 31 December 2020, a decrease of 7%. In comparison, the OMXC25CAP Index increased 34%, while the Europe 600 Banks Index decreased 24%.

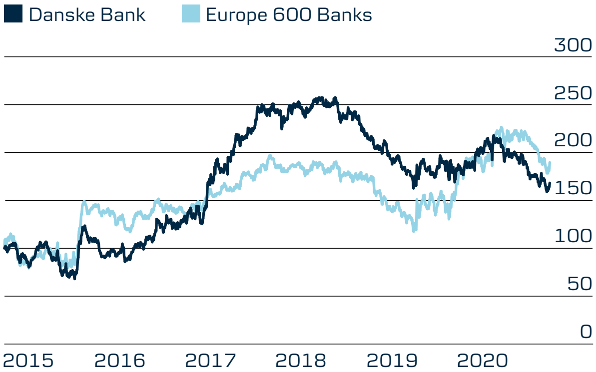
Danske Bank shares
(DKK)

	2020	2019
Share capital (millions)	8,622	8,622
Share price (end of year)	100.7	107.8
Total market capitalisation (end of year) (billions)	85.9	92.0
Earnings per share	4.7	16.7
Dividend per share	2.0	8.5
Book value per share	187.6	183.1
Share price/book value per share	0.5	0.6

Danske Bank is covered by 29 sell-side analysts, who regularly publish research reports and sector reports. A list of the analysts and other relevant information, including financial reports, investor presentations, share and bond information, is available at https://danskebank.com/investor-relations/reports.

The average daily trading volume of Danske Bank shares was 3.5 million. The Danske Bank share was the third most actively traded share on Nasdaq Copenhagen during 2020.

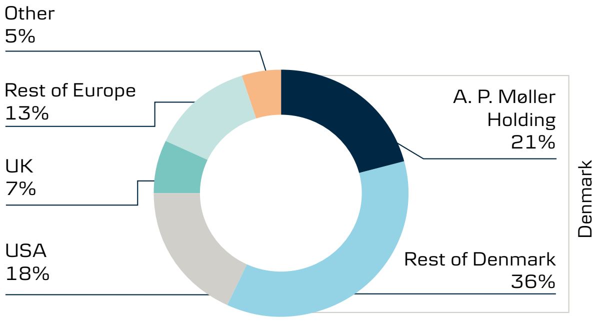
Danske Bank shares
Index 2015 = 100



Shareholders
At the end of 2020, Danske Bank had about 299,000 shareholders. The 10 largest shareholders together owned about 42% of the share capital.

We estimate that shareholders outside Denmark, mainly in the US and the UK, hold around 38% of the share capital.

Danske Bank shareholders 2020



According to the Danish Companies Act, shareholders must notify the company if the voting rights of their shares represent 5% or more of the voting rights of the company's share capital or if the nominal value of their shares represents 5% or more of the share capital. Shareholders must also disclose changes in shareholdings if they exceed or fall below specified percentage thresholds.

One shareholder has notified Danske Bank of holding 5% or more of the share capital:

- A.P. Møller Holding holds about 21% of the share capital.

Organisation and management

General meeting

The general meeting is Danske Bank's highest decision-making authority.

In 2020, the annual general meeting was held on 9 June. The originally scheduled general meeting on 17 March 2020 was postponed upon recommendation from the Danish Financial Supervisory Authority due to uncertainty about whether the meeting could be held in accordance with the health and safety guidelines issued by the Danish authorities.

Danske Bank's Articles of Association are available at danskebank.com/about-us/corporate-governance and contain information about the notice convening the general meeting, shareholders' admission and voting rights as well as shareholders' right to submit proposals and have specified business transacted at the meeting.

All shareholders have voting rights according to the number of shares held at the date of registration, and each share of DKK 10 carries one vote. No share has any special rights attached to it.

Only the general meeting can amend the Articles of Association. An amendment requires not less than a two-thirds majority of the votes cast and not less than two-thirds of the share capital represented at the general meeting and entitled to vote.

A resolution to wind up Danske Bank by merger or voluntary liquidation can be passed only if adopted by not less than three-quarters of the votes cast and not less than three-quarters of the share capital represented at the general meeting and entitled to vote.

Board of Directors

The Board consists of thirteen members, nine elected by the general meeting and four elected by and among the employees.

Board members elected by the general meeting stand for election every year. As prescribed by Danish law, members elected by and among the employees serve on the Board of Directors for a four-year term, with the next election to be held prior to the annual general meeting in 2022.

The Nomination Committee operates as a preparatory committee for the Board of Directors with respect to the identification and selection, as well as the competency and suitability assessment of candidates to the Board of Directors and to the Executive Leadership Team. Board candidates are nominated by the Board of Directors or the shareholders and are elected by the general meeting.

Raija-Leena Hankonen and Martin Blessing were appointed as new members of the Board of Directors at the annual general meeting on 9 June 2020. Jens Due Olsen stepped down from the Board of Directors on 7 April 2020.

Pages 244-249 provide information on the individual members of the Board of Directors, including their directorships. Note G37 on page 173 provides information on the number of Danske Bank shares held by the members of the Board of Directors, and note G36 on page 167 provides information on the remuneration of the members of the Board of Directors.

Work of the Board of Directors in 2020

In 2020, the Board of Directors held 25 meetings, of which 1 was held as a written meeting and 10 were extraordinary meetings. As to committee meetings (ordinary and extraordinary), the Audit Committee held 9 meetings, the Risk Committee held 9 meetings, the Conduct & Compliance Committee held 8 meetings, the Nomination Committee held 4 meetings and the Remuneration Committee held 6 meetings.

The Board members' participation in Board and Committee meetings is illustrated below.

	BoD	Committees				
		Audit	CCC	Nomination	Remuneration	Risk
Karsten Dybvad	25/25		8/8	4/4	6/6	4/4
Jan Thorsgaard Nielsen	25/25	9/9	8/8			
Carol Sergeant	24/25		8/8			9/9
Bente Bang	25/25					
Martin Blessing	12/12					5/5
Lars-Erik Brenøe	24/25			4/4	6/6	
Kirsten Ebbe Brich	25/25		8/8			
Thorbjørn Lundholm Dahl	25/25					
Raija-Leena Hankonen	12/12	5/5			5/5	
Charlotte Hoffmann	24/25				6/6	
Bente Avnung Landsnes	24/25	9/9		3/3	1/1	
Jens Due Olsen	6/8	3/3				
Christian Sagild	23/25	7/9				8/9
Gerrit Zalm	25/25			4/4		8/9

In the fourth quarter, the Board of Directors carried out the annual evaluation of the Board of Directors, including its composition, the work on the Board committees, the committee structure and the leadership of the Board chairman. To ensure anonymity, an external consulting firm facilitated the evaluation. All members of the Board of Directors and the Executive Leadership Team answered comprehensive questionnaires. The findings and conclusions were subsequently presented to and discussed by the Board of Directors.

The aim of the evaluation was to ensure, among other things, that the composition of the Board of Directors as well as the special competencies of each Board member enable the Board of Directors to perform its tasks. As the Board of Directors operates as a collegial body, its overall competencies and experience are the sum of the individual board members' competencies and experience. The composition of the Board of Directors aims to ensure the stable and satisfactory development of Danske Bank for the benefit of its customers, employees, shareholders and other stakeholders. The competencies of the Board of Directors collectively are described in the Competency profile, which is available on danskebank.com. Pages 244-249 provide information on the competencies of the individual Board members.

The results of the 2020 evaluation were overall good and showing good alignment both within the Board of Directors and between the Board of Directors and the Executive Leadership Team. The Board of Directors will work on the agreed focus areas in 2021.

Executive Leadership Team

Team members	Title
Chris Vogelzang	Chief Executive Officer
Berit Behring	Head of Large Corporates & Institutions (previously Head of Wealth Management and Interim Head of Corporates & Institutions)
Karsten Breum	Chief People Officer (as of 25 August 2020)
Carsten Rasch Egeriis	Chief Risk Officer
Stephan Engels	Chief Financial Officer (as of 1 April 2020)
Glenn Söderholm	Head of Personal & Business Customers (previously Head of Banking Nordic and Interim Head of Banking DK)
Philippe Vollot	Chief Compliance Officer
Frans Woelders	Chief Operating Officer (as of 18 March 2020)

On 18 May 2020, Jacob Aarup-Andersen, member of the Executive Leadership Team and Head of Banking DK, resigned. With effect from 25 August 2020, Jakob Groot, member of the Executive Leadership Team and Head of Corporates & Institutions, left his position with Danske Bank.

Changes to the organisation

On 25 August 2020, we announced changes to the organisation and to the Executive Leadership Team (ELT). The aim of the redesigned organisation is to reduce complexity, increase efficiency and become even more competitive for our customers.

A new Commercial Leadership Team was established with effect from 1 February 2021. In addition to the Executive Leadership Team, the Commercial Leadership Team consists of 12 experienced leaders who undertake important commercial roles in the Danske Bank Group. The Commercial Leadership Team is responsible for ensuring strong cooperation across the Group and focuses on developing Danske Bank's customer offerings. The team is the key driver behind the Group's 2023 plan to become a better and more competitive bank.

Commercial Leadership Team

Team members	Title
Mark Wraa-Hansen	Head of Personal Customers Denmark
Stojko Gjurovski	Head of Personal Customers Nordic and Country Manager Finland
Johanna Norberg	Head of Business Customers Denmark & Nordic and Country Manager Sweden
Trond Mellingsæter	Country Manager Norway
Lars Alstrup	Head of Products & Solutions Personal and Business Customers Denmark & Nordic
Paul Gregory	Head of Corporate & Institutional Banking
Claus Harder	Head of Markets & Transaction Banking
Atilla Olesen	Head of Investment Banking & Securities
Linda Olsen	COO for Personal & Business Customers
Rob de Ridder	COO for Large Corporates & Institutions
Kim Larsen	Head of Group Communications, Brand & Marketing
Christoffer Møllenbach	Head of Group Finance

Corporate governance recommendations

Corporate governance recommendations issued by the Danish Committee on Corporate Governance are available at corporategovernance.dk. The recommendations are best practice guidelines for the management of companies with shares admitted for trading on a regulated market in Denmark, including Nasdaq Copenhagen A/S. If a company fails to comply with a recommendation, it must explain why it has chosen a different approach. Danske Bank complies with all recommendations.

The statutory corporate governance report issued in accordance with section 134 of the Danish FSA's Executive Order of Financial Reports for Credit Institutions and Investment Firms etc. section 107b of the Danish Financial Statements Act, and the Nasdaq Nordic Main Market Rulebook for Issuers of Shares ("Main Market Rulebook"), is available at danskebank.com/about-us/corporate-governance. The report includes an explanation of Danske Bank's status on all recommendations.

The Danish Bankers Association, which is now part of Finance Denmark, has issued a Corporate Governance Code, which Danske Bank must comply with or explain why it does not comply. The Corporate Governance Code is available on finansdanmark.dk. Danske Bank complies with all recommendations set out in the Code. Danske Bank's explanation of the status on all recommendations is included in section E of its Corporate Governance Report 2020.

New business segments

On 25 August 2020, the Group announced changes to the organisation. The aim of the redesigned organisation is to reduce complexity, increase efficiency and become even more competitive for our customers. Going forward, our commercial activities will be organised in four reporting business units:

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

Furthermore, going forward, earnings from Danica Pension will be presented as Net income from insurance business due to Danica Pension now being a separate business unit. This will also increase transparency and simplicity in the income statement, as Danica Pension's business model is very different from that of the rest of the Group.

The table below shows the impact on the financial highlights. The interim report for the first quarter of 2021 will reflect the new structure, and comparative figures for 2020 will be restated.

The effect of these changes on the financial highlights for 2020 are presented in the table below.

Financial highlights 2020 with changed presentation of Danica Pension
(DKK millions)

	Financial highlights 2020	Changed presentation of Danica Pension	Adjusted highlights 2020
Net interest income	21,875	276	22,151
Net fee income	15,137	-3,510	11,627
Net trading income	4,856	31	4,887
Other income	514	80	594
Net income from insurance business	-	1,669	1,669
Total income	42,383	-1,454	40,929
Operating expenses	28,103	1,454	26,649
Impairment charges other intangible assets	379	-	379
Profit before loan impairment charges	13,901	-	13,901
Loan impairment charges	7,001	-	7,001
Profit before tax, core	6,900	-	6,900
Profit before tax, Non-core	-596	-	-596
Profit before tax	**6,304**	**-**	**6,304**
Tax*	1,715	-	1,715
Net profit	**4,589**	**-**	**4,589**

The table below shows the new business segments with the adjusted 2020 figures. The split between the new business units Personal & Business Customers and Large Corporates & institutions is disclosed with some uncertainty (5-10%), as the new business unit structure has not yet been fully implemented.

Adjusted 2020 figures for the new business units

(DKK millions)

	Personal & Business Customers	Large Corporates & Institutions	Danica Pension	Northern Ireland	Non-core	Other Activities	Adjusted highlights
Net interest income	16,084	4,983	-	1,359	-	-275	22,151
Net fee income	5,481	5,910	-	264	-	-28	11,627
Net trading income	1,168	3,491	-	98	-	130	4,887
Other income	702	6	-	16	-	-130	594
Net income from insurance business	-	-	1,669	-	-	-	1,669
Total income	23,435	14,390	1,669	1,736	-	-303	40,929
Operating expenses	15,618	7,771	-	1,212	-	2,048	26,649
Impairment charges other intangible assets	-	-	-	-	-	379	379
Profit before loan impairment charges	7,817	6,619	1,669	524	-	-2,730	13,901
Loan impairment charges	1,996	4,619	-	378	-	8	7,001
Profit before tax, core	5,821	2,000	1,669	146	-	-2,738	6,900
Profit before tax, Non-core	-	-	-	-	-596	-	-596
Profit before tax	**5,821**	**2,000**	**1,669**	**146**	**-596**	**-2,738**	**6,304**
Cost/income ratio (%)	66.6	54.0	-	69.8	-	-	66.0
Loans and advances (end of year)	1,518,829	266,811	-	51,290	1,896	1,196	1,840,022
Deposits (end of year)	685,609	433,090	-	84,158	2,146	-9,684	1,195,319
Full-time equivalent staff end of period	6,913	2,553	817	1,353	32	10,708	22,376

The new organisation is at present not fully in place, and additional customer and employee transfers between business units may be made, which could result in changes to the above adjusted Financial highlights for 2020, mainly for the Personal & Business Customers and Large Corporates & Institutions units.

Banking DK

The year 2020 was marked by the corona crisis, and we introduced several supporting initiatives to help our customers in the best way possible. We continued to make progress on the journey towards becoming a better bank by launching a number of business initiatives, including the new fixed-rate *FlexLife®* loan type and a number of services to support the green transition. A new set-up for serving retail customers and a new offering to mass-affluent customers to be implemented in 2021 were also announced. In relation to commercial customers, we continued to strengthen our role as our customers' strategic financial adviser. Profit before loan impairment charges fell DKK 1.7 billion as operating expenses increased due to remediation and transformation costs, while total income was negatively affected by the corona crisis. Profit before tax was adversely affected by the increase in loan impairment charges reflecting the uncertainty related to the corona crisis.

Banking DK
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Net interest income	8,927	9,111	98	2,157	2,289	94
Net fee income	4,049	4,397	92	1,009	925	109
Net trading income	955	1,176	81	240	173	139
Other income	171	227	75	44	41	107
Total income	14,101	14,912	95	3,449	3,428	101
Operating expenses	9,650	8,736	110	2,628	2,377	111
Profit before loan impairment charges	4,451	6,176	72	821	1,051	78
Loan impairment charges	907	-342	-	70	228	31
Profit before tax	**3,544**	**6,518**	**54**	**751**	**823**	**91**
Loans, excluding reverse transactions before impairments	934,994	943,723	99	934,994	927,270	101
Allowance account, loans	9,931	10,235	97	9,931	10,194	97
Deposits, excluding repo deposits	397,987	357,967	111	397,987	396,648	100
Allocated capital (average)	37,703	36,430	103	37,045	37,003	100
Net interest income as % p.a. of loans and deposits	0.69	0.72		0.65	0.70	
Profit before tax as % p.a. of allocated capital (avg.)	9.4	17.9		8.1	8.9	
Cost/income ratio (%)	68.4	58.6		76.2	69.3	
Full-time-equivalent staff	4,737	4,588	103	4,737	4,718	100

Fact Book Q4 2020 provides financial highlights at customer type level for Banking DK. Fact Book Q4 2020 is available at danskebank.com/ir.

2020 vs 2019

Customer activity

In mid-March, the coronavirus hit Denmark with immediate, adverse effects on society, businesses and households. Consequently, we launched multiple initiatives to help our customers in the best way possible, including access to overdraft facilities, interest-only payments on loans, postponement of debt repayment, increase and extension of credit facilities, and interest- and fee-exempt holiday loans.

We also reached out proactively to thousands of commercial customers to offer advice on business planning and on how to protect their business. This was very well received by customers, which helped strengthen our relations with them.

Many retail customers contacted us with questions regarding the coronavirus situation. We focused our resources on assisting with advice and support, for example regarding how to postpone debt repayment, apply for credit facilities to pay bills because of income loss or get loans to finance holidays.

As a result of the corona restrictions, we also saw a further increase in customers' use of our digital channels, including online meetings with their advisers.

Customers' appetite for loans did, however, decline, and their savings increased, reflecting the high uncertainty caused by the situation.

Financial results

Income at Banking DK decreased DKK 0.8 billion in 2020 from the level in 2019. Although the result was negatively affected by the corona crisis, this effect was somewhat mitigated by the introduction of negative deposit rates. Profit before loan impairment charges was also affected by an increase in operating expenses of DKK 0.9 billion and thus fell DKK 1.7 billion. An increase in loan impairment charges of DKK 1.2 billion due to the uncertainty related to the corona crisis resulted in a decrease in profit before tax of DKK 3.0 billion.

Lending volumes were adversely affected by lower demand for credit among commercial and retail customers, reflecting the general uncertainty caused by the corona crisis. For commercial customers in particular, the decline was driven not only by uncertainty but also by the substantial relief packages offered by the government, including tax postponement and salary compensation schemes.

Deposits, on the other hand, increased as businesses scaled down investments, deferred dividend payments and increased liquidity buffers. For retail customers, we saw a tendency to hold back on investments and reduce spending.

Net interest income fell 2% following the decrease in lending volumes triggered by lower demand for credit among commercial customers and customers switching to loan and mortgage products with lower margins. In June, negative interest rates were also introduced for retail customers with significant deposits, which somewhat offset the negative effect on net interest income.

Net fee income was also adversely affected by the corona crisis and fell 8%, mainly as a result of a decline in card use and transaction-related fees. Moreover, the 2019 net fee income level was high because of the strong remortgaging activity driven by historically low interest rates.

Net trading income decreased as a result of higher remortgaging activity in 2019 than in 2020 combined with lower activity, especially within foreign exchange, due to the corona crisis.

Operating expenses rose 10% owing to an increase in costs for and in the number of staff working with financial crime prevention, other regulatory requirements and compliance activities, including monitoring and controls, staff training and IT. Costs for the Better Bank transformation, including restructuring, also contributed to the increase.

The increase in loan impairment charges to DKK 0.9 billion was driven by the changed outlook and potential downside risk for the portfolio caused by the uncertainty resulting from the corona crisis. We continued to see limited impairments from actual credit deterioration.

Credit quality

Credit quality remained strong overall in 2020. Some credit deterioration in the commercial portfolio was observed in the spring, but since then, the development has been stable in both the commercial and the retail portfolio. Overall, the effects of the corona crisis on the retail customer portfolio were modest. However, uncertainty remains high, and we remain vigilant in terms of any possible deterioration.

Credit exposure
Credit exposure decreased to DKK 1,034 billion from DKK 1,054 billion at the end of 2019, driven by a DKK 31 billion decline in the commercial portfolio.

Q4 2020 vs Q3 2020

Profit before tax decreased in the fourth quarter of 2020 from the level in the third quarter, driven by higher operating expenses.

Net interest income decreased, primarily because of deposit margin pressure.

Net fee income increased, due to higher remortgaging activities in the fourth quarter and a provision for service fees made in the third quarter of 2020.

Operating expenses increased due to transformation costs as well as provisions for remediation cases and seasonality.

The fourth quarter of 2020 saw a net loan impairment charge of DKK 70 million, against a net charge of DKK 228 million in the third quarter. The charge covers additional post-model adjustments following the uncertainty related to the corona crisis as well as a reversal resulting from updated macroeconomic expectations, which were more positive than third quarter expectations.

Business initiatives
Despite the extraordinary events of 2020, we accelerated our efforts to become an even better bank. We supported our customers through the turmoil resulting from the corona crisis, and at the same time, we worked dedicatedly on executing on our Better Bank strategy to the benefit of all of our stakeholders.

Retail customers
FlexLife® loan with fixed interest rate
Home financing and advisory services are a cornerstone of our business, and we continued to develop our offering.

In August, Realkredit Danmark launched a fixed-rate version of the *FlexLife®* loan. The new version complements the successful *FlexLife®* variable-rate mortgage loan launched back in 2017. The loan was the first to allow homeowners to combine a fixed interest rate with an interest-only period of up to 30 years and adjust their monthly payments along the way if their needs or plans change without the hassle and costs associated with switching from one loan to another. The new loan has been very well received by customers, and since its launch, we have issued fixed-rate *FlexLife®* loans for close to DKK 8 billion.

New service model
In 2021, we will introduce a new customer service model. Across branches and other advisory units, we will have a shared responsibility for customers while at the same time further strengthening specialist competencies. This will enable us to provide even better advisory services whenever and wherever customers want to meet us, for example during busy remortgaging periods, when we will be able to agilely reallocate adviser capacity. Furthermore, the setup will allow us to collaborate better and more efficiently across the organisation and position us to meet future regulatory requirements.

Transactions at cashier's desks in our branches have declined by more than 90% over the past ten years. The trend reflects customers' preference for doing their day-to-day banking via their Mobile Banking and eBanking solutions, and making payments using their cards and mobile phone. The corona crisis has only added to this trend, and in 2021, we will therefore, as announced in November 2020, significantly reduce the number of branches with cashier's desks.

New offering to mass-affluent customers
To further strengthen our appeal to mass-affluent customers and our position in this attractive market, we will introduce a new offering in 2021 that caters to this customer group's more complex financial and advisory needs. It will include access to wealth advisers specialising in asset planning and investment, a new financial planning simulation tool that provides an easy overview and targeted recommendations.

Angel Investor Academy
To help private banking customers looking to invest in growth businesses, we launched our Angel Investor Academy. Through keynote presentations by experts and established business angels, the academy offers participants the knowledge required to get started as business angels. The academy reflects our strengths in relation to investment and growth businesses and is a building block in our ambition to become a more innovative and strategic financial adviser.

Award-winning Mobile Banking app
Danske Mobile Banking is popular among our customers, who in a recent survey rated our digital solutions best in class relative to the solutions offered by our competitors. But also industry, IT and CX professionals recognise our solution: At the European Customer Centricity Awards, Danske Bank came in first in the Best Use of Mobile category, and at the Global Retail Banking Innovation Awards, Danske Mobile Banking won the Best Open Banking Initiative award.

We continue to add new features to the app, and in 2020, we added options such as the transfer of amounts to and from accounts with other banks and the option of viewing own card PINs.

Commercial customers
Strengthening our role as strategic financial partner
The intensive contact with our commercial customers during the corona crisis has further strengthened our role as strategic financial partner and underlined the demand for a targeted and relevant dialogue with customers about the future direction of their business.

We continued our strategic adviser training with focus on topics such as crisis management, sustainability, value chains and business plans, and on how to balance financial risks and opportunities. We also launched a number of external communication activities for customers, including the Strategic Business Talks for medium-sized commercial customers looking for inspiration and advice on how to develop their business, and a new programme series in which small businesses discuss various dilemmas and get advice from experienced entrepreneurs and Danske Bank experts.

District
In 2020, we completed the migration of all Business Online customers to District – our online solution that makes it easy for businesses not only to do their day-to-day banking but also to get a full overview of their financial position and thus a strong basis for decision-making. We continued to develop and further improve District with new innovative functionality, for example a real-time overview of accounts with other banks.

New payment solution partnership
New technology and alternative payment solutions are becoming increasingly important to our customers. In 2020, we announced a new partnership with AltaPay, an international payment solutions provider, to develop simple, innovative and long-lasting solutions for receiving payments across channels, including online, in-store and mobile, with multiple international payment methods attached. Our partnership with AltaPay is another example of initiatives to realise our ambition of helping our customers with more than just conventional banking services.

App to manage company receipts and expenses
Together with Zenegy, a tech start-up specialising in cloud-based salary systems, we developed a Mastercard-based app that allows businesses and employees to easily keep track of business-related receipts, expenses and purchases. The app, to be launched in 2021, is a simple alternative to the time-consuming and expensive processes that many businesses have today, and it forms part of our ambition to offer customers a platform on which they can pick and choose the solutions they need.

A significant milestone for The Hub
Since we launched The Hub, our start-up platform, together with Rainmaking back in 2015, we have helped more than 7,500 start-ups with growth and funding tools and with meeting one of their most critical needs: bringing together the right team. More than 25,000 jobs have now been posted on The Hub – and in the fourth quarter of 2020, we recorded the submission of job application number 500,000 through the platform. This makes The Hub one of the most successful platforms to support Nordic start-ups and growth businesses.

Engagement and business with Entrepreneur of the Year
Once again, we participated as a Danish partner in the EY Entrepreneur Of The Year programme – a unique global programme that recognises entrepreneurial achievement among individuals and businesses. Our partnership reflects our commitment to support growth, innovation and sustainability, and it is an excellent opportunity to demonstrate our strategic financial sparring expertise, grow our business with existing customers and attract new customers.

Society
In line with our Better Bank ambitions, we are committed to contributing to sustainable progress, for example by making sustainable choices easy for our customers and by fighting financial crime.

Helping homeowners get started with energy improvements
Buildings account for around 40% of energy consumption, and the energy saving potential for Danish homes is thus crucial to ensuring future sustainability. At the same time, more and more homeowners focus on how they can save money on their energy bill and also live in a more sustainable way.

In 2020, we launched a series of new activities that focus on reducing energy consumption and created a new website hub to give customers an easy overview of the help, services and products we offer customers to get started with energy improvements in their home.

Partnership with AB Gruppen on Energihjem.dk
Among these initiatives is a partnership with AB Gruppen, the provider of Energihjem.dk, which is the largest Danish internet portal for homeowners looking for advice on energy-saving solutions. In November, a brand new version of the portal was launched, making all relevant information about energy-saving improvements, including financial aspects, easily accessible to homeowners. The Energihjem.dk portal is an excellent opportunity for us to market Danske Bank as a competent adviser and provider of attractive solutions to homeowners looking to finance home and energy improvements.

Home-improvement and energy-saving report
Together with OBH, consulting engineers, we introduced a home improvement and energy-saving report to help homeowners get started. As part of the report, an experienced construction adviser goes through the home and provides recommendations on how to combine energy-saving improvements with other home improvements the owner wants to make, for example putting in a new kitchen.

Attractive loans to finance energy-saving solutions
We introduced attractive terms for retail customers who want to invest in energy-saving solutions for their homes. The loan can be either a mortgage loan from Realkredit Danmark or a *Danske Bolig Fri* loan, a *Danske Prioritet Plus* loan or another bank home loan.

Increasing demand for green mortgage bonds
In 2019, Realkredit Danmark was the first Danish mortgage credit institution to launch green bonds in the Danish market. The loans are based on *RD Cibor6® Green* and are offered to customers looking to finance commercial property with an A or B energy rating.

We saw a significant increase in demand for green financing from our commercial customers, and by the end of 2020, Realkredit Danmark's green mortgage bond lending had reached a volume of around DKK 9.5 billion.

Favourable loan to finance electric cars
To help accelerate the green transition and make electric cars a more attractive choice for our customers, we introduced a new loan option. The loan is offered at a 0% variable interest rate and reduced establishment costs, and with the option of taking out car insurance with Tryg, our insurance partner, on favourable terms.

Environmentally friendly payment cards
Large or small, we want to make sustainable choices simple for our customers. In 2020, we took the first steps towards replacing existing payment cards with new environmentally friendly cards made from 86% recycled plastic. The goal is to replace all existing plastic cards used by Danske Bank customers. With this new initiative, we will be among the first banks in the world to issue payment cards made of recycled plastic.

Fighting financial crime
An important dimension of our commitment to having a positive impact on society is our contribution to fighting financial crime. Compliance is therefore a key focus area in our daily work. In 2020, we continued our training efforts and IT investments and will do so also in 2021. For example, we will further expand employee training and dialogue to ensure that all employees across the organisation remain aware of their role and are well prepared to identify and act on unusual behaviour.

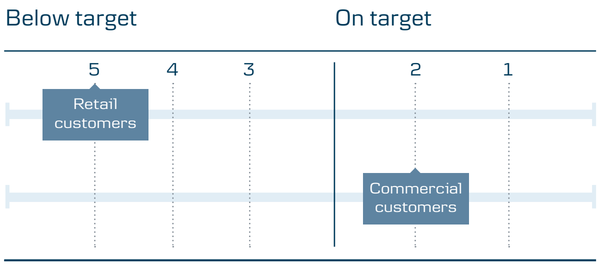
Customer satisfaction
Our focus on delivering the best customer experience and seamless customer journeys continues.

Satisfaction among both commercial and retail customers continued to grow in the first half of the year. The positive trend was driven by a close dialogue with our customers during the corona crisis, proactively advising customers via one-on-one contact, etc.

In the second half of the year, however, customer satisfaction declined following the extensive press coverage of a number of legacy issues.

Our 2023 ambition for commercial and retail customer satisfaction is to be in the top two. At the end of 2020, we were ranked on target among commercial customers. On retail customer satisfaction, we were ranked below target in a number five position. Against this background, we are more than ever committed to continuing our close dialogue with customers to offer them the best experience every time they are in touch with us.

Banking DK



Banking Nordic

In 2020, Banking Nordic continued to support customers through the effects of the corona crisis in combination with strong growth across most of our market areas. Furthermore, Banking Nordic made progress in relation to the Better Bank transformation, most recently with the Better Nordic Retail Bank transformation initiative to create a stronger and more harmonised set-up for serving retail customers across the Nordic countries combined with an acceleration of digital offerings. Profit before loan impairment charges decreased DKK 0.3 billion as operating expenses increased due to remediation and transformation costs. Profit before tax was affected by the corona crisis in the form of higher loan impairment charges.

Banking Nordic
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Net interest income	8,105	7,839	103	2,003	2,055	97
Net fee income	1,690	1,857	91	323	438	74
Net trading income	242	280	86	62	60	103
Other income	532	592	90	120	135	89
Total income	10,569	10,567	100	2,509	2,688	93
Operating expenses	6,569	6,269	105	1,795	1,585	113
Profit before loan impairment charges	4,000	4,298	93	714	1,102	65
Loan impairment charges	1,404	510	275	-68	364	-
Profit before tax	**2,596**	**3,788**	**69**	**782**	**738**	**106**
Loans, excluding reverse transactions before impairments	655,334	634,974	103	655,334	634,314	103
Allowance account, loans	5,083	3,880	131	5,083	5,060	100
Deposits, excluding repo deposits	327,165	270,522	121	327,165	304,891	107
Allocated capital (average)	36,604	34,371	106	36,081	36,547	99
Net interest income as % p.a. of loans and deposits	0.87	0.89		0.84	0.87	
Profit before tax as % p.a. of allocated capital (avg.)	7.1	11.0		8.7	8.1	
Cost/income ratio (%)	62.2	59.3		71.5	59.0	
Full-time-equivalent staff	2,415	2,599	93	2,415	2,493	97

Fact Book Q4 2020 provides financial highlights at customer level for Banking Nordic. Fact Book Q4 2020 is available at danskebank.com/ir.

2020 vs 2019

Customer activity

During 2020, Banking Nordic's markets were hit by the corona crisis. The coronavirus pandemic created significant turmoil on the global markets, and many countries decided on periods of lockdown, which impacted both businesses and societies as a whole.

Banking Nordic launched several initiatives to support customers through the turmoil resulting from the corona crisis. In the weeks following the outbreak of the pandemic, many retail customers made use of initiatives such as interest-only periods on mortgage loans and a range of streaming services and live chats set up to specifically give advice in relation to the market situation resulting from the crisis.

A large number of customers in the large-customer segments were contacted with advice, and we have focused on the various corona crisis relief packages introduced by governments as well as on giving advice on tools to increase liquidity, including the establishment or extension of credit lines.

Financial results

Banking Nordic's income saw a flat development from 2019 to 2020. Total underlying income increased, mainly on the basis of a combination of a favourable interest rate environment and growth across all market areas, especially in the retail business in Sweden and Norway, with a continuously good inflow of customers. Across our market areas, partnerships accounted for a significant part of the customer inflow and acted as a core lever for our growth strategies. Some of the positive effects were, however, offset by lower income from a distribution agreement in Banking Finland.

Overall, the financial results were adversely affected by currency effects, as the Norwegian krone depreciated vis-à-vis the Danish krone during 2020. In addition, the turmoil resulting from the corona crisis lowered customer activity, which had an adverse influence on fees and trading.

Banking Nordic saw growth in lending in most market areas from the levels at the end of 2019. However, while Sweden and Norway saw growth in the retail space, Finland mostly saw growth in the commercial space. Commercial lending in Sweden and Norway was heavily influenced by lower credit appetite due to general uncertainties because of the corona crisis as well as relief packages from the government. Deposits increased due to a combination of the onboarding of HSB customers in Sweden and government packages introduced as a result of the corona crisis and low consumer spending.

Net interest income increased 3%, benefiting from the development in the interest rate environment, especially the rate cuts made by the Norwegian central bank but also the lower deposit margin pressure in Sweden for part of the year. Furthermore, the increase was also driven by growth generated by the partnership strategy.

Net fee income decreased 9% from 2019 to 2020 due mainly to lower income from a distribution agreement in Banking Finland. The underlying development in net fee income was flat from 2019 to 2020. Although Banking Nordic saw dampened activity due to the corona crisis, investment activity picked up, especially in the latter half of 2020.

Net trading decreased as a result of lower activity, especially within foreign exchange, due to the corona crisis.

Asset Finance saw low investment activity in core markets, but still maintained a good development throughout 2020. The decrease in Other Income was due mainly to realisation of investment properties in 2019.

Banking Nordic saw an increase in operating expenses of 5% from the level in 2019 due to ongoing compliance remediation as well as costs for the Better Bank transformation. Underlying costs decreased due to restructuring and tight cost control.

Loan impairments for the full year amounted to a net charge of DKK 1,404 million, driven mainly by the update of macroeconomic scenarios and single-name exposures. The increase related mainly to the commercial portfolio and was driven by Banking Sweden and Banking Finland.

Credit quality
Credit quality remained strong despite the increasing uncertainty about the future created by the second wave of the coronavirus pandemic. Some credit deterioration was observed from March in the commercial portfolio, while the credit quality of the personal customer portfolio remained stable. Yet some effect on the personal customer portfolio is expected in the future.

Credit exposure
Credit exposure increased to DKK 807 billion from DKK 764 billion at the end of 2019. The increase was driven mostly by the personal customers and commercial property portfolios in Sweden.

Q4 2020 vs Q3 2020

Lending at Banking Nordic increased 3%, and despite a decline in total income, profit before tax increased 6% in the fourth quarter as a result of impairment reversals.

Net interest income decreased 3% due to a less favourable interest rate environment across market areas, which also led to higher margin pressure on deposits.

Net fee income decreased to DKK 323 million (Q3 2020: 438 million) due to lower income from a distribution agreement in Banking Finland. Adjusted for this, we saw an increase in net fee income of 10% due to good investment and lending activity.

Operating expenses increased 13%, due mainly to restructuring as well as seasonality.

Loan impairments amounted to a net reversal of DKK 68 million in the fourth quarter of 2020, driven mainly by an improved macroeconomic outlook, against a charge of DKK 364 million in the third quarter of 2020.

Business initiatives
At Banking Nordic, our ambition is always to put our customers first by offering the best experience when they do their day-to-day banking or seek financial advice. As a challenger in Sweden, Norway and Finland, we are working towards providing the best offerings to our customers, and we work diligently on supporting a sustainable development and on contributing to the societies that we are part of, to the benefit of all of our stakeholders.

Retail customers
Better Nordic Retail Bank
A key project at Banking Nordic in 2020 was the Better Nordic Retail Bank project. It aims to create an organisation in which customers will have their concerns and problems solved faster at the first point of contact, experience more digital and better self-service solutions and get an offering that is not only competitive, but also tailored to their personal preferences. Important steps were taken in 2020, and Retail Banking was reorganised to become a harmonised Nordic Blueprint in the third quarter with more specialised advisers.

Growth through partnerships
Partnerships continued to be the core consumer strategy. In Sweden, the partnership with Saco/TCO accounted for 46% of the mortgage portfolio, while Akademikerne in Norway accounted for 60%, and both are a core lever of growth in the markets.

In Sweden, the new agreement with HSB, Sweden's largest association for home savers, almost doubled the retail customer base from around 177,000 to 267,000. The migration of more than 102,000 HSB members and an additional 12,000 new savers generated SEK 4.2 billion in new deposits and SEK 725 million in investments.

In Norway, the partnership with Tryg was off to a good start, increasing the potential for holistic advisory services for our customers. In addition, Danica Pensjon entered into an agreement with NITO, which constitutes the first major opportunity for full product integration across the various financial services offered by Tryg, Danica Pension and Danske Bank. NITO is a union with 92,000 engineers that already had a partnership with Tryg.

In Finland, the offer to our partnership customers via the Akava academic union and the share savers association was widened during the year to include equity savings accounts.

Commercial customers

Nordic Mid-Corp Transformation

The Nordic Mid-corp Transformation is a key project that focuses on our SMEs and mid-corp customers. It combines the strengths of local business knowledge with the benefits of a scalable, harmonised Nordic organisation with shared digital platforms and a pan-Nordic IT and development agenda. The transformation project was launched in the first half of 2020. Since then, significant steps have been taken to align markets, roles and responsibilities. The organisational blueprint is now in place as is the strategy for 2023, which includes a harmonised service model and a digital and product development agenda. With the transformation, we aim to further increase our Nordic footprint, grow the market share in the Nordic SME and mid-corp space and improve customer satisfaction. The new service model delivers a combination of self-service solutions for day-to-day banking combined with customised advisory services that focus on supporting growth and our customer's financial development.

Innovation and digitalisation

Throughout the year, Banking Nordic also improved products and solutions in all segments. Danske Mobile Banking was further developed for our retail customers, and we saw a substantial improvement in the rating of the app.

District is our digital platform for commercial customers, as mentioned in the Banking DK section. In 2020, we added new features to District, for example 'Accounts from other banks'. This solution enables the user to get an overview in District of all accounts of the business across banks. Danske Bank is the first bank to be able to offer this in real time for the Nordic countries, and during 2020, our subscription manager feature was rolled out further, allowing customers to get an overview of and manage their subscriptions. Going forward, we will focus on new features and will launch several new solutions, which will take District from being an online banking solution to being a complete financial platform, which will also enable our advisers to focus on the more complex tasks.

Society

As part of the Group's ambition to operate sustainably and have a positive impact on the societies that we are part of, Banking Nordic strengthened its position and took several new initiatives.

Sustainability is a core element in the future business model of Banking Nordic and has therefore been a focus area in our transformation programmes, not least for the mid-corp transformation. This focus enables us to be part of the global sustainable agenda and support our customers in their future transformation. To support a proactive and strategic approach to sustainability, we have initiated relevant training for all customer-facing colleagues working with the mid-corp segment within specific topics to integrate societal impact and sustainability in the dialogue with our customers, for example with industry-specific insights and ESG assessments.

Sustainability is also one of the key focus points in Asset Finance. At the end of the year, *GreenFleet70* was launched in the Danish market. This is a unique concept with a range of solutions and products targeting large and medium-sized businesses. With *GreenFleet70*, businesses and their employees can choose a company car solution that focuses on reducing CO_2 emissions and thereby contributes to a reduced climate footprint. In addition to a large selection of electric car models, *GreenFleet70* contains a number of tools and reports, including an advanced planner.

Customer satisfaction

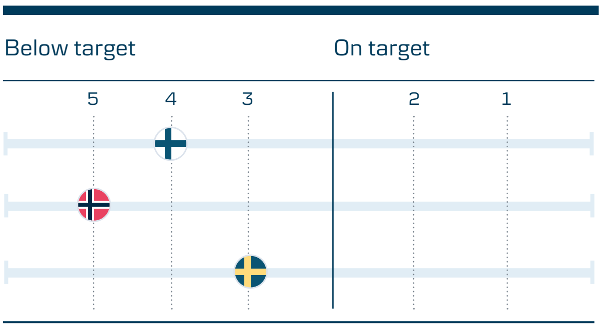
Customer satisfaction continues to be a key priority, and we focus on our goal of delivering the best customer experience by opening up the bank, building easy customer journeys and providing customer-centric solutions.

Our 2023 ambition is to be in the top two on satisfaction among commercial and retail customers in all our markets.

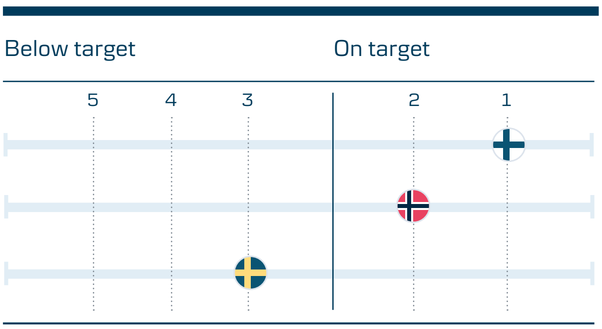
For commercial customers, we are on target in Finland and Norway, and customers are satisfied with our services and solutions, whereas we are not at the desired level in Sweden. Actions to improve customer satisfaction have been taken. For Retail customers, we are challenged in all our markets. Especially in retail Norway, we are challenged by capacity constraints due to corona crisis-related requests.

To mitigate this, we deliver a good customer experience by focusing on being extra close to our customers, ensuring that they are financially confident by proactively giving advice, through one-on-one contact as well as updates, webinars and podcasts for larger audiences. We have paid special attention to speedily meeting customers' needs through tailored solutions, responding to the unforeseen changes in their financial situation caused by the corona crisis.

Banking Nordic, retail customers



Banking Nordic, commercial customers



Corporates & Institutions

The corona crisis significantly impacted economic activity, and combined with high economic uncertainty, this created a challenging operating environment for our customers. We acknowledge our responsibility in helping minimise the negative impact of the crisis on society and focused on supporting our customers with advisory services, execution and liquidity, which contributed to high customer satisfaction and higher income. The investments in our capital markets offerings continued to yield results, and we supported customers with a large volume of transactions in both the primary debt and the equity markets, while affirming our position as the leading Nordic bank within sustainable financing. Profit before loan impairment charges increased DKK 2.1 billion due to an increase in total income. Profit before tax was negatively impacted by increased loan impairment charges against exposures in the oil and gas industry and an increase in expenses due primarily to remediation and transformation costs.

Corporates & Institutions
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Net interest income	4,029	3,656	110	1,019	1,060	96
Net fee income	3,079	2,909	106	978	630	155
Net trading income	3,452	2,114	163	740	1,094	68
Other income	6	8	75	-2	-	-
Total income	10,567	8,688	122	2,735	2,783	98
Operating expenses	5,421	4,834	112	1,508	1,282	118
Goodwill impairment charges	-	803	-	-	-	-
Profit before loan impairment charges	5,146	3,051	169	1,228	1,502	82
Loan impairment charges	4,304	1,348	-	627	406	154
Profit before tax	**842**	**1,703**	**49**	**600**	**1,096**	**55**
Profit before tax and goodwill impairment charges	**842**	**2,506**	**34**	**600**	**1,096**	**55**
Loans, excluding reverse trans. before impairments	213,547	209,148	102	213,547	203,926	105
of which loans in General Banking	165,113	171,478	96	165,113	167,402	99
Allowance account, loans	3,491	3,156	111	3,491	4,312	81
Deposits, excluding repo deposits	393,690	270,685	145	393,690	354,380	111
of which deposits in General Banking	336,404	227,131	148	336,404	295,887	114
Allocated capital (average)	36,626	32,684	112	35,548	36,903	96
Net interest income as % p.a. of loans and deposits	0.74	0.79	-	0.71	0.73	-
Profit before tax as % p.a. of allocated capital (avg.)	2.3	5.2	-	6.8	11.9	-
Cost/income ratio (%)	51.3	64.9	-	55.1	46.1	-
Full-time-equivalent staff	1,653	1,665	99	1,653	1,684	98

Total income
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
FI&C	4,345	2,845	153	904	1,265	71
hereof xVA*	309	-283	-	143	314	46
Capital Markets	1,214	1,211	100	557	212	263
General Banking	5,008	4,631	108	1,275	1,306	98
Total income	**10,567**	**8,688**	**122**	**2,735**	**2,783**	**98**

**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.*

2020 vs 2019

High customer activity

In times when the economic outlook poses a significant challenge to businesses and the societies we are part of, it is essential that we are there for our customers, whether by assisting them in making good financial decisions in a highly volatile operating environment, or, if necessary, by contributing buffer liquidity. Since the corona crisis hit, customer demand for risk hedging, liquidity and capital raising has been higher than usual, and since March, we have increased credit facilities to our customers by approximately DKK 70 billion. A significant number of these facilities remain unutilised and now serve as backup liquidity facilities for our customers. We continued to see increased customer and investor demand for sustainable financing, and Equity Capital Markets had the busiest year ever recorded. M&A activity in Corporate Finance and originate-to-distribute activity in Loan Capital Markets was, on the other hand, adversely affected by the challenging market environment.

Financial results

Profit before tax fell to DKK 0.8 billion, despite a 22% increase in total income. Total income increased, driven primarily by higher net trading income in FI&C and higher net interest income in General Banking. The increase was offset by higher loan impairment charges and higher operating expenses.

Net interest income increased as a result of higher average deposit and lending volumes.

Net trading income increased significantly from the level in 2019, as FI&C benefited from higher customer activity and improved market conditions. Positive developments in value adjustments (xVA) also contributed to the result.

Net fee income increased from the level in 2019, as the investments made in our capital markets offerings, in Capital Markets and FI&C, continued to bear fruit in the primary debt capital markets and the equity capital markets.

Operating expenses increased, driven primarily by ongoing compliance remediation as well as the contribution to the Danish resolution fund and the planned costs for the Better Bank transformation. Direct staff costs fell as a result of fewer FTEs and the actions announced in the third quarter of 2019 to restore profitability in FI&C. Reducing the cost base further is a key part of our 2023 plan to become a better bank. As part of the reduction plan, the full-time-equivalent staff number fell in the last quarter of 2020, however, the cost effects were limited in 2020.

Fixed Income & Currencies

Total income in FI&C increased from the level in 2019, driven by high customer activity, improved market conditions and positive developments in value adjustments of the derivatives portfolio (xVA).

We saw substantial interest from corporate customers in financing from capital markets, and we have been successful in supporting them. As a result, fee income from primary debt transactions increased from the level in 2019. Secondary Rates & Credit income was challenged by the volatility and spread widening that followed the outbreak of the coronavirus pandemic in March 2020. However, from the second quarter onwards, income recovered as a result of a normalisation of market conditions, higher customer activity and strong performance in the credit markets. Currencies & Liquidity also benefited from increased hedging activity and more favourable market conditions.

Value adjustments of the derivatives portfolio (xVA) contributed DKK 309 million in 2020, against DKK -283 million in 2019. The continued normalisation of credit markets and Danske Bank's funding spread led to a reversal of the negative funding valuation adjustment made in the first quarter of 2020. During the year, most of the FX, interest rate and credit spread risk on the xVA desk was hedged, thereby limiting the effect on the result of the volatile market movements.

Capital Markets

Total Capital Markets income was stable from the level in 2019. In Equity Capital Markets, customer activity was extraordinarily high, whereas the challenging market environment led to lower trading income in Investor Solutions, lower originate-to-distribute activity in Loan Capital Markets and lower M&A income despite good M&A activity towards the end of the year. We will continue to focus on our Capital Markets platform, remaining fully committed to being a leading capital markets provider in the Nordic countries.

General Banking

Income from General Banking activities increased as customers bolstered their liquidity in the wake of the corona crisis, leading to higher average deposit and lending volumes. Lending volumes normalised towards the end of the year, as customers drew less on the liquidity facilities provided, whereas deposit volumes continued to increase.

Fee income from transaction banking services was broadly stable, despite lower trade finance activity as a result of the disruption of global trade.

Credit quality

In 2020, loan impairments amounted to DKK 4.3 billion, a significant increase from the level in 2019. Most of the net charge was attributable to oil- and gas-related exposures. The initial impairments were driven by the rapid decline in oil prices, whereas the continued uncertainty in the asset-heavy offshore service and drilling segments led to additional impairments during the year, as lower activity makes restructurings difficult.

Overall, credit quality remained strong despite continued uncertainty about the outlook for the oil industry and an increased potential second round effect from the coronavirus pandemic.

Net credit exposure from lending activities amounted to DKK 541 billion at the end of December 2020, an increase of DKK 97 billion from the level at the end of 2019. Most of the increase in the exposure was driven by loans and unutilised committed facilities to corporate customers and exposures to central banks. Exposures to financial institutions also increased.

Q4 2020 vs Q3 2020

Profit before tax decreased, mainly as the result of higher loan impairment charges and higher operating expenses.

We continued to see good activity in Primary Debt Capital Markets. However, FI&C income decreased, driven by lower trading income from Secondary Rates & Credit due partly to lower customer activity towards the end of the year.

Capital Markets income increased significantly, driven mainly by a seasonal increase in Corporate Finance.

General Banking income was broadly stable from the third quarter.

Operating expenses increased from the level in the third quarter, owing mainly to costs related to transformation activities as well as higher performance-based compensation. The number of full-time-equivalent staff fell, driven by the announcement in October to discontinue positions, however with limited effect on 2020 expenses.

Net loan impairment charges amounted to DKK 0.6 billion, against charges of DKK 0.4 billion in the third quarter of 2020. In the fourth quarter, most of the charges were driven by the oil and gas portfolio and, to some extent, exposures to the retailing segment.

Business initiatives

Customers

The coronavirus pandemic and the economic uncertainty that resulted from the spread of the virus remained the overarching theme throughout the year. We therefore dedicated our efforts to remaining very close to our customers, supporting them with their investment and risk hedging needs in the highly volatile operating environment, and if necessary, by contributing buffer liquidity. The first months after the outbreak of the coronavirus pandemic, we saw a steep rise in corporate customers requesting additional short-term credit facilities, yet later this demand faded, and our focus instead switched to offering assistance with various capital market transactions.

Equity Capital Markets had the busiest year ever recorded, and Danske Bank ended 2020 in second place in the Nordic league table, measured on deal value. We supported customers with 54 ECM transactions in the course of the year, including transactions such as a SEK 14.3 billion recapitalisation of SAS, a DKK 6.2 billion secondary placing in green energy provider Ørsted and a DKK 3.6 billion secondary placing in insurance company Tryg. Other notable transactions include a DKK 1.3 billion IPO of HusCompagniet, a DKK 602 million new issue and dual listing of Boozt, an EUR 88 million IPO of biotech company Nanoform, and three offerings for technology provider Sinch totalling SEK 3.6 billion.

The market for green and sustainability-linked loans and green bonds continued to grow, and sustainability has now become an integral part of most financing discussions. Debt Capital Markets continued to help customers with bond issuance, well-diversified across types, businesses and currencies, such as an EUR 6 billion senior unsecured bond for the Federal Republic of Germany, and Danske Bank facilitated an increasing number of green transactions. Examples are a joint bookrunner role in supporting the Kingdom of Sweden with its inaugural SEK 20 billion Green Bond issue, and joint bookrunner roles in a Fixed Rate EUR 500 million Green Bond for SBAB Bank and EUR 500 million Green Bonds for one of Finland's largest credit institutions, MuniFin, and energy provider Vattenfall, respectively.

Further to this, we cemented our position as a leading Nordic arranger of multibank loans. During the year, we continued to broaden our capabilities to cover the full spectrum across leveraged finance, corporate lending, project finance, infrastructure finance, ship financing, real estate financing and fund finance. In relation to this, our project finance offering took substantial steps forward, as illustrated by our roles in one of the largest green financings ever, the GBP 5.5 billion project financing for the first two phases (2.4GW) of the Dogger Bank offshore wind farm, and the Northvolt USD 1.6 billion project financing for the Ett lithium-ion battery project in Sweden. The two projects were named “Global Green Deal of the Year” and “Europe Industrial Deal of the Year”, respectively, by Project Finance International.

Institutional Banking strengthened its ties to our Investor Services and this resulted in deeper customer relations and a strong commercial momentum in the post-trade area across the Nordic countries. Danske Bank now advises institutional customers on a broad range of services – from safekeeping of assets to regulatory-driven reporting capabilities, allowing customers to focus on their core business. As a result, Investor Services continued to see solid growth in fee income.

In General Banking, we onboarded the Finnish state to our award-winning cash management solution, and we are now the state bank in Denmark, Sweden, Finland and Ireland. Further to this, we began implementing our new Trade Finance strategy. Trade Finance as a line of industry is set to see substantial changes in the coming years with technology and regulation as the key drivers. As our customers' preferred trade finance partner, Danske Bank has played a leading role in Trade Finance over the past decade, and we want to continue to do so, facilitating and financing our customers' business needs across borders also in the future.

Digitalisation efforts continued

In order to support and challenge our customers to become more efficient, we continued our efforts to make day-to-day banking easy and safe. For instance, we continued investing in our markets engine, optimising end-to-end processes and making trading more accessible and transparent for our customers. We introduced a new digital foreign exchange (FX) platform to provide faster, easier and more efficient transaction execution for customers, and this new platform has met a ready audience.

In addition, new building blocks were added to District, Danske Bank's corporate financial platform, allowing customers to get a comprehensive, real-time overview of their financial position, including accounts, payments and liquidity. One of the most notable additions to District towards the end of the year was functionality that enables customers to access solutions from other partners. By utilising this new feature, customers can, for instance, view accounts across banks in one place, which gives them a full financial overview and enables them to make even better financial decisions.

Shaping internally to become a better bank

Recent years have seen a change in the way businesses interact, and day-to-day banking can nowadays, to a large extent, be carried out across borders.

Towards the end of the year, we communicated our decision to close down our branch in Germany, expectedly in the first half of 2022, and instead service affected customers via our Nordic platform. The new setup will bring customers who today use the German branch closer to the Nordic core and is part of our efforts to simplify the bank and reduce costs.

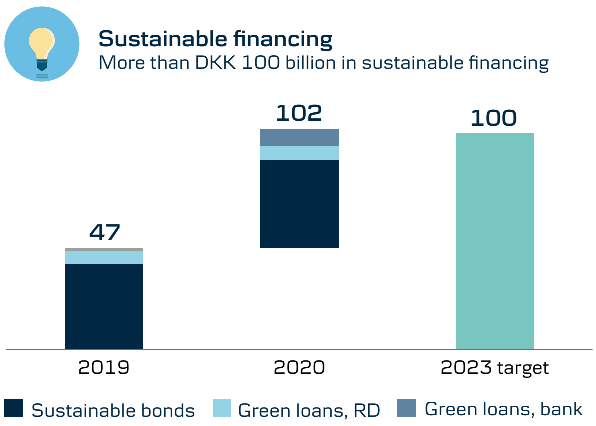
In the fourth quarter of 2020, Corporates & Institutions began its restructuring journey. With our new organisation that took effect across the bank in late January 2021, we aim to become a simpler bank, capable of sharing our expertise to a much wider extent, and with new technology and products that will enable us to provide high-quality advice and solutions to many more customers.

Society

The year 2020 marked another leap forward for our sustainable financing activities, for which we continued to see increasing demand, particularly in the second half of the year when corona crisis-related financing was less of a focus point for our customers. Hence, we helped a growing number of Nordic corporates and investors develop towards a more sustainable economy, and our Sustainable Bond arranging, for example, exceeded the record year 2019. We will continue to expand our sustainability-linked platform over the years to come with the intention of making an impact in this field and support our customers towards a greener and more sustainable future.

In 2020, we came out in first place in the Nordic league table, measured on arranging sustainability-linked loans, and we were ranked number one among our Nordic peers as bookrunner for green, social and sustainable bonds on a global scale. By the end of 2020, we had come far in reaching our initial sustainable financing target for 2023, and we look towards updating the target later in 2021, once we have more clarity about the EU taxonomy.

Sustainable finance report – target: well above 100 bn



Anti-financial crime initiatives
As part of our ongoing efforts to combat financial crime, we continue to invest in our front-to-back risk management framework and our first line of defence teams while working closely with our customers to help them understand and manage the risks that they may be exposed to in the course of their day-to-day business. In support of this, and to improve the customer experience, we have implemented, and continue to develop, industry-leading solutions to keep Danske Bank at the forefront of the fight against financial crime while also supporting our societal commitments.

We will continue to partner with other Nordic banks in the development of Invidem's shared Know-Your-Customer (KYC) service. Towards the end of the year, the first pilot customers began testing the Invidem solution. We expect the platform to go fully live in the course of 2021.

Employees
The coronavirus pandemic not only affected customers but also had substantial impact on the way in which we organised in 2020. Thus, for the main part of the year, the vast majority of our 1,700 Corporates & Institutions employees were coordinating and servicing customers from home, yet nevertheless, we managed to drive customer satisfaction up, and new digital competencies were acquired from which we will also benefit in the future.

In 2020, we ramped up our efforts to achieve a more diverse and inclusive workforce at Corporates & Institutions. We appointed a D&I Lead and D&I Ambassadors and launched a broad inclusion-in-action initiative, with participation of leaders from all levels of Corporates & Institutions and over 80 employees volunteering their time. The collaboration kick-started an initiative to help identify actions for a more inclusive place to work, which we will start implementing in 2021.

We will continue to follow up on our target for our First Year Analyst programme, and it is our ambition to achieve greater diversity, especially to have more female leaders than we have today. We have approved several process targets for recruitment, customer teams, social events, training and awareness to help ensure we meet the Group's structural targets for 2023.

Customer satisfaction on upward trend
Amid the corona crisis, we demonstrated our commitment to our customers, which translated into improved customer satisfaction levels in a number of the annual reviews conducted by Prospera, the independent market research company in the Nordic countries.

In the aggregated ranking across the Nordic countries, we regained our strong number one position. The underlying country-specific results across all Prospera reports that we subscribe to are a continued lead position in Denmark and Finland, third place in Sweden and fourth place in Norway.

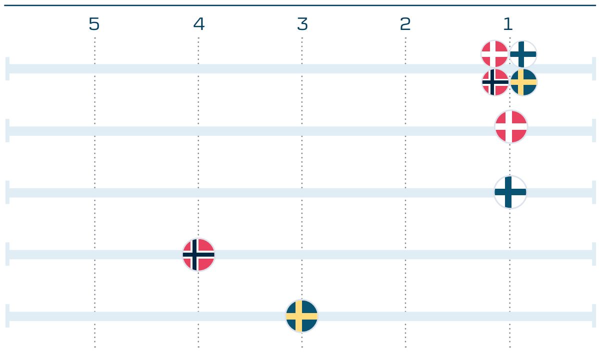
In FI&C, we maintained our Nordic lead position in FX and Interest Rates Swaps, but otherwise saw a mixed picture with improvements in some areas and declines in others.

In Capital Markets, we received good results in Domestic Equities and in Loan Agency & Operations. On the Relationship Banking side, we saw positive developments in Corporate Banking Sweden and Finland, but in Institutional Banking, we were challenged in Norway and Sweden.

We maintained our longstanding number one ranking as the preferred financial provider of Cash Management and Trade Finance in the Nordic region for the seventh and tenth year, respectively.

Corporates & Institutions

Market position, all (rolling year)



The chart shows current average ranking over a full set of reports for all Prospera surveys to which Corporates & Institutions subscribes in comparison with the main competitors in each geographical market. A number one ranking in a market indicates best average ranking in that market.

Wealth Management

Wealth Management continued to expand its product offering to include even more sustainable options. Danica Pension introduced the *Danica Balance Sustainable Choice* investment solution, which allows customers to invest pension savings with a stronger focus on sustainability, and the solution attracted investments of DKK 580 million. Danske Invest launched the *Danske Invest Global Sustainable Future* fund, which invests in businesses playing a leading role in the work towards a more sustainable future. Despite the highly volatile market conditions caused by the corona crisis, profit before tax was stable at DKK 2.5 billion (adjusted for the gain from the sale of Danica Pension Sweden and the goodwill impairment charges in 2019) and we were able to expand the product portfolio, create solid fund performance and provide positive returns for customers.

Wealth Management
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Net interest income	-285	-248	-	-72	-70	-
Net fee income	6,310	5,902	107	2,148	1,371	157
Net trading income	-26	340	-	-90	20	-
Other income	-79	1,405	-	-64	14	-
Total income	5,919	7,398	80	1,922	1,334	144
Operating expenses	3,435	3,589	96	916	876	105
Goodwill impairment charges	-	800	-	-	-	-
Profit before tax	**2,484**	**3,009**	**83**	**1,006**	**459**	**219**
Profit before tax and goodwill impairment charges	**2,484**	**3,809**	**65**	**1,006**	**459**	**219**
Allocated capital (average)	16,564	15,569	106	16,849	17,166	98
Profit before tax as % p.a. of allocated capital (avg.)	15.0	19.3	-	23.9	10.7	-
Cost/income ratio (%)	58.0	59.3	-	47.7	65.7	-
Full-time-equivalent staff	1,539	1,563	98	1,539	1,568	98

Breakdown of assets under management*
(DKK billions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Life conventional	192	194	99	192	190	101
Asset management	998	934	107	998	918	109
Assets under advice	576	489	118	576	525	110
Total assets under management	**1,765**	**1,616**	**109**	**1,765**	**1,632**	**108**

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

2020 vs 2019

Customer activity

The volatility in financial markets in 2020 increased customer demand for advice, especially during the market turmoil seen in February and March, which caused a lot of uncertainty and anxiety among many customers. Hence, throughout 2020, Wealth Management had a strong focus on communicating about the corona crisis and its impact on the financial markets to both inform and reassure customers. Several direct messages were sent to more than 500,000 investment customers in Danske Bank with an assessment of the situation and general recommendations. Many customers also had the option of participating in webinars with our investment strategists held throughout the year.

Customers retracted funds in the first half of 2020 amid the volatile financial markets. As markets rebounded, customer activity normalised. Throughout 2020, there was keen interest in investment products with a strong focus on sustainability, for example the *Danske Invest Global Sustainable Future* equity fund, which was launched in 2020.

Financial results

The profit before tax of DKK 2.5 billion for 2020 was on par with that for 2019, when adjusted for the gain of DKK 1.3 billion from the sale of Danica Pension Sweden and the goodwill impairment charge of DKK 0.8 billion in 2019. Profit before tax for Danica Pension decreased slightly from the level in 2019, while Asset Management's profit before tax increased from the level in 2019.

The first quarter of 2020 was significantly impacted by the market turmoil that resulted from the corona crisis. Financial markets saw negative returns on equities, and a rise in the discount curve led to low investment returns. In the second quarter of 2020, market conditions rebounded and they continued to improve in the third and fourth quarters of the year.

Net fee income amounted to DKK 6.3 billion and was up 7% from the level in 2019. Net fee income in Danica Pension increased from the 2019 level, largely due to higher risk allowance fees and an improved result in the health and accident business. Asset Management net fee income increased, largely as a result of record-high performance fees.

Net trading income fell roughly DKK 360 million from the level in 2019, due largely to a lower investment result on life insurance products where Danica Pension bears the investment risk. The investment result includes provisions for pension yield tax in relation to the health and accident business and write-downs of assets in connection with the clean-up of accounting balances after the merger of Danica Pension and the former SEB Pension.

Other income amounted to a negative DKK 79 million, against DKK 1.4 billion in 2019. The decrease was due to 2019 benefiting from the gain of DKK 1.3 billion from the sale of Danica Pension Sweden.

Operating expenses decreased 4% from the level in 2019. In 2019, expenses were impacted by extraordinary costs for the integration of SEB Pension and the compensation of approximately DKK 210 million paid to certain customers with *Flexinvest Fri*. Total operating expenses, excluding costs for the integration of SEB Pension and for compensation paid in connection with *Flexinvest Fri*, have increased, primarily because of costs for ongoing compliance remediation as well as planned costs for the Better Bank transformation.

Premiums in Danica Pension amounted to DKK 30.3 billion, against DKK 29.6 billion in 2019, when adjusted for the sale of Danica Pension Sweden.

Assets under Management

Assets under Management consists of our life conventional business (*Danica Traditionel*), asset management (Danica unit-linked and Asset Management) as well as assets under advice, where the customer makes the investment decision.

At the end of 2020, Assets under Management totalled DKK 1.8 trillion, against DKK 1.6 trillion at the end of 2019. The increase in Assets under Management was due primarily to positive developments in the financial markets.

Net sales increased from the level in 2019. In the Institutional segment, we saw a notable increase and positive net sales in 2020. As expected, the retail segment remained challenged in 2020 due to continued *Flexinvest Fri* remediation meetings, but with better-than-expected results and a smaller net outflow than in 2019.

Investment return on customer funds

In 2020, the performance of Wealth Management funds was impressive, despite the market turmoil that resulted from the corona crisis, and we are proud to have been able to deliver solid returns to our customers in a very challenging year.

Asset Management specifically was able to provide customers with strong returns. More than 74% of Asset Management investment products performed above benchmark in 2020, against 70% in 2019.

Additionally, Danica Pension customers received positive returns across investment profiles. Customers with *Danica Balance Mix* achieved returns on investments between 2.8% for low-risk profiles with 0 years to retirement and 12.2% for high-risk profiles with 30 years to retirement. The return for customers with a *Danica Balance* medium risk profile with 20 years to retirement was 9.5%.

Q4 2020 vs Q3 2020

In the fourth quarter of 2020, profit before tax increased DKK 0.5 billion to DKK 1.0 billion, due primarily to record-high performance fees in Asset Management.

Net fee income was up 57% from the level in the third quarter, due both to performance fees in Asset Management and higher income from insurance risk products and higher AuM-correlated fees in Danica Pension.

Operating expenses increased 5% from the third quarter to the fourth quarter of 2020 due largely to costs related to our transformation activities as well as higher performance-based compensation, increased marketing costs due to higher activity in the fourth quarter of 2020 and increased consultancy expenses.

Business initiatives

Society

During 2020, we made a number of improvements to our offerings in line with our ambition to have a positive impact on the societies we are part of. Among other things, we further strengthened our sustainable investments offering. In recognition of our extensive focus on sustainability, a substantial number of Danske Invest's funds were awarded the LuxFLAG ESG sustainability label – making Danske Invest the fund manager in Europe with most funds bearing the certification.

Among the most important business initiatives during 2020 were:

Launch of new sustainable pension solution

With the new *Danica Balance Sustainable Choice* solution, Danica Pension's about 800,000 customers can invest their pension savings with an even stronger focus on sustainability. In this new investment solution, we select investments that actively contribute to making a difference in areas such as climate, environment, health, food production or other social aspects that support the UN Sustainable Development Goals. *Danica Balance Sustainable Choice* is Danica Pension's next step in enhancing its focus on sustainable investments in the company's general portfolio and a strong step towards its ambition of investing DKK 100 billion in the green transition by 2030.

Better financial security for the self-employed

Many self-employed people lack financial security and are poorly covered in case of long-term illness and loss of ability to work. Danica Pension has joined a new partnership with the independent unemployment insurance fund Ase and the non-profit fund Pension for Selvstændige to provide better financial security for the self-employed through insurance and pension savings. With this new partnership, Danica Pension can reach out to 60,000 self-employed people to provide advice and relevant offerings.

New initiative to reduce sickness

Danica Pension launched *Step Care*, which is a new initiative to reduce sickness absence among its customers and get people on long-term sick leave back to work. *Step Care* is a unique treatment method with which a personal course of treatment is prepared for the individual who may have a physical or mental disorder. Depending on the symptoms, a psychologist or physiotherapist will continuously monitor developments and gradually intensify the treatment effort or involve other professionals if necessary – completely according to the personal needs of the customer.

Launch of new sustainable equity fund

To further strengthen our sustainable investments offering, we have launched the *Danske Invest Global Sustainable Future* equity fund, which invests in businesses leading the global transition to increased sustainability – a theme with substantial growth potential and attractive investment opportunities. The fund focuses on those businesses that are best positioned to address global challenges related to sustainability, such as climate change, overconsumption of the earth's resources and the shortage of water. The fund has been launched across all markets for both retail and institutional clients.

Enhanced process for norms-based investment restrictions
We updated our process for applying norms-based investment restrictions to businesses. The initiative supports our ambition to meet changing customer demands and invest customers' assets according to their values and preferences while providing an attractive investment offering and return potential. The decision to apply norms-based restrictions to specific businesses is founded on a strong process, which includes, for example, input and research from multiple ESG data sources, Danske Bank's investment teams, Danske Bank's Sustainability Position Statements, our customers across the Nordic countries, Nordic investment institutions and other relevant stakeholders. As a result of the enhanced process, we have restricted businesses that are involved in issues related, for example, to climate change, biodiversity, human rights, water pollution, etc.

Index funds with a sustainable layer
We launched a number of index funds aimed at retail investors across the Nordic region to ensure a wider range of passively managed funds in the retail segment. The funds were formerly branded ProCapture and were available exclusively to institutional customers. Going forward, the funds are branded Danske Invest Index and they further cement Danske Invest's position as the biggest Danish provider of index funds for retail and institutional investors. Our range of index funds differs from many other index funds by having a built-in sustainable layer. In all Danske Invest funds, actively as well as passively managed, the portfolio managers exclude investments that derive a substantial share of their revenue from activities that involve thermal coal, tar sands, controversial weapons and tobacco. The index funds in Danske Invest Index that have the designation 'restricted' added to the name go a step further by also deselecting several other investments, for example companies involved in activities such as weapons, alcohol, gambling or pornography.

Employees
During 2020, we focused increasingly on diversity and inclusion (D&I). Several local ambassadors were appointed among employees at Wealth Management with the purpose of facilitating the D&I agenda and being local D&I spokespersons, both on behalf of the initiative and on behalf of the local management and colleagues. The ambassadors were appointed by their local senior management due to their influencer abilities and interest in the area.

Customers
We have a continuous focus on improving customer satisfaction by providing strong advice and best-in-class investment and pension savings products to meet customer needs and demands. In 2020, among other things, we ramped up our efforts within sustainable investments and launched new business initiatives in Danica Pension to increase health and financial security among customers. These initiatives are further described in the 'Society' section. Our efforts are reflected through improved customer satisfaction scores in Asset Management as well as Danica Pension.

Asset Management
According to Prospera's most recent survey from June 2020, Asset Management in Denmark remained ranked as number one. Among all providers in the Nordic markets, our ranking improved from number two to number one. In Sweden, our ranking improved from number thirteen to number ten, and in Norway, our ranking improved from number six to number four. In Finland, our ranking fell from number four to number five.

Danica Pension
According to the December 2020 Aalund Research survey on customer satisfaction, Danica Pension improved its overall ranking in Denmark from number four to number one (shared). In Norway, Danica Pension improved its ranking from number four to number two (shared).

Northern Ireland

In 2020, Northern Ireland, like the rest of the world, was heavily affected by the corona crisis. We took several initiatives to support our customers through these challenging times, and our digital solutions saw increased activity. Our service efforts continued to be recognised, as we finished the year with customer satisfaction rankings of number one in business banking and number two in personal banking. Profit before loan impairment charges fell DKK 0.3 billion, despite an increase in underlying lending, reflecting the sharply reduced UK interest rates. Profit before tax was affected by an increase in loan impairment charges reflecting the uncertainty related to the corona crisis.

Northern Ireland
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Net interest income	1,359	1,524	89	324	332	98
Net fee income	264	363	73	66	64	103
Net trading income	98	110	89	6	13	46
Other income	16	14	114	4	4	100
Total income	1,736	2,011	86	400	414	97
Operating expenses	1,212	1,216	100	307	310	99
Profit before loan impairment charges	524	794	66	93	103	90
Loan impairment charges	378	5	-	83	43	193
Profit before tax	**146**	**789**	**19**	**10**	**60**	**17**
Loans, excluding reverse transactions before impairments	52,179	54,287	96	52,179	54,122	96
Allowance account, loans	890	696	128	890	883	101
Deposits, excluding repo deposits	84,158	70,943	119	84,158	81,360	103
Allocated capital (average)*	6,269	6,425	98	6,210	6,172	101
Net interest income as % p.a. of loans and deposits	1.02	1.26		0.93	0.99	
Profit before tax as % p.a. of allocated capital (avg.)	2.3	12.3		0.6	3.9	
Cost/income ratio (%)	69.8	60.5		76.8	74.9	
Full-time-equivalent staff	1,353	1,285	105	1,353	1,347	100

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

2020 vs 2019

Customer activity

The year 2020 was heavily affected by the global pandemic, which affected both our customers and our profitability. The bank's reputation benefited, however, from a 'force for good' strategy.

For personal customers, the bank ensured all branches and contact centres remained open throughout the year, and set up priority telephone numbers for elderly customers and healthcare workers. Over 5,300 mortgage holidays were provided to support customers, alongside hundreds of personal loan and credit card payment holidays.

For businesses, we provided more than GBP 450 million worth of corona crisis-related business support loans, with more than GBP 395 million of this volume coming through the UK government-backed Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLS). This assistance spanned around 10,000 local business funding approvals.

Financial results
Profit before tax decreased to DKK 146 million for the full year 2020 (2019: DKK 789 million), driven primarily by higher loan impairments and lower income.

Total income amounted to DKK 1,736 million (2019: DKK 2,011 million). Net interest income was affected by the sharp decline in UK interest rates from late March. Underlying lending (excluding the public sector) and deposits both increased year-on-year. Lending includes UK government-guaranteed corona crisis-related business support loans, while the increase in deposits reflected additional liquidity being held by both business and personal customers. Non-interest income decreased as a result of very low activity levels, particularly in the second quarter, due to corona crisis-related lockdown measures.

At DKK 1,212 million, operating expenses were broadly maintained, as local cost reduction initiatives were offset by costs related to the Better Bank initiatives and regulatory compliance.

Credit quality
Loan impairment charges increased, reflecting the weaker UK economic outlook with impairment charges for potential future loan losses in sectors heavily impacted by the corona crisis.

Q4 2020 vs Q3 2020

Total income amounted to DKK 400 million (Q3: DKK 414 million) despite the challenging conditions caused by the corona crisis. The decrease in income was partly offset by a slight decrease in expenses. Hence, profit before loan impairment charges fell to DKK 93 million (Q3: DKK 103 million). Profit before tax amounted to DKK 10 million (Q3: DKK 60 million) and was affected by increasing loan impairment charges due to the corona crisis.

While we have seen improvement since the second quarter of the year, activity levels continue to be affected by renewed local coronavirus measures.

Business initiatives
Our vision is to be recognised as the best bank for customers, colleagues, partners and society. In a challenging environment, we continued to execute our strategy to digitally transform the bank, improve the customer experience and reduce costs.

A highlight of the 'force for good' strategy saw the bank set up a 'check in and chat' service with colleagues volunteering to call elderly customers to check in on their general well-being, have a chat and ask if there is any way we as a the bank can help. More than 14,000 telephone calls were made in 2020, with around 600 referrals issued to third-party support agencies that we believed could also help these customers with guidance.

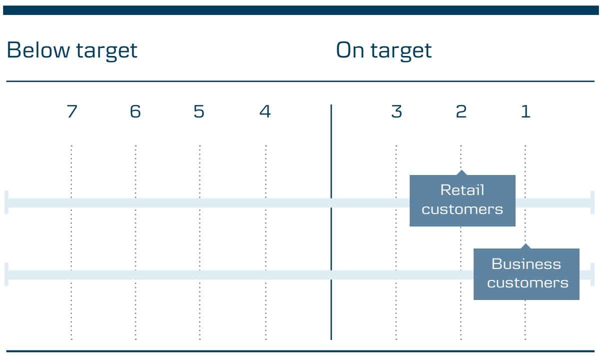
The corona crisis also affected the digital space, and in 2020, we saw more than 5 million digital logons from customers per month and there was a 32% increase in digital transactions year-on-year.

It was also a year in which our progress on the diversity agenda was formally recognised with a Silver Diversity Charter Mark. Danske Bank is the only bank in Northern Ireland to have reached this level of accreditation and one of only two companies awarded it across all sectors. In Northern Ireland, we have also achieved a 50:50 gender split in senior roles across the organisation.

On the green agenda, the bank was delighted to be accredited at platinum level in the annual Northern Ireland environmental benchmarking survey carried out by Business in the Community. The result showcased Danske Bank as the highest-ranked bank in the country when it comes to environmental responsibility.

Customer satisfaction
We were pleased to finish the year in first place in Corporate & Business Banking and in second place in Personal Banking.

Northern Ireland



Despite current challenges, we continue to digitally transform the bank, improve the customer experience and reduce costs. Our strategy is still to build a growing and efficient bank that is the clear leader in Northern Ireland and a successful challenger in the rest of the UK, delivering target shareholder returns.

Non-core

The winding-up of Non-core portfolios is proceeding according to plan. Profit before tax for 2020 was a negative DKK 596 million. Total lending stood at DKK 3.1 billion at the end of 2020, against DKK 7.5 billion at the end of 2019 due to the sale of loan portfolios in the Baltics, which led to lower capital requirements for the Group.

Non-core
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Total income	-215	-61	-	-128	19	-
Operating expenses	293	219	134	84	44	191
Profit before loan impairment charges	-508	-280	181	-212	-25	-
Loan impairment charges	88	213	41	-98	12	-
Profit before tax	**-596**	**-493**	**121**	**-113**	**-37**	**-**
Loans, excluding reverse transactions before impairments*	3,083	7,456	41	3,083	5,441	57
Allowance account, loans	771	842	92	771	962	80
Deposits, excluding repo deposits	2,146	1,668	129	2,146	2,109	102
Allocated capital (average)	1,473	2,379	62	1,253	1,377	91
Net interest income as % p.a. of loans and deposits	0.96	1.27		0.53	1.57	
Profit before tax as % p.a. of allocated capital (avg.)	-40.5	-20.7		-36.1	-10.7	
Cost/income ratio (%)	-136.3	-359.0		-65.6	231.6	
Full-time-equivalent staff	32	159	20	32	50	64

Loan impairment charges
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Non-core banking**	-27	19	-	-100	-14	-
Non-core conduits etc.	116	194	60	1	27	4
Total	**88**	**213**	**41**	**-98**	**12**	**-**

** Loans, excluding reverse transactions before impairments includes loans held for sale in the Baltics.*
*** Non-core banking encompasses the Group's activities in Lithuania and Non-core Ireland.*

2020 vs 2019

The Non-core unit posted a loss before tax of DKK 596 million, against a loss before tax of DKK 493 million in 2019, due mainly to losses related to the final exit from Estonia, which affected total income and operating expenses. Further, operating expenses for 2019 benefited from an adjustment of VAT regarding previous years.

Net credit exposure totalled DKK 4.1 billion, against DKK 10.4 billion at the end of 2019.

At the end of 2020, total lending amounted to DKK 3.1 billion. The Group has exited its banking activities in Estonia, Russia, and Latvia. The Danske Bank Russia legal entity was deregistered in December 2020, and we have thus terminated our activities in Russia. At the Lithuanian branch, the only portfolio remaining is a small portfolio of commercial loans that are actively managed down. The sale of the Baltic loan portfolios has been the primary driver of the reduction of total lending in Non-core to less than half the amount at the end of December 2019, and this led to lower capital requirements for the Group.

The Non-core conduits portfolio amounted to DKK 2.7 billion, against DKK 3.9 billion at the end of 2019. The portfolio consists mainly of liquidity facilities for conduits.

Total impairments amounted to a net charge of DKK 88 million, against DKK 213 million in 2019. The decrease was due primarily to the sale of the Baltic loan portfolios and a single-name exposure in a legacy Non-core portfolio.

Q4 2020 vs Q3 2020

Profit before tax amounted to a loss of DKK 113 million, against a loss of DKK 37 million in the third quarter of 2020.

The increase in loss before tax in the fourth quarter was due mainly to losses related to the sale of Baltic portfolios, which affected total income and loan impairment charges. Further, there was a one-off provision for legacy issues in Ireland, which affected operating expenses.

Other Activities

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

Other Activities
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Net interest income	-260	-5	-	-54	-157	-
Net fee income	-255	-227	-	-67	-59	114
Net trading income	136	1,421	10	134	104	129
Other income	-131	217	-	-70	8	-
Total income	-509	1,407	-	-56	-104	-
Operating expenses	1,816	2,548	71	541	261	207
Impairment charges other intangible assets	379	355	107	379	-	-
Profit before loan impairment charges	-2,704	-1,497	181	-976	-365	267
Loan impairment charges	8	-5	-	1	-23	-
Profit before tax	**-2,712**	**-1,491**	**182**	**-976**	**-342**	**285**

Profit before tax
(DKK millions)

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Index Q4/Q3
Group Treasury	-754	825	-	-48	-172	-
Own shares and issues	94	59	159	-34	-11	-
Additional tier 1 capital	550	785	70	116	117	99
Group support functions	-2,603	-3,160	82	-1,011	-276	-
Total Other Activities	**-2,712**	**-1,491**	**182**	**-976**	**-342**	**285**

2020 vs 2019

Other Activities posted a loss before tax of DKK 2,712 million, against a loss before tax of DKK 1,491 million in 2019.

Net interest income amounted to a loss of DKK 260 million, against a loss of DKK 5 million in 2019. The decrease was caused primarily by a decline in income from allocated liquidity costs that were affected by higher deposit volumes. This effect was partly offset by an increase in income from structural changes to the Group's funding and liquidity management.

Net trading income amounted to DKK 136 million, against DKK 1,421 million in 2019. The decrease was due mainly to the fact that 2019 benefited from the gain from the sale of the shareholding in LR Realkredit and from other positive market value adjustments of the private equity portfolio.

Operating expenses amounted to DKK 1,816 million, against DKK 2,548 million in 2019. The decrease in 2020 was due mainly to a net reversal of provisions for operational risk-related losses, which was made in 2019, thus also affecting the 2019 expense level.

Q4 2020 vs Q3 2020

Other Activities posted a loss before tax of DKK 976 million, against a loss before tax of DKK 342 million in the third quarter of 2020.

Net interest income amounted to a loss of DKK 54 million, against DKK 157 million in the third quarter of 2020. The increase in quarterly income was driven primarily by the Internal Bank where allocated liquidity costs increased following a number of corrective actions to reduce deposit compensation to the business units. Income at the Internal Bank from managing short-term liquidity was also lower in the fourth quarter.

Net trading income amounted to DKK 134 million, against DKK 104 million in the third quarter of 2020, due mainly to value adjustments of own bonds.

Operating expenses amounted to DKK 541 million, against DKK 261 million in the third quarter of 2020. The increase was due primarily to transformation work, including restructuring costs.

Definition of alternative performance measures

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

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

Definitions of additional ratios presented on page 6 and in other sections of the Management's report:

Ratios and key figures	**Definition**
Dividend per share (DKK)	The dividend per share proposed in the Annual report and paid to shareholders in the subsequent year. Accordingly, for 2020, it is the dividend to be paid in 2021. For 2019, no dividend was paid in 2020. Further information can be found in note G1(a).
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 551 million (2019: DKK 786 million). The denominator represents equity, excluding additional tier 1 capital and other non-controlling interests equal to a reduction in the average of the quarterly average of equity of DKK 13,526 million (2019: 17,744 million) compared to a simple average of total equity (beginning and the end of the period).
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights divided by the daily average of the sum of loans and deposits. If the ratio was calculated applying the sum of loans and deposits end of period, the ratio for 2020 would be 0.72% (2019: 0.79%) due to the daily average of the sum of loans and deposits being DKK 124.8 billion (2019: DKK 54.9 billion) lower than calculating the ratio by applying the end-of-period sum of loans and deposits. The purpose of the ratio is to show if the growth in net interest income follows the growth in loans and deposits. The daily average is a more faithful representation of the growth in loans and deposits.
Cost/income ratio (C/I), (%)	Operating expenses, impairment charges on goodwill and impairment charges other intangible assets divided by total income. All amounts are from the financial highlights.
C/I, excluding impairment on intangible assets (%)	Operating expenses divided by total income. All amounts are from the financial highlights.
Book value per share	Shareholders' equity (that is, excluding equity-accounted additional tier 1 capital) divided by the number of shares outstanding at the end of the period.
Loan impairment charges as % of net credit exposure	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The numerator is the loan impairment charges of DKK 7,001 million (2019: DKK 1,516 million) from the financial highlights and annualised. The denominator is the sum of Loans at amortised cost of DKK 1,022.3 billion (2019: DKK 972.1 billion), Loans at fair value of DKK 802.6 billion (2019: DKK 794.9 billion) and guarantees of DKK 68.7 billion (2019: DKK 83.1 billion) at the beginning of the year, as disclosed in the column "Lending activities – core" in the "Breakdown of credit exposure" table in the notes to the financial statements. The ratio is calculated for each business unit.
Allowance account as % of net credit exposure	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The numerator is the allowance account of DKK 22.6 billion (2019: DKK 20.5 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 1,022.7 billion, Loans at fair value of DKK 816.3 billion, and guarantees of DKK 71.7 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.
Realkredit Danmark bonds funding loans	On page 25, information is provided on the funding of lending by deposits and covered bonds. The 'Bonds issued by Realkredit Danmark' line item equals the carrying amount in the balance sheet, that is, issued bonds held by the Group's external investors. The 'Total Realkredit Danmark bonds' line item equals loans funded by Realkredit Danmark bonds. The 'Own holdings of bonds' line item is a residual item that includes the net amount of the elimination of own holdings less issued bonds backed by collateral other than mortgage loans, such as securities.
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 2019 included November 2019 data for Finland, Sweden and Norway as December 2019 data was not available at the time of publication of Annual Report 2019. Subsequently, in Interim report – first quarter 2020, the comparative data for market shares in Finland, Sweden and Norway was updated with December 2019 data.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Financial statements

Income statement – Danske Bank Group

Note	(DKK millions)	2020	2019
G5	Interest income calculated using the effective interest method	23,219	24,754
G5	Other interest income	41,133	45,065
G5	Interest expense	36,234	41,927
	Net interest income	28,118	27,892
G6	Fee income	16,434	16,437
G6	Fee expenses	5,760	6,079
G5	Net trading income or loss	22,552	34,533
G7	Gain or loss on sale of disposal groups	-155	1,879
G7	Income from holdings in associates	-93	386
G7	Other income	4,608	4,857
G8	Net premiums	28,795	26,316
G8	Net insurance benefits	48,284	58,106
G9	Operating expenses	32,822	30,960
G9,G19	Impairment charges on goodwill	-	1,603
	Profit before loan impairment charges	13,393	15,551
G11	Loan impairment charges	7,089	1,729
	Profit before tax	6,304	13,822
G21	Tax	1,715	-1,249
	Net profit	**4,589**	**15,072**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	4,038	14,285
	Additional Tier 1 capital holders	551	786
	Net profit	**4,589**	**15,072**
	Earnings per share (DKK)	4.7	16.7
	Diluted earnings per share (DKK)	4.7	16.7
	Proposed dividend per share (DKK)*	2.0	8.5

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

Statement of comprehensive income – Danske Bank Group

Note	(DKK millions)	2020	2019
	Net profit	4,589	15,072
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit pension plans	304	228
G21	Tax	-38	-21
	Items that will not be reclassified to profit or loss	**266**	**207**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	-1,902	692
G12	Hedging of units outside Denmark	1,224	-324
	Reclassified to the income statement on disposal of units outside Denmark	-	5
	Unrealised value adjustments of bonds at fair value (OCI)	264	9
	Realised value adjustments of bonds at fair value (OCI)	-12	3
G21	Tax	-70	47
	Items that are or may be reclassified subsequently to profit or loss	**-496**	**432**
	Total other comprehensive income	**-230**	**639**
	Total comprehensive income	**4,359**	**15,711**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	3,808	14,925
	Additional Tier 1 capital holders	551	786
	Total comprehensive income	**4,359**	**15,711**

Balance sheet – Danske Bank Group

Note	(DKK millions)	2020	2019
	Assets		
G14	Cash in hand and demand deposits with central banks	320,702	99,035
G14	Due from credit institutions and central banks	81,428	105,674
G12	Trading portfolio assets	682,948	495,321
G13	Investment securities	296,769	284,873
G15	Loans at amortised cost	1,024,607	1,028,011
G16	Loans at fair value	1,023,323	1,122,048
G17	Assets under pooled schemes and unit-linked investment contracts	82,795	79,912
G18	Assets under insurance contracts	545,708	494,993
G19	Intangible assets	8,785	9,165
G21	Tax assets	5,202	2,987
G24	Other assets	36,761	39,031
	Total assets	**4,109,231**	**3,761,050**
	Liabilities		
G20	Due to credit institutions and central banks	211,182	155,246
G12	Trading portfolio liabilities	499,334	452,202
G20	Deposits	1,333,781	1,140,726
G22	Issued bonds at fair value	784,027	802,501
G22	Issued bonds at amortised cost	245,573	256,355
G17	Deposits under pooled schemes and unit-linked investment contracts	82,905	80,360
G18	Liabilities under insurance contracts	591,930	535,891
G21	Tax liabilities	1,821	2,172
G24	Other liabilities	51,291	46,301
	Non-preferred senior bonds	106,371	87,054
G22	Subordinated debt	32,337	31,733
	Total liabilities	**3,940,552**	**3,590,541**
	Equity		
	Share capital	8,622	8,622
	Foreign currency translation reserve	-1,050	-372
	Reserve for bonds at fair value (OCI)	354	102
	Retained earnings	150,521	140,590
	Proposed dividends*	1,724	7,329
	Shareholders of Danske Bank A/S (the Parent Company)	160,171	156,271
G25	Additional tier 1 capital holders	8,508	14,237
	Total equity	**168,679**	**170,508**
	Total liabilities and equity	**4,109,231**	**3,761,050**

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

Statement of capital – Danske Bank Group

Changes in equity

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 2019	8,960	-745	90	132,768	7,616	148,688	14,299	162,988
Net profit	-	-	-	14,285	-	14,285	786	15,072
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	228	-	228	-	228
Translation of units outside Denmark	-	692	-	-	-	692	-	692
Hedging of units outside Denmark	-	-324	-	-	-	-324	-	-324
Reclassified on disposal	-	5	-	-	-	5	-	5
Unrealised value adjustments	-	-	9	-	-	9	-	9
Realised value adjustments	-	-	3	-	-	3	-	3
Tax	-	-	-	26	-	26	-	26
Total other comprehensive income	**-**	**373**	**12**	**254**	**-**	**639**	**-**	**639**
Total comprehensive income	**-**	**373**	**12**	**14,539**	**-**	**14,925**	**786**	**15,711**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-787	-787
Dividends paid	-	-	-	377	-7,616	-7,239	-	-7,239
Proposed dividends	-	-	-	-7,329	7,329	-	-	-
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-19,768	-	-19,768	-62	-19,830
Sale of own shares and additional tier 1 capital	-	-	-	19,552	-	19,552	-	19,552
Share based payments	-	-	-	90	-	90	-	90
Tax	-	-	-	23	-	23	-	23
Total equity as at 31 December 2019	**8,622**	**-372**	**102**	**140,590**	**7,329**	**156,271**	**14,237**	**170,508**
Net profit	-	-	-	4,038	-	4,038	551	4,589
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	304	-	304	-	304
Translation of units outside Denmark	-	-1,902	-	-	-	-1,902	-	-1,902
Hedging of units outside Denmark	-	1,224	-	-	-	1,224	-	1,224
Unrealised value adjustments	-	-	264	-	-	264	-	264
Realised value adjustments	-	-	-12	-	-	-12	-	-12
Tax	-	-	-	-108	-	-108	-	-108
Total other comprehensive income	**-**	**-678**	**252**	**196**	**-**	**-230**	**-**	**-230**
Total comprehensive income	**-**	**-678**	**252**	**4,234**	**-**	**3,808**	**551**	**4,359**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-625	-625
Proposed dividends	-	-	-	-1,724	1,724	-	-	-
Redemption of additional tier 1 capital	-	-	-	-4	-	-4	-5,596	-5,600
Proposed dividends reversed*	-	-	-	7,329	-7,329	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-29,252	-	-29,252	-59	-29,311
Sale of own shares and additional tier 1 capital	-	-	-	29,228	-	29,228	-	29,228
Share based payments	-	-	-	108	-	108	-	108
Tax	-	-	-	12	-	12	-	12
Total equity as at 31 December 2020	**8,622**	**-1,050**	**354**	**150,521**	**1,724**	**160,171**	**8,508**	**168,679**

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

On 29 April 2019, the share capital was reduced by DKK 337,690,000 through cancellation of 33,769,000 shares from Danske Bank's holding of own shares acquired under the 2018 share buy-back programme. During 2020, no share capital reduction was made.

Statement of capital – Danske Bank Group

Dividend

The Board of Directors is proposing a dividend of DKK 2.00 per share, or a total of DKK 1,724 million to be paid out of the net profit for the Parent Company of DKK 4,511 million. In Annual Report 2019, a dividend of DKK 8.50 per share, or a total of DKK 7,329 million out of the net profit for the Parent Company of DKK 15,068 was proposed. In light of the coronavirus pandemic, no dividends were paid in 2020. For further information, see note G1(a).

Earnings per share (DKK millions)	2020	2019
Net profit attributable to the shareholders of the parent company	4,038	14,285
Number of shares issued at 1 January	862,184,621	895,953,621
Share capital reduction (share buy-back programme)	-	33,769,000
Average number of own shares held by the Group (including share buy-back programme)	9,046,467	7,830,142
Average number of shares outstanding	853,138,154	854,354,479
Number of dilutive shares issued for share-based payments	332,271	557,291
Adjusted average number of shares outstanding after share capital reduction, including dilutive shares	**853,470,424**	**854,911,769**
Earnings per share (DKK)	4.7	16.7
Diluted earnings per share (DKK)	4.7	16.7

The share capital consists of shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

Number of shares outstanding	2020	2019
Issued at 31 December 2019	862,184,621	862,184,621
Holding of own shares	8,535,245	8,479,706
Shares outstanding at 31 December 2020	**853,649,376**	**853,704,915**

(DKK millions) Holding of own shares	Number 2020	Number 2019	Value 2020	Value 2019
Trading portfolio	4,034,791	2,578,835	406	278
Investment on behalf of customers	4,500,454	5,900,871	453	636
Total	**8,535,245**	**8,479,706**	**859**	**914**

Danske Bank Group accounts for all shares issued by Danske Bank A/S and held by Danske Bank Group as own shares that are eliminated in the statement of changes in shareholders' equity. The disclosures above clarify the purpose of the acquisitions made by Danske Bank Group of its own shares.

(DKK millions)	Trading portfolio	Investment on behalf of customers	Total 2020	Total 2019
Holding as at 1 January	278	636	914	5,305
Acquisition of own shares	29,012	240	29,252	19,768
Sale of own shares	29,021	207	29,228	19,552
Value adjustment	137	-216	-79	-199
Cancellation of own shares	-	-	-	4,409
Holding as at 31 December	**406**	**453**	**859**	**914**

The Board of Directors is authorised to let Danske Bank acquire own shares up to a total nominal amount of 10% of the share capital. The shares may be held for ownership or provided as collateral. If shares are acquired for ownership, the acquisition price may not deviate by more than 10% from the price quoted at the time of acquisition. Danske Bank A/S has obtained permission from the Danish Financial Supervisory Authority to acquire own shares for market-making purposes etc. and this amount is deducted from the Group's common equity tier 1 capital.

Statement of capital – Danske Bank Group

Total capital and total capital ratio

(DKK millions)	31 December 2020	31 December 2019
Total equity	168,679	170,508
Revaluation of domicile property at fair value	176	265
Tax effect of revaluation of domicile property at fair value	-17	-31
Total equity calculated in accordance with the rules of the Danish FSA	168,836	170,741
Additional tier 1 capital instruments included in total equity	-8,415	-14,070
Accrued interest on additional tier 1 capital instruments	-93	-167
Tax on accrued interest on additional tier 1 capital instruments	-	37
Common equity tier 1 capital instruments	160,329	156,541
Adjustment to eligible capital instruments	-75	-344
IFRS 9 reversal due to transitional rules	2,551	1,325
Prudent valuation	-690	-926
Prudential filters	-147	-178
Expected/proposed dividends*	-1,724	-7,329
Intangible assets of banking operations	-5,354	-6,339
Deferred tax on intangible assets	204	487
Deferred tax assets that rely on future profitability, excluding temporary differences	-168	-12
Defined benefit pension plan assets	-2,206	-1,925
Statutory deduction for insurance subsidiaries	-8,992	-8,439
Other statutory deductions	-	-197
Common equity tier 1 capital	**143,727**	**132,664**
Additional tier 1 capital instruments	17,282	23,944
Tier 1 capital	**161,009**	**156,608**
Tier 2 capital instruments	19,108	17,598
Total capital	**180,117**	**174,206**
Total risk exposure amount	**784,184**	**767,177**
Common equity tier 1 capital ratio (%)	18.3%	17.3%
Tier 1 capital ratio (%)	20.5%	20.4%
Total capital ratio (%)	23.0%	22.7%

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

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

In terms of the transitional arrangements for the impact of IFRS 9 on regulatory capital, the Group applies the so-called dynamic approach in accordance with the CRR. In accordance with Commission Delegated Regulation (EU) 2020/2176 entering into force 23 December 2020, the deduction for software assets in Common equity tier 1 capital has been reduced by DKK 580 million, net of tax, at the end of 2020.

Risk Management 2020 provides more details about the Group's total capital, the total risk exposure amount and the Group's solvency need. The report is available at danskebank.com/investorrelations/reports and is not covered by the statutory audit.

Cash flow statement – Danske Bank Group

	(DKK millions)	2020	2019
	Cash flow from operations		
	Profit before tax	6,304	13,822
	Tax paid	-4,315	-5,245
	Adjustment for non-cash operating items	12,993	10,369
	Total	14,982	18,946
	Changes in operating capital		
	Amounts due to/from credit institutions and central banks	59,794	-96,693
	Trading portfolio	-140,495	-17,527
	Acquisition/sale of own shares and additional tier 1 capital	-83	-278
	Investment securities	-11,896	-8,449
	Loans at amortised cost and fair value	95,039	-108,208
	Deposits	193,055	81,606
	Issued bonds at amortised cost and fair value	-33,550	14,533
	Assets/liabilities under insurance contracts	5,323	988
	Other assets/liabilities	4,337	-11,690
	Cash flow from operations	**186,506**	**-126,772**
	Cash flow from investing activities		
	Acquisition/sale of businesses	5	1,683
	Acquisition of intangible assets	-872	-878
	Acquisition of tangible assets	-408	-666
	Sale of tangible assets	12	12
	Cash flow from investing activities	**-1,263**	**151**
	Cash flow from financing activities		
G26	Issue of subordinated debt	3,721	11,791
G26	Redemption of subordinated debt	-2,180	-3,467
G26	Issue of non-preferred senior bonds	23,610	59,808
	Dividends paid	-	-7,239
	Redemption of equity accounted additional tier 1 capital	-5,600	-
	Paid interest on equity accounted additional tier 1 capital	-625	-787
	Principal portion of lessee lease payments	-653	-729
	Cash flow from financing activities	**18,273**	**59,377**
G14	Cash and cash equivalents as at 1 January	199,608	264,836
	Foreign currency translation	-2,235	2,016
	Change in cash and cash equivalents	203,516	-67,244
	Cash and cash equivalents, end of period	**400,889**	**199,608**
	Cash and cash equivalents, end of period		
	Cash in hand	6,131	6,235
	Demand deposits with central banks	314,572	92,800
	Amounts due from credit institutions and central banks within three months	80,186	100,574
	Total	**400,889**	**199,608**

Note G26 provides further information on the cash flow statement.

Notes – Danske Bank Group

G1. Basis of preparation

(a) General

Danske Bank Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) and applicable interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), as adopted by the EU. Furthermore, the consolidated financial statements comply with the Danish FSA's Executive Order No. 1306 dated 16 December 2008 on the use of IFRSs by undertakings subject to the Danish Financial Business Act.

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

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

For changes in the segment reporting, see note G3.

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.

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement. Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation. Exchange rate adjustments are included in the fair value adjustment of an asset or liability. Other non-monetary items in foreign currency are translated at the exchange rates at the transaction date. The accounting treatment of foreign currency translation of units outside Denmark is described in note G25.

For the purpose of clarity, the primary financial statements and the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the primary financial statements. Similarly, information not considered material is not presented in the notes.

The significant accounting policies are incorporated into the notes to which they relate.

(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) 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). An overview of the classification and measurement basis for financial instruments can be found in section (c) of this note.

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

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

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

Notes – Danske Bank Group

G1. Basis of preparation continued

(b) Significant accounting estimates and judgements

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

Due to the corona crisis, the macroeconomic scenarios were revised during 2020, see further in the separate section below.

With the new suite of scenarios, the base case scenario enters with a probability of 60% (31 December 2019: 60%), the upside scenario with a probability of 15% (2019: 10%) and the downside scenario with a probability of 25% (2019: 30%). On the basis of these assessments, the allowance account at the end of 2020 amounted to DKK 23.3 billion (2019: DKK 21.3 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.4 billion (2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 1.7 billion (2019: DKK 2.4 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100 %, the allowance account would decrease DKK 0.4 billion (2019: DKK 0.5 billion) compared to the base case scenario. It shall be noted that the expected credit losses in the individual scenarios does not represent expected credit loss (ECL) forecasts.

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

Management applies judgement when determining the need for post-model adjustments. At the end of 2020, the post-model adjustments amounted to DKK 6.4 billion (2019: DKK 4.0 billion) and continue to include the immediate risks arising from the corona crises that were introduced in the first quarter of 2020, see further in the separate section below. On the types of risks covered by post-model adjustments, more information can be found in the risk management notes. Further information on the allocation of post-model adjustment to the underlying exposures can be found in the section 'Classification of customers' in the risk management notes.

Loan impairment charges for 2020 amounted to DKK 7.089 million (2019: DKK 1,729 million). Impairments were driven primarily by the update of the macroeconomic scenarios as a result of the corona crisis and credit deterioration for selected customers, largely within the oil and gas exposure due to the continued uncertainty within the offshore segment.

Accounting treatment of the impacts on expected credit losses from the corona crisis

The effect of the coronavirus pandemic began to affect the Group's credit portfolio in the first quarter of 2020. Further credit deterioration remains to be seen, as the effect is currently limited and mitigated by the continued government support packages. Based on the measures taken by governments across the world and in the Group's market areas to contain the virus, economies are seeing lower activity in the short term, although especially in the Nordic economies, the activity in many sectors was back to a normal activity level already in the second quarter of 2020 after the reopening of societies. However, in the fourth quarter of 2020 a second wave of the corona pandemic evolved and new lock-downs were introduced. The economies continue to be supported by government support packages. Significant uncertainty still remains as to the effectiveness of actions taken by governments to contain the virus and as to when the roll-out of vaccine programmes will have a sufficient coverage to limit the spread of the virus. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies.

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

Notes – Danske Bank Group

G1. Basis of preparation continued

(b) Significant accounting estimates and judgements

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

A large part of the impact on expected credit losses resulting from the corona crisis relates to changes to forward-looking information, with the macroeconomic scenarios applied being significantly different from those applied in 2019. The Group's base case scenario is based on the Nordic Outlook from October and reflects a significant decline in economic activity in 2020 followed by a recovery in 2021. The downside scenario has been updated to a W-shaped trend, where the second wave of the coronavirus pandemic causes lock-downs in the fourth quarter of 2020 and the first quarter of 2021. The base case scenario is considered the most likely scenario with a likelihood of 60%, while the downside scenario has a likelihood of 25%. Further information on the macroeconomic scenarios used can be found in the section 'Macroeconomic scenarios' in the risk management notes. During all quarters of 2020, the base case macroeconomic scenarios used reflected a recovery in 2021. Therefore, the forward-looking information used during the quarters of 2020 gradually became more positive when the period until recovery in 2021 shortened, leading to reversal of the modelled expected credit losses in all main industries in the second half of 2020. Due to the continued significant uncertainty related to the magnitude of the pandemic and to the extent to which governments will continue to support the economies, management deemed it appropriate to increase the post-model adjustment related to the corona crisis during the second half of 2020.

The corona crisis-related post-model adjustments relate to industries directly affected by the corona crisis and for which the macroeconomic scenarios themselves do not lead to a sufficient increase in expected credit losses. This includes expected, but not yet materialised, credit deterioration in relation to the Personal customers and Commercial property industries in Denmark as government support ends. This also includes retailing, hotels and restaurants (within the Hotels, restaurants and leisure industry) as well as oil and gas (within the Shipping, oil and gas industry). The targeted post-model adjustment related to such sectors amounts to DKK 2.0 billion.

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

Note G15 and the section on credit risk in the risk management notes provide more details on expected credit losses. At the end of 2020, financial assets covered by the expected credit loss model accounted for about 52% of total assets (2019: 57%).

Fair value measurement of financial instruments

At the end of 2020, 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. At 31 December 2020, the adjustments totalled DKK 1.6 billion (2019: DKK 1.5 billion), including the adjustment for credit risk on derivatives that are credit impaired. . Note G33(a) provides more details on the fair value measurement of financial instruments.

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

Notes – Danske Bank Group

G1. Basis of preparation continued

(b) Significant accounting estimates and judgements

Measurement of goodwill and customer rights

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 December 2020, goodwill amounted to DKK 6.1 billion (31 December 2019: DKK 6.2 billion).

Despite the corona crises, the impairment test conducted in 2020 did not reveal any impairment loss. The impairment test conducted in 2019 revealed a total impairment loss of DKK 1.6 billion in FI&C and Capital Markets at Corporates & Institutions and in Danica Pension at Wealth Management, leaving no excess value for those units at the end of 2019.

The goodwill in FI&C and Capital Markets of DKK 2.1 billion (2019: DKK 2.1 billion) is highly sensitive to changes in allocated capital, growth in the terminal period and the discount rate. The goodwill in Danica Pension of DKK 1.6 billion (2019: DKK 1.6 billion) is highly sensitive to changes in solvency capital requirements, growth in the terminal period and the discount rate.

The remaining goodwill mainly consists of DKK 1.8 billion (2019: DKK 1.8 billion) in Danske Capital at Wealth Management and DKK 0.5 billion (2019: DKK 0.5 billion) in General Banking at Corporates & Institutions, both showing significant amounts of excess value in the impairment tests in 2020 and 2019, although the expected future cash flows of Danske Capital are negatively impacted by the expectation of lower fee income in 2020 triggered by a decline in asset under management, and the expected future cash flows of General Banking are negatively impacted by the expectation of lower income and higher loan impairment charges caused by the corona crisis.

Note G19 provides more information about the impairment test in 2020 and 2019 including sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured at the present value of expected benefits for each insurance contract. The measurement is based on actuarial computations that rely on estimates of a number of variables, including mortality and disability rates, and on the discount rate. The future mortality rates are based on the Danish FSA's benchmark, while other variables are estimated based on data from the Group's own portfolio of insurance contracts. Section (c) of this note and note G18 provide further information on the measurement of insurance liabilities. The risk management notes contain a sensitivity analysis for life insurance.

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

Financial instruments account for around 98% of total assets and liabilities. A portion of financial assets relate to investments made under insurance contracts. The following sections provide a general description of the classification and measurement of financial instruments and obligations under insurance contracts.

Financial instruments – general

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

Regular way purchases and sales of financial instruments are recognised and derecognised at the settlement date. Fair value adjustments of unsettled financial instruments are recognised from the trade date to the settlement date if the financial asset is classified at fair value through profit or loss or through other comprehensive income. The classification is shown in the table below.

Financial instruments and obligations under insurance contracts, classification and measurement end of 2020

	Amortised cost	Fair value OCI	Fair value through profit or loss					
(DKK billions)	Held to collect assets/Liabilities	Held to collect and sell financial assets*	Held for trading	Managed at fair value	FVPL due to SPPI test	Designated	Interest rate hedge **	Total
Assets								
Cash in hand and demand deposits with central banks	321	-	-	-	-	-	-	321
Due from credit institutions and central banks	29	-	-	52	-	-	-	81
Derivatives	-	-	365	-	-	-	14	380
Bonds	132	117	287	48	-	-	-	583
Shares	-	-	16	0	-	-	-	17
Loans	1,022	-	-	207	816	-	2	2,048
Assets under pooled schemes and unit-linked investment contracts	-	-	-	83	-	-	-	83
Assets under insurance contracts	-	-	-	521	-	-	-	521
Total financial assets, 31 December 2020	**1,504**	**117**	**669**	**911**	**816**	**-**	**16**	**4,034**
Total financial assets, 31 December 2019	**1,329**	**108**	**486**	**944**	**803**	**-**	**12**	**3,682**
Liabilities								
Due to credit institutions and central banks	118	-	-	-	-	93	0	211
Trading portfolio liabilities	-	-	496	-	-	-	3	499
Deposits	1,183	-	-	-	-	151	-	1,334
Issued bonds at fair value	-	-	-	-	-	784	-	784
Issued bonds at amortised cost	240	-	-	-	-	-	6	246
Deposits under pooled schemes and unit-linked investment investment contracts	-	-	-	-	-	83	-	83
Liabilities under insurance contracts ***	-	-	-	-	-	592	-	592
Non-preferred senior bonds	104	-	-	-	-	-	3	106
Subordinated debt	32	-	-	-	-	-	-	32
Loan commitments and guarantees	3	-	-	-	-	-	-	3
Total financial liabilities, 31 December 2020	**1,680**	**-**	**496**	**-**	**-**	**1,703**	**12**	**3,890**
Total financial liabilities, 31 December 2019	**1,404**	**-**	**450**	**-**	**-**	**1,683**	**9**	**3,545**

* Unrealised fair value gains and losses are presented in Other comprehensive income, and realised fair value gains and losses are recycled to the income statement.

**The interest rate risk on some fixed-rate financial assets and liabilities is hedged by derivatives (fair value hedging). The interest rate risk on some fixed-rate bonds 'hold to collect and sell' is also hedged by derivatives. The fair value represents changes in the fair value of the interest rate risk on the hedged items, i.e. not a full fair value of the hedged items.

*** Liabilities under insurance contracts are recognised at the present value of expected insurance benefits.

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

Classification and measurement of financial assets and financial liabilities – general

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

- Amortised cost (AMC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

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

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

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

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

The business model assessment

The business model assessment in Danske Bank Group has been applied separately for each business unit represented by the Group’s reportable segments, and it is based on observable factors for the different portfolios, such as (1) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Executive Board and the Board of Directors, (2) the risks that affect the performance of the business model and the way such risks are managed and (3) past and expected frequency, value and timing of sales from the portfolio. In general, the business model assessment of the Group can be summarised as follows:

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

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

The SPPI test (solely payment of principal and interest on the principal amount outstanding)

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

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

However, loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Such loans are granted by the Realkredit Danmark subsidiary only. Borrowers may repay such loans by delivering the underlying bonds. This represents an option to prepay at fair value that can be both above and below the principal amount plus accrued interest. Changes in the fair value of the underlying bonds include other elements than the effect of changes in the relevant benchmark interest rate and the prepayment option is therefore not consistent with the SPPI test in IFRS 9 and are mandatorily measured at FVPL.

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

Financial liabilities

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

IFRS 9 allows the designation of financial liabilities at FVPL when doing so results in more relevant information, because either (1) it eliminates or significantly reduces an accounting mismatch that would otherwise arise, or (2) is part of a portfolio of financial instruments that are managed and their performance reported on a fair value basis to management.

The Group designates the following financial liabilities at FVPL:

- Mortgage bonds issued by Realkredit Danmark. The bonds fund the loans granted by Realkredit Danmark, i.e. loans that due to the SPPI test are mandatorily recognised at FVPL. The fair value of the loans is based on the fair value of the issued bonds (the loans and the issued bonds that are funding the loans have matching contractual terms) adjusted for changes in the fair value of the credit risk of borrowers. To eliminate the accounting mismatch that exists if the loans are measured at FVPL and the issued bonds at AMC, the issued bonds are designated at FVPL, and fair value changes of the issued bonds (including fair value changes related to own credit risk) are offset by the fair value changes of the loans. Hence, changes in the fair value attributable to the Group's own credit risk on the issued bonds are also recognised in the income statement since an accounting mismatch would otherwise arise.
- Financial liabilities in FI&C and Capital Markets at C&I. These financial liabilities are part of a portfolio of financial assets and liabilities that is managed and performance reported to the Management on a fair value basis. The financial liabilities consist of repo transactions, deposits and commercial papers. Changes, if any, in the fair value attributable to the Group's own credit risk is, however, recognised in other comprehensive income.

Hedge accounting

The Group uses derivatives to hedge the interest rate risk on some fixed-rate assets and fixed-rate liabilities measured at amortised cost and on some bonds measured at fair value through other comprehensive income. Hedged risks that meet the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged assets and liabilities is measured at fair value through profit or loss. At end-2019, hedging derivatives measured at fair value accounted for about 0.3% of total assets and about 0.2% of total liabilities (31 December 2018: 0.2% and 0.05%, respectively). For further information on hedge accounting, see note G12(d).

Notes – Danske Bank Group

G1. Basis of preparation continued

(c) Overview of classification and measurement basis for financial instruments and insurance contracts

Insurance activities – general

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

Insurance contracts

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

IFRS 4, Insurance Contracts, includes an option to continue the accounting treatment of insurance contracts under local GAAP. The Group's life insurance provisions are therefore recognised at their present value in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies etc. The life insurance provisions are presented under Liabilities under insurance contracts.

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

Investment contracts

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

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

Assets funded by shareholders' equity

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

Income from insurance business

Insurance activities are consolidated in the various income statement items. Insurance premiums are recognised under Net premiums. Net insurance benefits in the income statement consists of benefits disbursed under insurance contracts and the annual change in insurance obligations not deriving from additional provisions for benefit guarantees and changes to the collective bonus potential. The return on earmarked assets is allocated to the relevant items in the income statement. The return to policyholders is recognised under Net trading income or loss as are changes to additional provisions for benefit guarantees. Note G8 provides more information.

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

The risk allowance is determined in accordance with the Danish FSA's executive order on the contribution principle. The contribution principle regulates how earnings are allocated between policyholders and the life insurance company's shareholders' equity and defines the maximum payment to shareholders' equity (the risk allowance).

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

Notes – Danske Bank Group

G1. Basis of preparation continued

(d) Financial highlights

The financial highlights and reporting for each segment shown in note G3 are used in the Management's report and represent the financial information regularly provided to management. The Reclassification column in note G3 shows the reconciliation between the presentation in the financial highlights and the presentation in the consolidated financial statements prepared under IFRS and includes the following:

Operating leases and impairment charges other intangible assets

In the IFRS income statement, gains or losses on the sale of operating lease assets, excluding properties, at the end of the lease agreement are presented on a gross basis (the Group acts as a lessor). This means that the proceeds from the sale of the assets are recognised under Other income, whereas the carrying amount of the lease assets is recognised under Operating expenses.

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

The Group's transformation project 'Better Ways of Working' entails an ongoing digital journey that lead to the recognition of impairment charges on existing software in 2020. To better reflect the development in the underlying cost base, the impairment charges are presented separately in the Financial highlights, whereas they are recognised under Operating expenses in the IFRS income statement.

FI&C and Capital Markets (both part of Corporates & Institutions) and Group Treasury (part of Other Activities)

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

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

Danica Pension

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

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

Non-core

In the IFRS income statement and balance sheet, income and expense items and asset and liability items from the Non-core segment are included in the various income statement and balance sheet line items, as the segment does not fulfil the requirements in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

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

Notes – Danske Bank Group

G2. Changes and forthcoming changes to accounting policies and presentation

(a) Changes to significant accounting policies and presentation during the year

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

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

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

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

(b) Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued one new accounting standard (IFRS 17) and amendments to existing international accounting standards (IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 1, IAS 16, IAS 37, IAS 39 and IAS41) that have not yet come into force. The Group has not early adopted any of the changes. The sections below explain the IFRS changes that are likely to affect the Group's future financial reporting. For the changes not described below, no significant impact is expected.

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was an interim standard that did not prescribe the measurement of insurance contracts but relied on existing accounting practices. IFRS 17 is a comprehensive standard with principles for, for example, the measurement of insurance contracts at a current (fulfilment) value in the balance sheet, the recognition of insurance contract revenue in the income statement and the presentation of information on the performance in relation to insurance contracts. In June 2020, the IASB issued some amendments to IFRS 17 which included a deferral of the effective date to 1 January 2023.

IFRS 17 has not yet been adopted by the EU.

The standard may have a significant impact on the financial statements due to the new principles for calculating insurance provisions and for the presentation in the income statement and balance sheet. The Group has undertaken a pre-analysis to assess the impact on the Group's financial statements, including an assessment of the Group's insurance product in terms of classification and measurement and aggregation into portfolios. Estimates using the 3 measurement approaches (Building Bloch approach, Variable Fee approach and Premium Allocation approach), including a calculation of the Contractual Service Margin, have been made. This indicates, that after a transitional period, net profit before tax will not be significantly altered.

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

In August 2020, the IASB issued amendments to various standards to cover the effects on financial statements when old interest rate benchmarks are replaced by alternative benchmark rates as a result of the benchmark reform. The amendments are effective 1 January 2021, at which date the Group will implement the amendments.

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

The amendments further introduce reliefs from existing hedge accounting requirements, for example that hedge accounting would not discontinue solely due to the benchmark reform. The amendments further require that the hedging relationships and documentations are amended to reflect changes in the hedged item, the hedging instrument and the hedged risk (which do not represent a discontinuation of the exiting hedge).

Disclosure requirements are added. The disclosures relate to how the transition to alternative rates is managed, the progress on the transition and the risks arising from financial assets and financial liabilities due to the reform.

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

Notes – Danske Bank Group

G3. Business model and business segmentation

(a) Business model and business segmentation

Danske Bank is a Nordic bank with bridges to the rest of the world offering customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Group consists of a number of business units and support functions. The business units are segmented according to customers, products and services characteristics. The Group has five business units, a Non-core unit and an Other Activities unit, and these constitute the Group's reportable segments under IFRS 8.

Banking DK serves retail and commercial customers in Denmark. The unit offers retail customers' advice tailored to their financial needs and is a leading provider of daily banking, home financing, investment and retirement planning solutions. For commercial customers, the unit provides targeted advice and solutions based on the size and situation of the customers' business. Services include strategic advice on, for instance, international expansion and acquisitions. The unit offers digital solutions to facilitate daily operations, including cross-border transfers and cash management.

Banking Nordic serves retail and commercial customers in Sweden, Norway and Finland, providing customer offerings similar to those of Banking DK. In addition, the unit encompasses the Group's global asset finance activities, such as lease activities.

Corporates & Institutions is the wholesale banking division of the Group. It serves all of the Group's corporate and institutional customers by offering expertise within financing, financial markets, general banking, investment services and corporate finance advisory services. In addition, the unit operates globally, supported by global product areas and local customer coverage, and acts as a bridge to the world for Nordic customers as well as a gateway into the Nordics for international customers. The unit bridges the financial needs of the institutional and corporate sectors, connecting issuers and investors. The unit is organised in four areas: a customer unit, named General Banking, and three product areas; named Capital Markets, Fixed Income & Currencies (FI&C) and Transaction Banking & Investor Services. In the first quarter of 2020, the business segmentation of FI&C and Capital Markets was changed, as Debt Capital Markets (DCM) was moved from Capital Markets to FI&C and Investment Solutions from FI&C to Capital Markets.

Wealth Management serves companies and institutional investors in the markets in which the Group operates. The unit offers a broad range of products and services within wealth and asset management, investments, pension savings and insurance. The unit encompasses expertise from Danica Pension, Danske Invest and Asset Management.

Northern Ireland serves retail and commercial customers through a network of branches and business centres in Northern Ireland alongside digital channels.

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up of this part of the loan portfolio. The portfolio consists primarily of loans to customers in the Baltics and liquidity facilities for Special Purpose Vehicles (SPVs) and conduit structures. In addition to the exit from banking activities in Estonia and Russia at the end of 2019, the Group had also exited from all banking activities in Latvia by the end of the first quarter of 2020.

Other Activities encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and issues, as well as interest on additional tier 1 capital, which is reported as an interest expense in the business units. Group Treasury is responsible for the Group's liquidity management and funding.

Accounting policy

Segment reporting complies with the significant accounting policies. The 'Reclassification' column shows adjustments made to the IFRS statements in the calculation of the financial highlights.

Internal income and expenses are allocated to the individual segments on an arm's-length basis. Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions, are charged to the business units according to consumption and activity. Funding costs for lending and deposit activities (FTP) are allocated on the basis of a maturity analysis of loans and deposits, interbank rates and funding spreads, and depend on market trends.

Segment assets and liabilities are assets and liabilities that are used for maintaining the operating activities of a segment or have come into existence as a result of such activities and which are either directly attributable or may be reasonably allocated to a segment. A calculated share of shareholders' equity is allocated to each segment. Other assets and liabilities are recognised under Other Activities.

Capital (shareholders' equity) is allocated to the business units based on the Group's capital allocation framework, with goodwill allocated directly to the relevant business units. The framework is based on a regulatory approach and is calibrated to the Group's CET1 capital ratio target. Therefore, the capital consumption of the individual business units is closely aligned with the Group's total capital consumption. However, for the Northern Ireland business unit, the capital allocated equals the legal entity's capital.

A calculated interest income equal to the risk-free return on its allocated capital is apportioned to each business unit and offset by a corresponding interest expense at Other Activities. This income is calculated on the basis of the short-term money market rate. The interest expense on equity accounted additional tier 1 capital is charged to the business units on the basis of the capital allocated to each unit and offset at Other Activities.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Presentation in the financial highlights and in the segment reporting

Segment reporting and the financial highlights are based on the information provided to management.

An explanation of the items making up the Reclassification column, which reconciles the financial highlights and segment reporting presentation to the IFRS financial statements, is provided further on in this note.

Changes in financial highlights and segment reporting

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

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

The Group's transformation project 'Better Ways of Working' entails an ongoing digital journey that lead to the recognition of impairment charges on existing software in 2020. To better reflect the development in the underlying cost base, the impairment charges are presented separately from Operating expenses in the Financial highlights. Similarly, the Cost/Income ratio in the Financial highlights has been supplemented by the ratio calculated as costs excluding the impairment charges on goodwill and software.

In the Financial highlights, Due from credit institutions and central banks has been restated to include also demand deposits with central banks.

The impact on the financial highlights for 2019 is shown in the table below. The changes do not affect the presentation in the IFRS income statement or balance sheet.

Changes in financial highlights and segment reporting

(DKK millions)	Financial Highlights 2019	Alignment of presentation, Wealth Management	Impairment charges	Adjusted Financial Highlights
Net interest income	21,877	-		21,877
Net fee income	15,895	-694		15,201
Net trading income or loss	4,985	456		5,441
Other income	2,225	238		2,463
Total income	44,982	-		44,982
Operating expenses	27,548	-	-355	27,193
Goodwill impairment charges	1,603	-		1,603
Impairment charges other intangible assets	-	-	355	355
Profit before loan impairment charges	15,831	-		15,831
Loan impairment charges	1,516	-		1,516
Profit before tax, core	14,315	-		14,315
Profit before tax, non-core	-493	-		-493
Profit before tax	**13,822**	**-**		**13,822**
Assets under management (DKK billions)	1,651	-35		1,616

Effective from 1 January 2021, the Group's commercial activities will presented in three new business segments; Personal & Business Customers, Large Corporates & Institutions, and Danica Pension, in addition to the existing segments Northern Ireland, Non-core and Other Activities. Further information can be found in the management report.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Business segments 2020

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	8,927	8,105	4,029	-285	1,359	-	-255	-5	21,875	6,242	28,118
Net fee income	4,049	1,690	3,079	6,310	264	-	-255	-	15,137	-4,463	10,674
Net trading income	955	242	3,452	-26	98	-	109	27	4,856	17,696	22,552
Other income	171	532	6	-79	16	-	404	-535	514	3,845	4,359
Net premiums	-	-	-	-	-	-	-	-	-	28,795	28,795
Net insurance benefits	-	-	-	-	-	-	-	-	-	48,284	48,284
Total income	14,101	10,569	10,567	5,919	1,736	-	4	-513	42,383	3,832	46,215
Operating expenses	9,650	6,569	5,421	3,435	1,212	-	1,983	-167	28,103	4,719	32,822
Goodwill impairment charges	-	-	-	-	-	-	-	-	-	-	-
Impairment charges other intangible assets	-	-	-	-	-	-	379	-	379	-379	-
Profit before loan impairment charges	4,451	4,000	5,146	2,484	524	-	-2,358	-346	13,901	-508	13,393
Loan impairment charges	907	1,404	4,304	-	378	-	8	-	7,001	88	7,089
Profit before tax, core	3,544	2,596	842	2,484	146	-	-2,366	-346	6,900	-596	6,304
Profit before tax, Non-core	-	-	-	-	-	-596	-	-	-596	596	-
Profit before tax	**3,544**	**2,596**	**842**	**2,484**	**146**	**-596**	**-2,366**	**-346**	**6,304**	**-**	**6,304**
Loans, excluding reverse transactions	925,063	650,250	210,056	271	51,290	-	32,909	-31,712	1,838,126	1,896	1,840,022
Other assets	419,707	134,772	3,590,830	669,394	49,417	-	3,903,480	-6,499,293	2,268,308	901	2,269,209
Total assets in Non-core	-	-	-	-	-	2,797	-	-	2,797	-2,797	-
Total assets	**1,344,770**	**785,022**	**3,800,886**	**669,665**	**100,706**	**2,797**	**3,936,389**	**-6,531,005**	**4,109,231**	**-**	**4,109,231**
Deposits, excluding repo deposits	397,987	327,165	393,690	37	84,158	-	2,220	-12,084	1,193,173	2,146	1,195,319
Other liabilities	909,868	421,251	3,372,084	653,146	10,345	-	3,905,140	-6,518,921	2,752,912	829	2,753,741
Allocated capital	36,915	36,606	35,112	16,483	6,203	-	28,851	-	160,171	-	160,171
Total liabilities in Non-core	-	-	-	-	-	2,975	-	-	2,975	-2,975	-
Total liabilities and equity	**1,344,770**	**785,022**	**3,800,886**	**669,665**	**100,706**	**2,975**	**3,936,211**	**-6,531,005**	**4,109,231**	**-**	**4,109,231**
Profit before tax as % p.a. of allocated capital (avg.)	9.4	7.1	2.3	15.0	2.3	-	-8.1	-	4.0	-	4.0
Cost/income ratio (%)	68.4	62.2	51.3	58.0	69.8	-	-	-	67.2	-	71.0
Full-time-equivalent staff, end of period	4,737	2,415	1,653	1,539	1,353	32	10,647	-	22,376	-	22,376

The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements.

The reclassifications are explained in note G1(d).

The Group's internal reporting on business segments does not include tax. Tax is therefore not allocated to the business units, but solely presented within the total amount.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Business segments 2019

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	9,111	7,839	3,656	-248	1,524	-	-9	4	21,877	6,015	27,892
Net fee income	4,397	1,857	2,909	5,902	363	-	-227	-	15,201	-4,843	10,357
Net trading income	1,176	280	2,114	340	110	-	1,417	5	5,441	29,092	34,533
Other income	227	592	8	1,405	14	-	700	-483	2,463	4,659	7,122
Net premiums	-	-	-	-	-	-	-	-	-	26,316	26,316
Net insurance benefits	-	-	-	-	-	-	-	-	-	58,106	58,106
Total income	14,912	10,567	8,688	7,398	2,011	-	1,881	-474	44,982	3,132	48,114
Operating expenses	8,736	6,269	4,834	3,589	1,216	-	2,712	-164	27,193	3,767	30,960
Goodwill impairment charges	-	-	803	800	-	-	-	-	1,603	-	1,603
Impairment charges other intangible assets	-	-	-	-	-	-	355	-	355	-355	-
Profit before loan impairment charges	6,176	4,298	3,051	3,009	794	-	-1,186	-310	15,831	-280	15,551
Loan impairment charges	-342	510	1,348	-	5	-	-5	-	1,516	213	1,729
Profit before tax, core	6,518	3,788	1,703	3,009	789	-	-1,181	-310	14,315	-493	13,822
Profit before tax, Non-core	-	-	-	-	-	-493	-	-	-493	493	-
Profit before tax	**6,518**	**3,788**	**1,703**	**3,009**	**789**	**-493**	**-1,181**	**-310**	**13,822**	**-**	**13,822**
Loans, excluding reverse transactions	933,487	631,094	205,992	128	53,591	-	29,085	-32,068	1,821,309	5,676	1,826,985
Other assets	396,688	73,358	3,154,071	610,563	33,887	-	3,200,274	-5,536,620	1,932,221	1,843	1,934,064
Total assets in Non-core	-	-	-	-	-	7,519	-	-	7,519	-7,519	-
Total assets	**1,330,176**	**704,451**	**3,360,063**	**610,691**	**87,477**	**7,519**	**3,229,359**	**-5,568,687**	**3,761,050**	**-**	**3,761,050**
Deposits, excluding repo deposits	357,967	270,522	270,685	162	70,943	-	2,291	-9,704	962,865	1,668	964,533
Other liabilities	935,749	399,288	3,055,869	593,757	10,138	-	3,203,596	-5,558,983	2,639,413	833	2,640,246
Allocated capital	36,459	34,642	33,509	16,772	6,397	-	28,491	-	156,271	-	156,271
Total liabilities in Non-core	-	-	-	-	-	2,501	-	-	2,501	-2,501	-
Total liabilities and equity	**1,330,176**	**704,451**	**3,360,063**	**610,691**	**87,477**	**2,501**	**3,234,378**	**-5,568,687**	**3,761,050**	**-**	**3,761,050**
Profit before tax as % p.a. of allocated capital (avg.)	17.9	11.0	5.2	19.3	12.3	-	-3.8	-	9.1	-	9.1
Cost/income ratio (%)	58.6	59.3	64.9	59.3	60.5	-	144.2	-	64.0	-	67.7
Full-time-equivalent staff, end of period	4,588	2,599	1,665	1,563	1,285	159	10,147	-	22,006	-	22,006

Comparative figures have been restated, as described above.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

(b) Reconciliation of the financial highlights and the 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 the segment reporting and the presentation in the IFRS financial statements. The reclassifications are explained in note G1(d).

Reclassifications 2020

(DKK millions)	IFRS financial statements	Operating leases and impairment charges	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	28,118	-	-2,633	-3,556	-53	-6,242	21,875
Net fee income	10,674	-	76	4,391	-4	4,463	15,137
Net trading income	22,552	-	2,571	-20,326	59	-17,696	4,856
Other income	4,359	-4,089	-14	45	213	-3,845	514
Net premiums	28,795	-	-	-28,795	-	-28,795	-
Net insurance benefits	48,284	-	-	-48,284	-	-48,284	-
Total income	46,215	-4,089	-	43	215	-3,832	42,383
Operating expenses	32,822	-4,468	-	43	-293	-4,719	28,103
Impairment charges other intangible assets	-	379	-	-	-	379	379
Profit before loan impairment charges	13,393	-	-	-	508	508	13,901
Loan impairment charges	7,089	-	-	-	-88	-88	7,001
Profit before tax, core	6,304	-	-	-	596	596	6,900
Profit before tax, Non-core	-	-	-	-	-596	-596	-596
Profit before tax	**6,304**	**-**	**-**	**-**	**-**	**-**	**6,304**

Reclassifications 2019

(DKK millions)	IFRS financial statements	Operating leases and impairment charges	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Total reclassification	Financial highlights
Net interest income	27,892	-	-1,095	-4,753	-166	-6,015	21,877
Net fee income	10,357	-	200	4,651	-7	4,843	15,201
Net trading income	34,533	-	1,643	-30,726	-9	-29,092	5,441
Other income	7,122	-3,679	-748	-477	244	-4,659	2,463
Net premiums	26,316	-	-	-26,316	-	-26,316	-
Net insurance benefits	58,106	-	-	-58,106	-	-58,106	-
Total income	48,114	-3,679	-	486	61	-3,132	44,982
Operating expenses	30,960	-4,034	-	486	-219	-3,767	27,193
Goodwill impairment charges	1,603	-	-	-	-	-	1,603
Impairment charges other intangible assets	-	355	-	-	-	355	355
Profit before loan impairment charges	15,551	-	-	-	280	280	15,831
Loan impairment charges	1,729	-	-	-	-213	-213	1,516
Profit before tax, core	13,822	-	-	-	493	493	14,315
Profit before tax, Non-core	-	-	-	-	-493	-493	-493
Profit before tax	**13,822**	**-**	**-**	**-**	**-**	**-**	**13,822**

Comparative figures have been restated as described above.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

(b) Total income broken down by type of product (DKK millions)	2020	2019
Corporate and commercial banking	12,538	13,134
Home finance and savings	10,506	10,774
Trading	7,355	5,492
Day-to-day banking	2,990	3,479
Asset management	4,804	6,967
Leasing	5,298	4,826
Life conventional	2,739	1,504
Other	-15	1,937
Total	**46,215**	**48,114**

Corporate and commercial banking comprises interest and fee income from corporate and commercial banking products and services. Home finance and savings comprises interest and fee income from financing and savings products. Trading comprises income from fixed-income and foreign exchange products, including brokerage. Day-to-day banking comprises interest and fee income from retail banking products in the form of personal loans, cards and deposits. Asset management comprises income from the management of assets at Danske Capital and unit-linked investment contracts at Danica Pension. Leasing encompasses income from both finance and operating leases sold by the Group's leasing operations in Denmark, Sweden, Norway and Finland. Life conventional comprises income in Danica Pension from conventional life insurance contracts (*Danica Traditionel*).

Danske Bank Group does not have any single customer that generates 10% or more of the Group's total income.

(d) Geographical segmentation

The geographical segmentation of income from external customers is shown in compliance with IFRSs and does not reflect the Group's management structure. The geographical segmentation below reflects the customer's country of residence, except trading income, which is broken down by the country in which the activities are carried out. Management believes that the business segmentation provides a more informative description of the Group's activities.

Total income from external customers (DKK millions)	2020	2019
Denmark	26,070	27,611
Sweden	7,335	6,863
Norway	5,231	5,764
Finland	4,469	4,406
UK	2,094	2,310
Ireland	162	173
Other	854	987
Total	**46,215**	**48,114**

Notes – Danske Bank Group

G4. Activities by country

Under CRD IV, a financial institution must disclose, by country in which it operates through a subsidiary or a branch, information about income, number of employees, profit before tax, tax and public subsidies received. This information is not comparable to the geographical segmentation presented in note G3(c), in which segmentation is based on the customer's country of residence. The Group has not received any public subsidies that relate to the Group's activities as a financial institution.

2020	Income* (DKK millions)	Full-time-equivalent staff	Profit before tax (DKK millions)	Tax on profit (DKK millions)
Denmark	57,499	11,059	3,896	1,192
Finland	4,750	1,723	822	115
Sweden	6,222	1,481	2,625	617
Norway	7,954	1,159	-1,119	-304
United Kingdom	2,268	1,438	121	23
Ireland	185	46	22	2
Estonia	0	-	13	-3
Latvia	8	-	-85	0
Lithuania	-157	3,870	-146	6
Luxembourg	1,112	86	129	37
Russia	0	-	-5	-1
Germany	109	25	-58	9
Poland	99	89	5	7
USA	86	16	29	4
India	378	1,379	61	11
China	-	4	-5	0
Total	**80,512**	**22,376**	**6,304**	**1,715**

*Income is defined as interest income (including negative interest income), fee and commission income and other operating income.

2019	Income* (DKK millions)	Full-time-equivalent staff	Profit before tax (DKK millions)	Tax on profit (DKK millions)
Denmark	62,939	10,970	6,879	-2,874
Finland	5,083	1,843	445	-13
Sweden	5,093	1,479	2,844	621
Norway	9,882	1,155	2,961	724
United Kingdom	2,832	1,373	539	178
Ireland	343	51	165	64
Estonia	-152	50	-450	-83
Latvia	50	31	-80	1
Lithuania	59	3,665	119	29
Luxembourg	1,142	71	207	44
Russia	93	21	21	7
Germany	53	32	63	33
Poland	137	60	32	9
USA	313	20	35	2
India	336	1,181	49	9
China	-	4	-6	0
Total	**88,204**	**22,006**	**13,822**	**-1,249**

*Income is defined as interest income (including negative interest income), fee and commission income and other operating income.

Notes – Danske Bank Group

G4. Activities by country continued

Danske Bank carries out its activities in the countries listed below under a variety of names, of which the main ones are: Danske Bank (banking, trading and wealth management activities) Realkredit Danmark (mortgage finance), Danske Mortgage Bank (mortgage finance), Danske Hypotek (mortgage finance), Northern Bank (banking), Danica Pension (life insurance), and Danske Leasing A/S (leasing). Note G38 discloses the company names of the Group's significant subsidiaries.

Activities in the individual countries

Activities in Denmark include: Banking, trading, wealth management, leasing, life and nonlife insurance and other activities.
Activities in Finland include: Banking, trading, wealth management, leasing and other activities.
Activities in Sweden include: Banking, trading, wealth management, leasing and other activities. As of Q2 2019 there were no life insurance activities in Sweden.
Activities in Norway include: Banking, trading, wealth management, leasing, life insurance and other activities.
Activities in the United Kingdom include: Banking, trading and leasing.
Activities in Ireland include: Banking.
Activities in Estonia include: Banking and leasing activities. As of Q4 2019, the Group has no activities in Estonia.
Activities in Latvia include: Banking and leasing activities. As of the end of the first quarter of 2020, the Group has no activities in Latvia.
Activities in Lithuania include: Banking, leasing and other activities.
Activities in Luxembourg include: Banking and wealth management.
Activities in Russia include: Banking. As of Q4 2019, the Group has no activities in Russia.
Activities in Germany include: Banking.
Activities in Poland include: Banking.
Activities in the USA include: Trading.
Activities in India include: Other activities.
Activities in China include: Representation office.

Other activities include: Group support functions, real-estate brokerage and activities taken over by the Group under non-performing-loan agreements.

Notes – Danske Bank Group

G5. Net interest and net trading income or loss

This note shows interest income, interest expense and net trading income or loss broken down by balance sheet item and by portfolios of financial instruments measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Accounting policy

Interest income and expenses

Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost or at fair value through Other comprehensive income are recognised according to the effective interest method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees, and amortised differences between the cost and the redemption price, if any. Interest on financial instruments included in stage 3 (for the calculation of expected credit losses) is recognised on the basis of the carrying amount (i.e. net of impairment charges). The interest rate risk on some financial portfolios recognised at amortised cost is hedged by derivatives using fair value hedge accounting. Note G12 provides more information on hedge accounting. Interest income calculated using the effective interest method and presented as a separate line item in the income statement excludes the impact from hedge accounting.

Further, interest income and expenses includes interest on financial instruments measured at fair value through profit or loss. Among others, this includes interest income on loans measured at fair value for which interest on loans included in stage 3 is recognised on the basis of the gross carrying amount. However, interest on assets and deposits under pooled schemes and unit-linked investment contracts is recognised under Net trading income or loss. In the income statement, interest income on financial assets measured at fair value through profit or loss is presented under the line item Other interest income, while the line item Interest expenses includes all interest expenses.

Net trading income or loss

Net trading income or loss includes realised and unrealised capital gains and losses on *financial assets and financial liabilities recognised at fair value through profit or loss* as well as exchange rate adjustments and dividends. However, the fair value adjustments of the credit risk on loans granted by Realkredit Danmark are presented under Loan impairment charges. Further, the fair value adjustment of own credit risk on financial liabilities in the Group's trading units (FI&C and Capital Markets part of C&I) designated at fair value through profit or loss is presented in Other comprehensive income. Net trading income or loss includes the fair value adjustments of own credit risk on bonds issued by Realkredit Danmark, as an accounting mismatch between the fair value adjustment of the loans and the bonds in Realkredit Danmark would otherwise exist (see further information in note G16).

Realised gains and losses on *financial assets at amortised cost*, e.g. loans, are recognised under Net trading income or loss when the financial asset is derecognised, unless the derecognition relates to a credit risk event/forbearance measure, in which case the gain or loss is presented under Loan impairment charges (see note G15). Otherwise, the derecognition gain or loss on the financial asset is calculated as the difference between the carrying amount (gross of expected credit losses) and the repayment amount. For *financial assets (bonds) at fair value through other comprehensive income*, gains or losses further include amounts previously recognised in other comprehensive income. For *financial liabilities at amortised cost*, the gain or loss is the difference between the carrying amount and the redemption price including cost related to the redemption, if any.

For financial assets and liabilities subject to *fair value hedge accounting*, the fair value adjustments of the hedged financial instrument and the hedging instruments are recognised in Net trading income or loss. Therefore, any hedge ineffectiveness is presented in Net trading income or loss.

Net trading income or loss also includes the change in insurance obligations during the year due to additional provisions for benefit guarantees and the tax on pension returns.

Returns (interest income and fair value changes) on assets under pooled schemes and unit-linked investment contracts and the crediting of these returns to customer accounts are recognised under Net trading income or loss.

Notes – Danske Bank Group

G5. Net interest and net trading income or loss continued

2020 (DKK millions)	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	310	288	22	33	55
Loans and deposits	20,394	1,137	19,257	626	19,883
Bonds held to collect (investment securities)	709	-	709	-	709
Issued bonds, including non-preferred senior	-	5,715	-5,715	-1,819	-7,534
Subordinated debt	-	1,215	-1,215	-59	-1,274
Other financial instruments	151	128	23	-	23
Total	**21,563**	**8,482**	**13,081**	**-1,219**	**11,862**
Financial portfolios at fair value through OCI					
Bonds held to collect and sell (investment securities)	-52	-	-52	-13	-65
Total	**-52**	**-**	**-52**	**-13**	**-65**
Financial portfolios at fair value through profit or loss					
Due from/to credit institutions and central banks	-32	226	-258	-	-258
Loans and deposits	13,148	-754	13,902	-	13,902
Trading portfolio assets and liabilities	5,800	-	5,800	9,227	15,027
Bonds (investment securities)	435	-	435	740	1,175
Issued bonds	-	7,914	-7,914	-	-7,914
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-31	-31
Assets and liabilities under insurance contracts	18,856	15,733	3,123	13,849	16,972
Total	**38,208**	**23,119**	**15,088**	**23,784**	**38,873**
Total net interest and net trading income	**59,719**	**31,602**	**28,118**	**22,552**	**50,670**
Negative interest income	1,893	1,893	-	-	-
Negative interest expense	2,740	2,740	-	-	-
Income statement - Danske Bank Group	**64,352**	**36,234**	**28,118**	**22,552**	**50,670**
2019 (DKK millions)					
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	17	-151	168	-15	153
Loans and deposits	22,876	3,086	19,790	215	20,005
Bonds held to collect (investment securities)	717	-	717	-	717
Issued bonds, including non-preferred senior	-	6,600	-6,600	-1,734	-8,334
Subordinated debt	-	1,199	-1,199	-44	-1,243
Other financial instruments	234	335	-101	-	-101
Total	**23,845**	**11,069**	**12,777**	**-1,578**	**11,199**
Financial portfolios at fair value through OCI					
Bonds held to collect and sell (investment securities)	-99	-	-99	-13	-112
Total	**-99**	**-**	**-99**	**-13**	**-112**
Financial portfolios at fair value through profit or loss					
Due from/to credit institutions and central banks	-356	1,693	-2,049	-	-2,049
Loans and deposits	14,937	-4	14,941	-9	14,932
Trading portfolio assets and liabilities*	7,090	-	7,090	3,947	11,037
Bonds (investment securities)*	477	-	477	2,339	2,816
Issued bonds	-	9,355	-9,355	-	-9,355
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-38	-38
Assets and liabilities under insurance contracts	18,750	14,639	4,111	29,883	33,994
Total	**40,898**	**25,684**	**15,214**	**36,122**	**51,337**
Total net interest and net trading income	**64,645**	**36,753**	**27,892**	**34,533**	**62,425**
Negative interest income	2,656	2,656	-	-	-
Negative interest expense	2,518	2,518	-	-	-
Income statement - Danske Bank Group	**69,819**	**41,927**	**27,892**	**34,533**	**62,425**

For 2019, DKK 21,934 million of net trading income was moved between the line items Trading portfolio assets and liabilities and Bonds (investment securities) to improve the presentation.

Notes – Danske Bank Group

G5. Net interest and net trading income or loss continued

Negative interest income relate primarily to repo transactions, while negative interest expenses relate primarily to deposits and repo transactions. For 2020, negative interest income recognised using the effective interest method amounts to DKK 109 million (2019: DKK 161 million) and negative interest expense recognised using the effective interest method amounts to DKK 1,599 million (2019: DKK 846 million). In the table above showing interest income and expenses by portfolios, these amounts are offset against interest income and interest expenses, respectively. In the income statement, negative interest income is recognised as interest expenses and negative interest expenses as interest income as shown in the line items 'Negative interest income' and 'Negative interest expense' in the table above.

Changes to the fair value of the hedged interest rate risk are recognised under net trading income or loss and shown under the hedged balance sheet items in the table above, whereas value adjustments of hedging derivatives are recognised under net trading income or loss under the trading portfolio. Net trading income or loss includes dividends from shares of DKK 2,846 million (2019: DKK 3,467 million) and foreign exchange adjustments of DKK 2,798 million (2019: DKK 1,050 million).

Net trading income or loss from insurance contracts includes the return on assets of DKK 22,914 million (2019: DKK -53,488 million), adjustment of additional provisions of DKK -5,839 million (2019: DKK -14,563 million), change in the collective bonus potential of DKK 1,134 million (2019: DKK -2,249 million) and tax on pension returns of DKK -4,360 million (2019: DKK -6,793 million).

Notes – Danske Bank Group

G6. Fee income and expenses

Fee income and expenses are presented on a net fee income basis as presented in the Management's report, representing the presentation provided to key management for decision making purposes. Net fee income is broken down by fee type on the basis of the underlying activity, and by business segment.

Accounting policy

Fee income

Fee income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Group identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Group's influence. The consideration is subsequently allocated to the identified performance obligation.

When income is highly susceptible to external factors, such as the development in the financial markets, the income is recognised once the consideration to be received is known and it is probable that a significant reversal of the consideration will not occur.

For income derived from the provision of agency services the consideration is presented on a net basis.

Other types of fee income relates to pension and insurance activities and are recognised in accordance with IFRS 4, Insurance contracts.

Fee expense

Fee expense for services provided over a period of time, such as guarantee commissions and investment management fees, are accrued over the period. Transaction fees, such as brokerage and custody fees, are recognised on settlement of the individual transaction. Fees that form an integral part of the effective rates of interest on financial liabilities measured at amortised cost, such as origination fees, are carried under interest expense. Similar fees related to financial liabilities at fair value through profit or loss are recognised when the financial liability is established and are carried under fee expense.

(a) Presentation by activity

Fee income is managed internally net of fee expenses, and on the basis of the underlying activity, i.e.

- Investment
- Pension and insurance
- Money transfers, account fees, cash management
- Lending and guarantees
- Capital markets

See note G3 for net fee income per business segment. A description of each activity by business segment is provided below:

Banking units

Fee income in the banking units relates to Banking DK, Banking Nordic, General Banking in C&I, Northern Ireland, and it primarily relates to the provision of general banking services to customers, i.e.:

Fee income from investment activities, for example for executing customer security purchase orders, is recognised at the time of the transaction. When the service is provided over time, for example fee income for managed accounts, fee income is recognised over time.

Fee income from money transfers, account fees and cash management activities, is generally recognised when the service is provided. For transactions such as money transfers and card transaction, fee income is recognised at the time of the transaction. Fee income charged for services provided over time, for example subscription fees, account packages and cash deposit services, is recognised over time as the service is provided to the customer.

Fee income from lending and guarantee activities, such as services provided in relation to mortgage loans recognised at fair value, and the provision of trade finance guarantees, is recognised when the service has been provided to the customer at a point in time. For fee income for establishing loans recognised at amortised cost, although the performance obligation is satisfied when the loan is granted, the fee income is recognised over time (the expected maturity of the loan), in accordance with IFRS 9 and classified as interest income. The same applies to the Group's participation in syndicated loan transactions.

C&I

Net fee income in C&I relates to income derived from General Banking (see above description of Banking units) and from FI&C and Capital Markets.

Fee income derived from FI&C is reclassified to net trading income or loss in the segment reporting, however, FI&C's share of margins on customer derivatives is presented as part of fee income (note G3 provides further information). Except for margins on customer derivatives, fee income consists mainly of fees received for services provided at a point in time.

Notes – Danske Bank Group

G6. Fee income and expenses continued

Fee income in Capital markets primarily consists of:

Fee income from investment activities, for example executing share trades on behalf of customers and securities lending, is recognised when the service is provided at a point in time.

Fee income from lending and guarantee activities is primarily derived from coordinating and arranging syndicated loan transactions, as well as issuing bonds on behalf of customers. Such income is recognised at a point in time, once the agreed performance obligation has been fulfilled.

Fee income from capital markets activities is primarily derived from arranging transactions on behalf of customers. Such income is recognised when the individual performance obligation has been fulfilled.

Wealth Management
Fee income in Wealth Management relates to Asset Management and Danica Pension. Fee income for asset management services is recognised over time when the service is provided to the customer provided that it is probable that a significant reversal of the consideration will not occur. Such income relates to investment, pension and insurance activities.

Performance fee income is variable, and the consideration is based on the accumulated return on the underlying asset, determined at a specific date, such as the end of the year. The accumulated return is highly susceptible to external factors, such as the development in the financial markets. Fee income is recognised once the fee to be received is known. The fee income relates to investment activities.

Fee income 2020

(DKK millions)	Financial highlights - net fee income	Reclas sifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	5,019	18	5,037	4,072	9,109
Pension and Insurance	3,845	-3,816	29	-	29
Money transfers, account fees and cash management	2,755	-9	2,747	1,425	4,172
Lending and Guarantees	2,082	383	2,464	263	2,728
Capital markets	1,437	-1,040	397	-	397
Total	**15,137**	**-4,463**	**10,674**	**5,760**	**16,434**

Fee income 2019

(DKK millions)	Financial highlights - net fee income[1]	Reclas-sifications[1]	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	4,563	-383	4,180	4,339	8,519
Pension and Insurance	3,755	-3,608	147	-	147
Money transfers, account fees and cash management	3,121	-472	2,649	1,471	4,120
Lending and Guarantees	2,493	548	3,041	270	3,311
Capital markets	1,269	-929	340	-	340
Total	**15,201**	**-4,844**	**10,357**	**6,079**	**16,437**

[1] Comparative information has been restated, as described in the section 'Changes in financial highlights and segment reporting' in note G3. The restated amounts also include a refinement of the distribution of elimination between fee types.

The reclassifications between Financial highlights and IFRS are explained in notes G1(d) and G3(b).

Fees for financial instruments not recognised at fair value relates primarily to fees on loans, guarantees and issued bonds. In the table above, such fees are included as fee income or expense from lending and guarantee activities. Fee income on loans and guarantees amounted to DKK 1,890 million (2019: DKK 2,169 million) of which DKK 689 million relates to financial instruments not recognised at fair value (2019: 762 million), whereas expenses amounted to DKK 75 million (2019: DKK 58 million).

Notes – Danske Bank Group

G7. Gain or loss on sale of disposal groups, Income from holdings in associates and Other income

The Group uses quantitative and qualitative materiality considerations when aggregating line items in the income statement that are not considered individually material. Such line items are presented under Other income. Similarly, the materiality assessments includes presenting additional line items in the income statement. In 2019, it is considered relevant for the understanding of the financial performance to present gain or loss on sale of disposal groups as a separate line item in the income statement. Other income includes rental income and lease payments under operating leases (when the Group is a lessor), fair value adjustments of investment property, amounts received on the sale of lease assets and income from real-estate brokerage.

Accounting policy

Income from lease assets and investment property

Income from lease assets and investment property includes income from assets let under operating leases. Lease payments are recognised on a straight line basis over the period of the lease term. The accounting policy for lease assets and investment property is further described in note G24.

Income from real-estate brokerage

Income from real-estate brokerage consists of real estate agent fees that are recognised as income when the real estate is sold, and franchise fees received from real-estate brokers that are recognised on a straight line basis over the term of the franchise agreement.

Income from holdings in associates

Associates are accounted for using the equity method. Further information is provided in note G39.

(a) Gain or loss on sale of disposal groups

In 2020, gain or loss on sale of disposal groups includes losses of DKK 216 million on the sale of portfolios of loans to personal customers in Lithuania and Latvia and to corporate customers in Estonia, all managed by the Lithuanian branch and a gain of DKK 61 million on the sale of an associated undertaking. In 2019, the line item includes the gain of DKK 1,350 million on the sale of the subsidiary Danica Försäkringsaktiebolag and the gain of DKK 767 million on the sale of the shares in the associated undertaking LR Realkredit. Further, the item in 2019 includes a loss of DKK 238 million on the sale of a portfolio of loans in the Baltics following the exit from those markets.

(b) Other income (DKK millions)	2020	2019
Income from lease assets and investment property	4,467	3,665
Income from real-estate brokerage	112	111
Other income	29	1,081
Total	**4,608**	**4,857**

(c) Further explanation

Income from lease assets and investment property primarily includes the proceeds from the sale of operating lease assets. The proceeds from the sale is disclosed in the reclassification table in G3 in the column 'Operating leases and impairment charges'.

Notes – Danske Bank Group

G8. Insurance contracts

Insurance contracts are contracts entered into by Danica Pension that entail significant insurance risks or entitle policyholders to a bonus (discretionary participation feature). The deposit component of insurance contracts is not unbundled but recognised together with the insurance component. Consequently, premiums and insurance benefits related to the deposit component are recognised in the income statement rather than directly in the balance sheet.

Contracts that do not entail significant insurance risk are recognised as investment contracts with premiums recognised directly in the balance sheet. Note G16 provides more information on the accounting for investment contracts.

Accounting policy

Net premiums

Net premiums includes regular and single premiums on insurance contracts, which are recognised in the income statement at their due dates. Reinsurance premiums paid are deducted from premiums received.

Net insurance benefits

Net insurance benefits includes benefits disbursed to policyholders. The item also includes adjustments to outstanding claims provisions, life insurance provisions and the profit margin, including the allocation of regular and single premiums to the individual insurance contracts. Additional provisions for benefit guarantees are recognised under Net trading income or loss, however. The benefits are recognised net of reinsurance.

(a) Net premiums (DKK millions)	2020	2019
Regular premiums, life insurance	3,736	4,029
Single premiums, life insurance	458	1,254
Regular premiums, unit-linked products	13,014	11,811
Single premiums, unit-linked products	10,156	7,705
Premiums, health and accident insurance	1,594	1,684
Reinsurance premiums paid	-105	-106
Change in unearned premiums provisions	-58	-61
Total	**28,795**	**26,316**

(b) Net insurance benefits (DKK millions)	2020	2019
Benefits paid	26,547	28,005
Reinsurers' share received	-91	-98
Claims and bonuses paid	2,063	2,045
Change in outstanding claims provisions	-109	158
Change in life insurance provisions	19,100	26,643
Change in profit margin	774	1,354
Total	**48,284**	**58,106**

(c) Further explanation

Insurance premiums received are carried under Net premiums, whereas benefits paid and changes to insurance obligations, including an increase in provisions due to premiums received during the year, are carried under Net insurance benefits. Net premiums and insurance benefits do not include the entire income stream related to insurance contracts. Changes to provisions caused by fair value adjustment of expected payments are carried under Net trading income or loss. The return on assets earmarked for insurance contracts is carried under Net interest income and Net trading income or loss. The net interest income and trading income disclosed in note G5 contain DKK 16,972 million relating to insurance contracts (2019: DKK 33,868 million) and DKK 6,768 million (2019: DKK 1,955 million) relating to net interest income on deposits and own issued bonds and fair value adjustments that are eliminated in the consolidated financial statements.

Notes – Danske Bank Group

G9. Operating expenses

Operating expenses includes staff costs, administrative expenses and depreciation, amortisation and impairment charges. Note G19 provides more information on intangible assets.

The Group uses quantitative and qualitative materiality assessments in relation to presenting additional line items in the income statement. In 2019, it is considered relevant for the understanding of the financial performance to present the goodwill impairment charges as a separate line item in the income statement.

Accounting policy

Staff costs

This item includes salaries, performance-based pay, expenses for share-based payments, holiday allowances, anniversary bonuses, pension costs and other remuneration. Salaries and other remuneration that the Group expects to pay are expensed when the employees render the services. Performance-based remuneration is expensed as it is earned.

Share-based payment

Part of the performance-based remuneration for the year is paid in the form of conditional shares. Rights to conditional shares vest up to four years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights is conditional on certain targets being met. The fair value of share-based payments at the grant date is expensed over the vesting period with the intrinsic value expensed in the year in which the share-based payments are earned, and the time value (if any) accrued over the remaining service period. Expenses are set off against shareholders' equity. Fair value adjustments after the grant date are not recognised in the income statement.

Pension obligations

The Group's contributions to defined contribution pension plans are recognised in the income statement as they are earned by the employees. For defined benefit pension plans, the Group expenses the standard cost. Actuarial gains or losses as a result of the difference between expected trends in pension assets and benefits and actual trends are recognised under Other comprehensive income.

Amortisation, depreciation and impairment charges

In addition to amortisation, depreciation and impairment charges for intangible, tangible and right-of-use assets, the Group expenses the carrying amount of lease assets sold at the expiry of a lease agreement.

(a) Staff costs, administrative expenses, depreciations and impairment charges (DKK millions)	2020	2019
Staff costs	16,205	15,192
Administrative expenses	9,803	9,377
Amortisation/depreciation and impairment charges of intangible, tangible and right-of-use assets excluding goodwill impairment charges	6,814	6,391
Total	**32,822**	**30,960**

An impairment loss of DKK 379 million was recognised in 2020 on software development costs (2019: DKK 355 million) and is included in the table above. In 2019, a goodwill impairment charge of DKK 1,603 million was recognised and presented as a separate line item in the income statement. For further information see note G19.

Staff costs	2020	2019
Salaries	11,969	11,535
Share-based payments	108	90
Pension, defined contribution plans	1,283	1,228
Pension, defined benefit plans	134	137
Severance payments	847	424
Financial services employer tax and social security costs	1,864	1,778
Total	**16,205**	**15,192**

Total salary costs amounted to DKK 14.3 billion (2019: DKK 13.4 billion), with variable remuneration accounting for 4.8% of this amount (2019: 4.5%). Note G36 provides more information on share-based payments.

Notes – Danske Bank Group

G9. Operating expenses continued

(b) Pension plans

Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies, including Danica Pension. Such payments are expensed regularly. The Group has, to a minor extent, entered into defined benefit pension plans. Under defined benefit pension plans, the Group is under an obligation to pay defined future benefits from the time of retirement. Defined benefit pension plans are typically funded by ordinary contributions made by employers and employees to separate pension funds investing the contributions on behalf of the members to fund future pension obligations. Defined benefit pension plans in Northern Ireland and Ireland account for most of the Group's obligations under such plans, but the Group also has a small number of defined benefit pension plans in Denmark and Sweden. The plans in these countries do not accept new members and, for most of the plans, contributions payable by existing members have been discontinued.

At 31 December 2020, the net present value of pension obligations was DKK 17,558 million (31 December 2019: DKK 17,331 million), and the fair value of plan assets was DKK 19,463 million (31 December 2019: DKK 18,891 million). The present value of obligations under defined benefit pension plans less the fair value of pension assets is recognised for each plan under Other assets and Other liabilities. Pension plan net assets amounted to DKK 2,547 million (2019: DKK 2,252 million) and pension plan net liabilities amounted to DKK 642 million (2019: DKK 692 million).

During 2020, the Group initiated an Enhanced Transfer value project related to the pension scheme in Ireland. The Group made an offer to deferred members aimed at transferring the Group's pension liability from the scheme to an alternative pension arrangement. For members that accepted the offer, a pension liability of DKK 59 million was derecognised and a settlement gain of DKK 25 million was recognised in the fourth quarter of 2020. A similar project was undertaken in 2019 leading to the derecognition of a pension liability of DKK 190 million and a settlement gain of DKK 62 million. The Group recognises the service cost and interest on the net defined benefit pension asset/liability in the income statement, whereas actuarial gains or losses are recognised under Other comprehensive income.

The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. The measurement of the net obligation is particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations. If the discount rate was lowered half a percentage point, the gross pension obligation would increase DKK 1.7 billion (2019: DKK 1.6 billion). The amount would be recognised under Other comprehensive income.

G10. Audit fees

Audit fees (DKK millions)	2020	2019
Audit firms appointed by the general meeting		
Fees for statutory audit of the consolidated and parent company financial statements	22	21
Fees for other assurance engagements	8	10
Fees for tax advisory services	1	2
Fees for other services	4	3
Total	**35**	**36**

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab (Denmark) to the Group amounted to DKK 10 million (2019: DKK 8 million) and covered various assurance reports, CSR reporting, review procedures with respect to recognition of profit in core capital, and advisory engagements such as target operating models.

Notes – Danske Bank Group

G11. Loan impairment charges

Loan impairment charges include impairment charges for expected credit losses against 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.

The item also includes expected losses and realised gains and losses on assets (such as tangible assets and group undertakings) taken over by the Group under non-performing loan agreements. Further, the item includes external costs directly attributable to the collection of amounts due under non-performing loans, such as legal costs.

Accounting policy

The accounting policy for when a loan impairment charge is recognised and how the charge is determined is described under the relevant balance sheet line items. Notes G15, G16 and G24 provide more information.

Loan impairment charges

(DKK millions)	2020	2019
ECL impairment on Due from credit institutions and central banks	-3	5
ECL impairment on Loans at amortised cost	5,863	1,485
ECL impairment on Loan commitments and guarantees etc.	889	-22
ECL impairment, total	**6,748**	**1,468**
Fair value credit risk adjustment on Loans at fair value	341	262
Total	**7,089**	**1,729**

(DKK millions)	2020	2019
ECL on new assets	4,651	3,911
ECL on assets derecognised	-5,260	-4,487
Impact of net remeasurement of ECL (incl. changes in models)	4,366	1,520
Write-offs charged directly to income statement	3,986	1,614
Received on claims previously written off	-376	-563
Interest income, effective interest method	-278	-267
Total	**7,089**	**1,729**

Further information on changes in the allowance account can be found in note G15.

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities

Trading portfolio assets comprises the equities and bonds held by the Group's trading units at Corporates & Institutions and all derivatives with positive fair value. Trading portfolio liabilities consists of derivatives with negative fair value and obligations to deliver securities (obligations to repurchase securities).

Accounting policy

The trading portfolio is recognised at fair value through profit or loss. Realised and unrealised capital gains and losses and dividends are recognised in the income statement under Net trading income or loss. Fair value is the amount for which a financial asset can be sold or a financial liability be transferred to a knowledgeable, willing third party. Note G33 provides information about fair value measurement and fair value adjustments.

The Group uses the option in IFRS 9 to continue using the fair value hedge accounting model in IAS 39. The derivatives used as hedging instruments are presented in the balance sheet together with other derivatives.

(a) Trading portfolio assets (DKK millions)	2020	2019
Derivatives with positive fair value	379,566	293,980
Listed bonds	287,013	189,112
Listed shares	15,594	12,028
Unlisted shares	775	200
Total	**682,948**	**495,321**
(b) Trading portfolio liabilities (DKK millions)		
Derivatives with negative fair value	366,985	299,695
Obligations to repurchase securities	132,349	152,507
Total	**499,334**	**452,202**

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

(c) Explanation of derivatives

The Group's activities in the financial markets include trading in derivatives. Derivatives are financial instruments whose value depends on the value of an underlying instrument or index etc. Derivatives can be used to manage market risk exposure, for example. The Group trades a considerable volume of the most commonly used interest rate, currency and equity derivatives, including

- swaps
- forwards and futures
- options

The Group trades a limited number of swaps whose value depends on developments in specific credit or commodity risks, or inflation indices.

The Group trades derivatives as part of servicing customers' needs as individual transactions or as integral parts of other services, such as the issuance of bonds with yields that depend on developments in equity or currency indices. The Group also uses derivatives to manage the Group's own exposure to foreign exchange, interest rate, equity market and credit risks. The risk management notes provide additional information about the Group's risk management policy. Corporates & Institutions is responsible for the day-to-day management and hedging of the Group's market risks.

Derivatives are recognised and measured at fair value. Some of the Group's loans, deposits, issued bonds, etc. in the Group's banking units and Group Treasury carry fixed rates. Generally, such fixed-rate items are recognised at amortised cost. Further, the Group classifies certain bonds as 'hold to collect and sell' financial assets. Unrealised value adjustments of such bonds are recognised under Other comprehensive income. The Group uses fair value hedge accounting if the interest rate risk on fixed-rate financial assets and liabilities or bonds measured at fair value through other comprehensive income is hedged by derivatives.

Derivatives	2020			2019		
(DKK millions)	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards and swaps	6,966,893	118,517	134,309	6,870,656	63,530	89,231
Options	221,186	1,243	1,402	121,710	416	465
Interest rate contracts						
Forwards/swaps/FRAs	41,339,985	179,178	165,982	48,341,153	162,897	152,924
Options	4,053,292	61,041	56,348	4,333,458	52,416	49,857
Equity contracts						
Forwards	190,702	2,176	1,813	164,516	851	429
Options	116,239	2,748	3,327	196,937	3,680	4,195
Other contracts						
Commodity contracts	2,056	95	92	1,318	131	137
Credit derivatives bought	2,552	239	94	2,591	78	240
Credit derivatives sold	2,396	91	233	2,249	160	75
Total derivatives held for trading purposes		**365,327**	**363,601**		**284,159**	**297,554**
Hedging derivatives						
Currency contracts	36,403	175	58	42,148	440	77
Interest rate contracts	432,465	14,063	3,327	473,864	9,381	2,063
Total derivatives		**379,566**	**366,985**		**293,980**	**299,695**

Positive and negative fair values of derivatives are offset if certain criteria are fulfilled. Note G31 provides more information.

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

(d) Explanation of hedge accounting

An overview over the risks the Group is exposed to and how they are defined is provided on the first page of the notes Risk management. For some of those risks hedge accounting is applied. The Group uses fair value hedge accounting for hedges of interest rate risk. Further, the Group hedges part of the foreign currency risk on net investment in foreign entities.

Hedge of interest rate risk

The Group manages the fixed interest rate risk on financial assets and liabilities measured at amortised cost as a combination of economic hedges (matching of interest rate risk from assets and liabilities at amortised cost across the Group's banking units) and hedges using interest rate swaps. Group Treasury is responsible for the risk management of the interest rate risk (the so-called interest rate risk in the banking book). In the risk management process, economic hedges are established and/or identified. This includes the acquisition of 'hold to collect' fixed interest rate bonds in Group Treasury and the identification of fixed-rate loans extended by the Group's banking units to hedge the fixed interest rate risk on liabilities (including core demand deposits). Interest rate risk on fixed-rate liabilities (such as long dated funding via bond issuance) is generally hedged by interest rate swaps and the interest rate risk on certain fixed-rate assets can be hedged using derivatives as well. For further information see Risk management section Market risk in relation to non-trading portfolios at Group Treasury and Interest rate risk in the banking book (IRRBB).

When the Group uses swaps to hedge the fixed interest rate risk on financial instruments, the Group applies fair value hedge accounting using the option in IFRS 9 to continue to apply the fair value hedge accounting provisions in IAS 39. Fair value hedge accounting can be applied if changes in the fair value of the hedging swaps are expected to be effective in offsetting changes in the fair value of the hedged fixed interest rate risk. This requires (1) a formal designation and documentation of the hedging relationship, including a risk management objective and strategy for the hedge, (2) that the hedge is expected to be highly effective in achieving offsetting changes in fair value of the hedged interest rate risk, (3) the effectiveness of the hedge can be reliably measured and (4) the hedge on an ongoing basis has proven to be effective in actually offsetting of changes in fair value. With effective hedging, the hedged interest rate risk on hedged assets and liabilities is measured at fair value and recognised as a value adjustment of the hedged items. Value adjustments on the hedged item and the hedging swaps are presented in the income statement under Net trading income or loss. Any ineffective portion of a hedge that lies within the range for effective hedging is therefore also included under Net trading income or loss.

The interest rate is considered fixed if the interest rate resets to a reference rate with a term longer than three months. Once a financial instrument has been designated as a hedged item it will remain as hedged item for the life of the instrument. For hedged assets and liabilities to which a fixed rate of interest applies for a specified period of time starting at the commencement date of the agreement, future interest payments are split into basis interest and a customer margin and into periods of time. By entering into swaps or forwards with matching payment profiles in the same currencies and for the same periods, the Group hedges the risk at portfolio level from the commencement date of the hedged items. The fair values of the hedged interest rate risk and the hedging derivatives are measured at frequent intervals to ensure that changes in the fair value of the hedged interest rate risk lie within a band of 80-125% of the changes in the fair value of the hedging derivatives. Portfolios of hedging derivatives are adjusted if necessary. At least on a weekly basis, the need for adjustments is assessed.

The primary reasons for changes in the fair value of fixed interest rate financial assets are changes in the interest rate risk and the credit risk.

Hedge ineffectiveness relates to the fact that fair value changes on the hedged items are measured based on the interest rate curve relevant for each hedged item while the fair value of the fixed legs of the hedging derivatives are measured based on a swap curve. Further, the adjustment of the portfolios of hedging derivatives to changes in hedged positions is not done instantly, and some hedge ineffectiveness can therefore exist.

The ongoing Interest Rate Benchmark Reform will replace existing benchmark inter-bank offered rates (IBORs) with alternative risk-free rates. At the beginning of 2019, the Group formally established an IBOR Transition Programme, the main objectives being to identify how the IBOR transition will affect the Group financially and operationally and to recommend the best implementation of the transition, mitigate risks, implement changes in contractual relationships, etc. The calculation methodology behind EURIBOR has been amended and is now recognised as being fully compliant with the EU Benchmark Regulation. Further, Danske Bank expects that EURIBOR will continue in a foreseeable future and sees no need for contractual changes. Danske Bank also expects CIBOR, NIBOR and STIBOR to continue in the foreseeable future. LIBOR is expected to discontinue after 2021. However, it is possible that LIBOR rates could continue to be published after 2021. In the second half of 2020, EUR and USD denominated swaps cleared on a CCP have been converted to, respectively, ESTR and SOFR discounting. Changes to the contractual terms for a transition of LIBOR to new risk free rates have not started. It is a top priority for the Group to conduct the transition in a timely and orderly manner that is transparent and fair to our customers.

In 2019, IASB issued amendments IAS 39 (Interest Rate Benchmark Reform phase I) providing reliefs from some of the effectiveness requirements. For the purpose of the expected effectiveness, it is assumed that the benchmark reform will not alter the cash flows. Further, a hedge will not disqualify if the actual result of the hedge falls outside the band of 80-125%, if the other requirements for applying hedge accounting is fulfilled. The relief covers the period during which uncertainty on the timing and the amount of the amended or replaced reference rates exists. Based on this, the current uncertainty in relation to reference rates that have not yet been amended or replaced does not have an impact on the Group's ability to use fair value hedge accounting on existing hedging relationships.

The tables below shows the hedging derivatives and the hedged fixed interest rate financial instruments, including a breakdown of the hedging derivatives at the end of 2020 and 2019 by the major reference rates as considered above. The reliefs provided in the amendments to IAS 39 by IASB are used on hedging relationships covering fair value changes on interest rate risk on LIBOR and the reference rates on the Scandinavian markets while the uncertainty of future cash flows related to the reform of EURIBOR, subsequent to the amendment of the calculation method, is less significant.

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

Hedging derivatives (DKK millions)	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Changes in fair value used for calculating hedge ineffectiveness
Interest rate swaps, 2020				
CIBOR	7,479			
STIBOR	89,232			
NIBOR	13,705			
EURIBOR	240,788			
LIBOR	85,649			
Other	32,014			
Total	**468,868**	**14,238**	**3,384**	**1,219**
Interest rate swaps, 2019				
CIBOR	8,194			
STIBOR	77,119			
NIBOR	48,829			
EURIBOR	256,643			
LIBOR	85,848			
Other	39,378			
Total	**516,012**	**9,822**	**2,140**	**1,594**

Profile of the timing of the nominal amount of the hedging derivatives

(DKK millions)	2020	2019
< 12 months	72,510	161,453
1-5 years	353,853	329,171
> 5 years	42,505	25,388
Total	**468,868**	**516,012**

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

Hedged fixed interest rate risk	Carrying amount of hedged items		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value used for calculating hedge ineffectiveness
(DKK millions)	Assets	Liabilities	Assets	Liabilities	
2020					
Amounts due from credit institutions	308		6		6
Loans	29,949		2,199		626
Bonds 'held to collect and sell'	1,251		116		-13
Amounts due to credit institutions		5,073		8	27
Deposits		1,994		-	-
Issued bonds		214,797		5,679	-356
Non-preferred senior debt		96,905		2,799	-1,463
Subordinated debt		22,556		436	-59
Total	**31,507**	**341,325**	**2,321**	**8,923**	**-1,232**
2019					
Amounts due from credit institutions	569		-		-2
Loans	40,318		1,677		215
Bonds 'held to collect and sell'	1,518		129		-10
Amounts due to credit institutions		21,825		36	-13
Deposits		2,248		-	-
Issued bonds		248,029		5,275	-685
Non-preferred senior debt		87,054		1,336	-1,049
Subordinated debt		21,928		377	-44
Total	**42,406**	**381,083**	**1,806**	**7,023**	**-1,589**

Hedge ineffectiveness recognised in the income statement, 2020	-13
Hedge ineffectiveness recognised in the income statement, 2019	5

Notes – Danske Bank Group

G12. Trading portfolio assets and liabilities continued

Hedge of foreign exchange risk on net investments in foreign entities

The Group hedges its foreign exchange risk on net investments in foreign currency units. Foreign exchange risk is defined as risk of losses from translating the net investments in foreign entities that are denominated in a foreign currency other than DKK. The net investment in foreign currency units includes the net assets and goodwill of the units. The Group has granted loans in the currency of the foreign unit to its branches in Sweden, Norway and Finland for a total of DKK 34,612 million (2019: 33,206 million). The loans represent the capital allocated to these units. The settlement of the loans is neither planned nor likely to occur in the foreseeable future and they are a part of the net investment in those units. Further, Danske Bank A/S has granted the subsidiary Northern Bank an additional tier 1 capital instrument that together with shareholders' equity in Northern Bank is considered part of the net investment in Northern Bank. The exchange differences from translating net profit in the foreign units at the date of underlying transactions and assets and liabilities at the closing rate and from translating the opening net assets at a closing rate that differs from the previous closing rate are recognised in Other comprehensive income (translation differences).

The Group hedges the foreign exchange risk of net investments in branches and subsidiaries outside Denmark by designating funding arrangements in the matching currencies as a hedge of the foreign exchange risk on the net investments. The foreign exchange differences on the funding arrangements are recognised in Other comprehensive income to offset the exchange differences on the net investments. The funding arrangements consist primarily of issued bonds. Realised net profit is hedged in the beginning of the next month. The Group does not hedge the expected financial results of units outside Denmark or other future transactions. In terms of assessing hedge effectiveness, this is applied by comparing the nominal value of the funding arrangement to the nominal value of the net investments. Hedge ineffectiveness can arise to the extent the funding arrangements exceed the net investments. However, when the net investments are decreased, e.g. when the net investments are reduced by paying out dividend, the same amount of funding arrangements are de-designated as hedges and the funding arrangements designated as hedges will therefore, in general, not exceed the net investments.

From May 2019, part of the funding of the loans granted to the branches in Sweden, Norway and Finland was changed to DKK in order to create a so-called structural FX hedge position in accordance with banking regulation, i.e. to reduce the impact on capital ratios resulting from changes in the risk exposure amount due to changes in currency rates. This strategy of partly hedging the sensitivity to capital ratios from volatility in foreign currency rates, increases the volatility in Other comprehensive income and the Foreign currency translation reserve in equity under IFRS since it decrease the hedge of the currency risk on the net investments in those units. At the end of 2020, the structural FX hedge totalled DKK 31,625 million (2019:DKK 29,988 million) and a loss of DKK 411 million (2019: gain of DKK 286 million) has been recognised in Other comprehensive income. For further information, see Risk management section on Market risk - Structural FX risk.

The cumulative exchange differences on the hedging instrument and the translation differences related to the net investment is reclassified from Other comprehensive income to the income statement on the disposal of the foreign entities.

The table below provides information on the hedge of net investments in foreign entities.

Hedging of foreign entities

(DKK millions)	2020	2019
Net investment in foreign units	47,646	50,274
Funding arrangements designated as a hedge of net investments in foreign units[1]	16,021	20,286
Portion of net investment in foreign units not hedged, structural FX position	**31,625**	**29,988**
Hedge ineffectiveness		
Exchange differences on the hedging instruments	1,224	-324
Exchange differences on the net investment used for recognising hedge ineffectiveness	-1,224	324
Hedge ineffectiveness recognised in the income statement (net trading income)	-	-
Hedging gains or losses recognised in OCI	1,224	-324
Reclassified to the income statement on disposal of foreign units[2]	-	5

[1] Primarily included in the line item 'Issued bonds at amortised cost'

[2] Included in the line item 'Gain or losses on sale of disposal groups held for sale'

Notes – Danske Bank Group

G13. Investment securities

Investment securities consists of bonds and shares held by non-trading units in the Group. It consists primarily of the liquidity portfolio managed by Group Treasury. The liquidity portfolio includes different portfolios with different business models. Some portfolios are managed on a fair value basis and mandatorily measured at fair value through profit or loss under IFRS 9, whereas other portfolios are either 'hold to collect and sell' and measured at fair value through other comprehensive income or 'hold to collect'.

Accounting policy

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets measured at fair value include securities that are managed on a fair value basis with no short-term profit taking. Realised and unrealised capital gains and losses and dividends are carried in the income statement under Net trading income or loss. Further, all shares (including unlisted shares) and bonds held in Group Treasury that do not have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that does not pass the SPPI test in IFRS 9) are mandatorily measured at FVPL and, consequently, included in this category.

Financial assets measured at fair value through other comprehensive income (FVOCI)

This category comprises bonds only, and primarily bonds listed in a liquid market, as the Group does not use the option to designate equity instruments at FVOCI. The bonds are held within a business model for the purpose of collecting contractual cash flows and selling (hold to collect and sell). The bonds have cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that passes the SPPI test in IFRS 9). FVOCI results in the assets being recognised at fair value in the balance sheet and at amortised cost in the income statement, including the recognition of expected credit losses as described in note G15. Gains and losses, except for expected credit losses and foreign exchanges gains and losses, are therefore recognised in other comprehensive income until the bond is derecognised. When a fixed interest rate risk is hedged in a hedge that qualifies for fair value hedge accounting, the fair value changes of the hedged interest risk are presented in the income statement under Net trading income or loss. When bonds are sold unrealised value adjustments recognised under Other comprehensive income are reclassified to the income statement and presented under Net trading income or loss. The Group recognises interest income according to the effective interest method, including amortisation of the difference between cost and the redemption value over the term to maturity of the bonds.

Financial assets measured at amortised cost (AMC)

This category consists of bonds held within a business model for the purpose of collecting the contractual cash flows (hold to collect) and with cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the SPPI test in IFRS 9). The bonds are measured at amortised cost. Interest income is recognised according to the effective interest method, including amortisation of the difference between cost and the redemption value over the term to maturity of the bonds. The bonds are subject to the expected credit model in IFRS 9 as described in note G15. The interest rate risk on fixed-rate bonds are not hedged.

(a) Investment securities (DKK millions)	2020	2019
Financial assets at fair value through profit or loss		
Listed bonds	48,034	54,387
Listed shares	-	53
Unlisted shares	335	1,382
Total financial assets designated at fair value through profit or loss	**48,369**	**55,822**
Bonds hold to collect and sell (FVOCI)		
Listed bonds	116,772	107,959
Total bonds hold to collect and sell (FVOCI)	**116,772**	**107,959**
Total at fair value	**165,141**	**163,781**
Bonds hold to collect (AMC)		
Listed bonds	131,628	121,092
Total investment securities	**296,769**	**284,873**

Notes – Danske Bank Group

G13. Investment securities continued

(b) Further explanation

Investment securities consists of the liquidity portfolio held by Group Treasury. The liquidity portfolio is part of the balance sheet management to optimise the balance sheet composition, to hedge the interest rate risk in the banking book and to manage the Group's liquidity need. The management of the interest rate risk in the banking book is carried out through a combination of hedges with derivatives and partly through matching the duration on the fixed interest rate deposits (the interest risk on core deposits) with bond holdings with a matching duration. The latter is carried out through the acquisition of portfolios of bonds.

Financial assets measured at fair value through profit or loss (FVPL)
This portfolio includes the part of the liquidity bond portfolio that is actively traded although less frequently than what is required to be classified as a held-for-trading portfolio. These bonds are held in a business model being neither 'hold to collect' nor 'hold to collect and sell' and are therefore mandatorily recognised at fair value through profit or loss under IFRS 9.

The portfolio comprises primarily Danish mortgage bonds. Further, the portfolio includes listed and unlisted shares.

Financial assets measured at fair value through other comprehensive income (FVOCI)
This portfolio includes the part of the liquidity bond portfolio where both the collection of the contractual cash flows and sales are an integral part of achieving the objectives with the acquired bond portfolio. Further, the bonds included in the portfolio have contractual cash flows that pass the SPPI test.

The performance of the portfolio is measured on a combination of the collection of the contractual cash flows and sales proceeds. Sales typically occur when market opportunities arise, or when there is a need to adjust the portfolio to hedge part of the interest rate risk on the Group's core deposits. There is no objective of short-term profit taking and the performance reporting related to this portfolio reflects a combination of the collection of the contractual cash flows and realising fair value changes. The business model is therefore 'hold to collect and sell'.

The portfolio comprises primarily highly-rated covered, sovereign, supranational and agency bonds.

Financial assets measured at amortised cost (AMC)
This portfolio includes the part of the liquidity bond portfolio that is held in a business model being 'hold to collect', i.e. with the purpose of generating a return until maturity. Further, the bonds included in the portfolio have contractual cash flows that pass the SPPI test.

The performance is measured based on the collection of the contractual cash flows. The fair value of the portfolio is monitored for liquidity purposes as the bonds can be used in repo transactions. Sales from the portfolio are infrequent. When sales are made, they reflect:
- sales close to maturity (the proceeds from the sale approximate the collection of contractual cash flows)
- sales are made to manage risk concentration (e.g. the sale of bonds is made due to a concentration of currency risk)
- sales made due to increase in credit risk above a certain level (i.e. outside the investment policy)

The bonds are primarily Danish mortgage bonds, government bonds and government-guaranteed bonds. Some 99% of the portfolio is rated AA or higher (2019: 94%), while the remaining portfolio has investment grade ratings.

SPPI test applied for bonds at FVOCI or AMC
The SPPI test is applied for each bond to assess whether the contractual cash flows represent repayment of principal amount and interest on the principal amount outstanding. Bonds that are included in the portfolios at FVOCI or AMC are generally plain vanilla bonds that:
- have a fixed maturity, i.e. no perpetual bonds
- do not have terms that introduce exposure to risk or volatility, e.g. by a yield that refers to changes in equity or commodity prices
- are not subordinated or convertible bonds
- can be prepaid (e.g. at par plus accrued interest), with the fair value of the prepayment option being insignificant at initial recognition. In general, this will be the case if the premium/discount to the contractual par amount is insignificant at initial recognition

Bonds that are not compliant with the SPPI test are included in the portfolio of bonds at FVPL.

Notes – Danske Bank Group

G14. Due from credit institutions and central banks

The item due from credit institutions and central banks includes both balances that are measured at amortised cost and balances that are measured at fair value through profit or loss, depending on the business model for the management of the amounts due from credit institutions.

Accounting policy

For balances due from credit institutions in the Group's banking units (Banking DK, Banking Nordic, General Banking in C&I, Northern Ireland and Non-core), the business model is hold to collect. As the contractual cash flows represent basic lending feature, these balances are measured at amortised cost. For further information on the accounting policy etc., see note G15.

For balances due from credit institutions and central banks in the Group's trading units (FI&C and Capital Markets in C&I) the business model is neither 'hold to collect' nor 'hold to collect and sell' and these balances are mandatorily recognised at fair value through profit or loss. For further information on the accounting policy, see note G16.

Cash in hand and demand deposits with central banks

Includes cash in hand of DKK 6,132 million and demand deposits of DKK 314,572 million (measured at amortised cost).

Due from credit institutions and central banks

(DKK millions)	2020	2019
Due from credit institutions and central banks measured at fair value through profit or loss:		
Reverse transactions	49,975	23,634
Other amounts due	2,427	719
Total at fair value through profit or loss	**52,402**	**24,354**
Due from credit institutions and central banks measured at amortised cost:		
Other amounts due	29,045	81,333
Allowance account	19	13
Total at amortised cost	**29,026**	**81,320**
Due from credit institutions and central banks, total	**81,428**	**105,674**

Due from credit institutions and central banks includes amounts due within three months and totalled DKK 80,208 million at the end of 2020 (31 December 2019: DKK 100,574 million). This amount is included under Cash and cash equivalents in the cash flow statement.

Notes – Danske Bank Group

G15. Loans at amortised cost

In general, the loans in the Group's banking units (Banking DK, Banking Nordic, General Banking in C&I, Northern Ireland and Non-core) are held with the objective of collecting the contractual cash flows. Therefore, most of the Group's loans in the banking units are classified as 'hold to collect' under IFRS 9. Further, the loans have basic lending features with the contractual cash flows solely representing repayment of principal and interest on the principal amount outstanding (the SPPI test). Therefore, the loans in the Group's banking units are recognised at amortised cost. The only exception is loans granted by Realkredit Danmark (see note G16) that are recognised at fair value, as the contractual cash flows do not represent basic lending features only, i.e. they do not pass the SPPI test in IFRS 9.

Accounting policy

At initial recognition, loans are measured at fair value plus transaction costs less origination fees and other charges that are an integral part of the effective interest rate on loans. This usually corresponds to the amount disbursed to the customer. Subsequently, they are measured at amortised cost, using the effective interest method, less impairment charges for expected credit losses. The difference between the value at initial recognition and the redemption value is amortised over the term to maturity as part of the effective interest. If fixed-rate loans are hedged effectively by derivatives, the fair value of the hedged interest rate risk is added to the carrying amount of the hedged assets.

Impairment for expected credit losses

The impairment charge for expected credit losses depends on whether the credit risk has increased significantly since initial recognition and follows a three stage model:

- Stage 1: 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 2: If the credit risk has increased significantly, the loan is transferred to stage 2 and an impairment charge equal to the lifetime expected credit losses is recognised.
- Stage 3: If the loan is in default or otherwise credit impaired, it is transferred to stage 3, for which the impairment charge continues to equal the lifetime expected credit losses but with interest income being recognised on the net carrying amount.

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD) and incorporates forwards looking elements. For facilities in stages 2 and 3, the lifetime expected credit losses cover the expected remaining lifetime of a facility.

Expected credit loss impairment charges are booked in an allowance account and allocated to individual exposures.

(b) Loans at amortised cost (DKK millions)	2020	2019
Reverse transactions	1,214	4,726
Other loans	1,040,898	1,039,364
Allowance account	17,505	16,079
Total at amortised cost	**1,024,607**	**1,028,011**

Loans included payments due under finance leases of DKK 30,675 million at the end of 2020 (31 December 2019: DKK 29,789 million).

(b) Further explanation

Classification and measurement – business model assessment

The business model assessment in Danske Bank Group is applied separately for each business unit represented by the Group's reportable segments. The assessment is based on observable factors for the different portfolios, such as (1) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Executive Board and the Board of Directors, (2) the risks that affect the performance of the business model and the way such risks are managed and (3) past and expected frequency, value and timing of sales for the portfolio.

In the Group's banking units (Banking DK, Banking Nordic, General Banking in C&I, Northern Ireland and Non-core), the management and reporting of performance are based on collecting the contractual cash flows, and loans are only very infrequently sold. Therefore, the business model has been assessed as being 'hold to collect'.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Once a year, the Group assesses if past sales are consistent with the business model for loans in the Group's banking unit being 'hold to collect'. In general, if sales are below 5% of the size of a portfolio the sales are considered to be insignificant. Larger sales are considered individually in relation to consistency with the business model. The following sales are consistent with the business model being 'hold to collect':

- Loans are sold after having previously been transferred to one of the Group's debt collection units
- Loans are sold to manage credit concentration risk (specific countries or industries)
- Loans to customers that have refocused there activities out of the Nordic region, i.e. the customers are no longer Nordic customers
- The sale of loans that are no longer profitable, e.g. due to changes in the regulatory environment or the like

Classification and measurement – The SPPI test (solely payment of principal and interest on the principal amount outstanding)
For each loan in the Group's banking units, it is assessed if the contractual cash flows are consistent with the SPPI test. The principal amount reflects the fair value at initial recognition less any subsequent changes, e.g. due to repayment. The interest represents consideration for the time value of money, credit risk, other basic lending risks and a margin consistent with basic lending features, only. If the cash flows introduce more than de minimis exposure to risk or volatility that is not consistent with basic lending features, the loan is mandatorily recognised at fair value through profit or loss. Features that are not genuine do not affect the classification. A feature is not genuine if it affects the contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

In general, the SPPI test of the Group's portfolios of loans covers, for instance, the following elements:

- Compensation for the time value of money. For some of the Group's variable-rate loans, the market standard for these loans is that the reset frequency and the tenor of the reference rate do not match. It has been assessed that the mismatch does not significantly modify the compensation for the time value of money. No loans have interest rates that are leveraged or linked to, for instance, the development in share prices etc.
- Prepayment options are consistent with the SPPI test, if the prepayment amount represents the principal amount outstanding and accrued interest and may include a reasonable compensation for early repayment. This is generally the case with the Group's loans, except loans granted by Realkredit Danmark (see further below).
- Extension options are consistent with the SPPI test if the cash flows during the extension period represent cash flows that are solely payments of principal and interest on the principal amount outstanding. Only very few loans include a contractual right for the customer to extend the loan, and for such loans, the interest rate will be updated to the current market rate for such loans.
- Compensation for credit risk and other basic lending risks. The interest rate includes a credit margin to compensate the Group for the credit risk, and it may be fixed initially. The Group does not incorporate profit sharing agreements, for example by contractual terms that increase the credit margin if the customer's earnings increase.
- Non-recourse features. In general, the Group does not grant loans that legally are non-recourse. However, in some cases a financial asset represents an investment in particular assets or cash flows in which case the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. This could be the case when the Group's claim is limited to specified assets of a debtor or the cash flows from specified assets, e.g. related to loans granted to a company/a special purpose entity with limited assets and with no guarantee from the owner/parent company. The Group only grants such loans if the cash flows from the underlying asset(s) are large compared to the contractual cash flows from the loans. Therefore, non-recourse-like features are limited and excluded from the assessment.
- Non-payment is not considered a breach of contract. The Group does not grant loans where non-payment would not constitute a breach of contract.

Loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Such loans are granted by the Realkredit Danmark subsidiary only. Borrowers may repay such loans by delivering the underlying bonds. This represents an option to prepay at fair value that can be both above and below the principal amount plus accrued interest and include other elements than the effect of changes in the relevant benchmark interest rate. The loans do not pass the SPPI test and are mandatorily recognised at fair value through profit or loss, see further in note G16.

Financial instruments in scope of the expected credit loss impairment model in IFRS 9
Impairment charges for expected credit losses apply to all financial assets recognised at amortised cost or at fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. Therefore, the Group's expected credit loss model also applies to bond portfolios included in the line item Investment securities, except for the bonds that are recognised at fair value through profit or loss.

Further, the adjustment for fair value of credit risk on loans granted by Realkredit Danmark is based on the expected credit loss impairment model in IFRS 9. Further information can be found in note G16 in the box on Accounting policy.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Significant increase in credit risk (transfer from stage 1 to stage 2)

The classification of facilities between stages 1 and 2 for the purpose of calculating expected credit losses depends on whether the credit risk has increased significantly since initial recognition. The assessment of whether credit risk has increased significantly since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the facility and incorporating forward-looking information. A facility is transferred from stage 1 to stage 2 based on observed increases in the probability of default:

- For facilities originated below 1% in PD: An increase in the facility's 12-month PD of at least 0.5 percentage points and a doubling of the facility's lifetime PD since origination.
- For facilities originated above 1% in PD: An increase in the facility's 12 month PD of 2 percentage points or a doubling of the facility's lifetime PD since origination.

In addition, facilities that are more than 30 days past due are moved to stage 2. 30 days past due is considered a backstop. Finally, customers subject to forbearance measures are placed in stage 2, if the Group, in the most likely outcome, expects no loss, or if the customers are subject to the two-year probation period for performing forborne exposures.

Stage 3 (credit-impaired facilities)

A facility is transferred from stage 2 to stage 3 when it becomes credit-impaired. A facility becomes credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. This includes observable data about (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event; (c) the borrower, for financial or contractual reasons relating to the borrower's financial difficulty, having been granted a concession that would not otherwise have been considered; (d) it is becoming probable that the borrower will enter into bankruptcy or other financial restructuring; and (e) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss. It may not be possible to identify a single individual event – instead, the combined effect of several events may cause financial asset to become credit-impaired. Credit-impaired facilities are placed in rating category 10 or 11. For customers in rating category 10, the stage 3 classification applies only to customers where a loss is expected in the most likely scenario. For rating category 11 (default), all facilities are classified as stage 3 exposures.

Definition of default

The definition of default used in the measurement of expected credit losses and the assessment to determine movements between stages is consistent with the definition of default used for internal credit risk management purposes and is aligned with the CRR. As a result, exposures which are considered to be in default for regulatory purposes will always be considered stage 3 exposures. This applies both for 90-days-past-due considerations and unlikely-to-pay factors leading to a regulatory default.

Purchased or originated credit-impaired facilities (POCI)

A facility that is credit-impaired at initial recognition is classified as a POCI financial asset. This is the case if the financial asset is purchased or originated at a deep discount that reflects the incurred credit losses. For such assets, life-time expected credit losses are recognised for the remaining lifetime of the asset. In general, the Group does not purchase credit-impaired financial assets and the category therefore relates to originated credit-impaired facilities, typically originated in relation to forbearance measures.

Calculation of expected credit losses

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). In general, the Group's IFRS 9 impairment models and parameters draw on the bank's internal models in order to ensure alignment of models across the Group. New models and calculations have been developed especially for IFRS 9 purposes, including models for lifetime PD, prepayment and forward-looking LGD. All expected credit loss impairment charges are allocated to individual exposures. For significant loans in stage 3, the Group determines the expected credit losses individually.

Expected remaining lifetime

For most facilities, the expected lifetime is limited to the remaining contractual maturity and is adjusted for expected prepayment. For exposures with weak credit quality, the likelihood of prepayment is not included. For exposures that include both a loan and an undrawn commitment and where a contractual ability to demand prepayment and cancellation of the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period, the expected lifetime is the period during which the Group expects to be exposed to credit losses. This period is estimated on the basis of the normal credit risk management actions. Products identified as in scope of an expected lifetime longer than the remaining contractual maturity include credit cards, overdraft balances and certain revolving credit facilities.

Incorporation of forward-looking information

The forward-looking elements of the calculation reflect the current unbiased expectations of the bank's senior management. The process consists of the creation of macroeconomic scenarios (base case, upside and downside), including an assessment of the probability of each scenario, by the Group's independent macroeconomic research unit in FI&C, the review and sign-off of the scenarios (through the organisation) and a process for adjusting scenarios given new information during the quarter. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Management's approval of scenarios can include adjustments to the scenarios, probability weighting and management overlays to cover the outlook for particular high-risk portfolios which are not provided by the Group's macroeconomists. The approved scenarios are used to calculate the impairment levels. Technically, the forward-looking information is used directly in the PDs through an estimate of general changes to the PDs and the LGDs in the expected credit loss calculation. However, for significant exposures in stage 3, an individual assessment of the scenarios, changes to expected credit losses and the related probabilities are performed by senior credit officers.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

The forward-looking information is based on a three year forecast period converging to steady state in year seven. The base case is based on the macroeconomic outlook as disclosed in the Group's Nordic Outlook reports. Further information on the macroeconomic scenarios used can be found in the risk management notes.

Forecasts are produced for the coming three years. After this period, the outlook returns to a steady-state level after a further four years.

Write-off policy

Loans considered uncollectible are written off. Write-offs are debited to the allowance account. Loans are written off once the usual collection procedure has been completed and the loss on the individual loan can be calculated. If the full loss is not expected to be realised until after a number of years, for example in the event of administration of complex estates, a partial write-off is recognised, reflecting the Group's claim less collateral, estimated dividend and other cash flows.

Modification

When a loan is modified the Group assesses whether the modification results in derecognition. This depends on whether the changes to the contractual cash flows or other contractual terms are significant or not. If the changes are significant, the modification is accounted for as derecognition of the original loan and recognition of a new loan. If the changes are not significant, the modification is accounted for as a modification of the original loan. The assessment is based on the following considerations:

- The Group differentiates between changes in the cash flows or other terms within the original contract and modifications of the contract, i.e. a new contract.
- In general, a significant modification is defined as a full credit process, a pricing decision and the signing of a new contract
- An assessment of whether the modification is caused as a forbearance measure or made on commercial terms.

If the financial asset is not derecognised, the original effective interest rate remains unchanged, and the net present value of the changed contractual cash flows represents the gross carrying amount of the financial asset after the modification. The difference between the net present value of the original contractual cash flows and the modified contractual cash flows is recognised in the income statement as a modification gain or loss.

If the original financial asset is derecognised, a derecognition gain or loss is recognised in the income statement. The derecognition gain or loss represents the difference between the carrying amount of the original financial asset (updated to reflect current expected credit losses) and the initial carrying amount of the new financial asset plus/minus any cash payments between the parties in relation to the modification.

Modifications in the form of forbearance measures include interest reduction schedules, interest only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and debt forgiveness. For modifications that are not significant, the modification loss is recognised in the income statement within Loan impairment charges.

In terms of stage allocation, a modification that leads to derecognition of the initial loan and recognition of a new loan, the loan will (unless the new loan is credit-impaired at initial recognition) be recognised in stage 1 at initial recognition, i.e. the initial credit risk is reset. If the replacing loan is considered an amendment to the original loan, the initial credit risk is not reset. Loans modified as part of the Group's forbearance policy, where the modification does not result in derecognition, the loss allowance on the forborne loans will generally only be measured based on 12-months expected credit losses when there is evidence of the borrower's improved repayment behaviour. When a loan in stage 3 is modified, and the modification results in derecognition, the Group's assesses if the new loan is originated credit impaired. The assessment includes factors such as whether the customer's repayment behaviour has improved significantly prior to the modification or not and whether the pricing on the new loan reflects the actual credit risk etc. New loans that are originated credit impaired remains under a lifetime ECL calculation for the remaining term of the exposure.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

(c) Reconciliation of total allowance account and gross credit exposure

Below the allowance account and the gross credit exposure is reconciled by measurement category. 'Loans at amortised cost' includes besides the balance sheet line item Loans at amortised cost, also exposures under Due from credit institutions that are carried at amortised cost and demand deposits with central banks, see note G14. 'Loans at fair value' consists of loans granted by Realkredit Danmark, for which the allowance account represents the fair value adjustment of the credit risk (for further information see note G16). 'Loan commitments and guarantees' consists of guarantees, loan commitments shorter than 1 year and loan commitments longer than 1 year, see note G27. The allowance account for loans at amortised cost and at fair value is credited against the related loans, whereas the allowance account related to loan commitments and guarantees is recognised as a liability and presented under Other liabilities.

Reconciliation of total allowance account

	Loans at amortised cost			Loans at fair value			Loan commitments and guarantees			Total
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
ECL allowance account as at 1 January 2019	438	4,019	11,471	658	533	1,993	505	899	654	21,170
Transferred to stage 1	558	-513	-46	99	-64	-36	139	-134	-5	-
Transferred to stage 2	-53	622	-568	-297	363	-66	-8	88	-80	-
Transferred to stage 3	-5	-326	331	-28	-123	151	-2	-104	106	-
ECL on new assets	169	773	2,208	38	191	23	59	218	232	3,911
ECL on assets derecognised	-193	-841	-2,451	-87	-116	-248	-48	-230	-273	-4,487
Impact of net remeasurement of ECL (incl. changes in models)	-432	437	1,194	-81	163	194	-100	146	-	1,520
Write offs debited to the allowance account	-	-	-690	-	-5	-110	-	-	-	-805
Foreign exchange adjustments	3	17	81	-	-	-	2	5	12	120
Other	-15	-48	-48	-	-	37	-3	-7	-33	-117
As at 31 December 2019	**469**	**4,140**	**11,483**	**302**	**943**	**1,937**	**544**	**881**	**614**	**21,313**
Transferred to stage 1	586	-561	-25	334	-304	-30	144	-143	-2	-
Transferred to stage 2	-98	434	-337	-11	86	-75	-10	237	-227	-
Transferred to stage 3	-11	-841	852	-10	-111	121	-1	-49	50	-
ECL on new assets	273	1,290	2,037	135	174	64	135	398	145	4,651
ECL on assets derecognised	-158	-961	-2,964	-72	-209	-373	-61	-157	-304	-5,260
Impact of net remeasurement of ECL (incl. changes in models)	-129	1,522	2,016	125	315	-59	-190	445	320	4,366
Write offs debited to the allowance account	-	11	-1,038	1	-5	-46	-	-	-	-1,077
Foreign exchange adjustments	-17	-5	-452	-	-	-	-5	-2	-15	-496
Other	-7	-33	47	-	-	-139	-2	-36	16	-154
As at 31. December 2020	**908**	**4,996**	**11,620**	**805**	**888**	**1,400**	**554**	**1,574**	**597**	**23,342**

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 year. The table above excludes the allowance account of DKK 4 million (2019: DKK 4 million) relating to bonds at amortised cost or fair value through other comprehensive income (all in stage 1). It also excludes the adjustment for credit risk on Loans held for sale (loan portfolios within the non-core segment where the Group has entered into sales agreements). For further information on the decomposition of the allowance account on facilities in stages 1-3, see the notes on credit risk.

Notes – Danske Bank Group

G15. Loans at amortised cost continued

Reconciliation of gross credit exposure

	Loans at amortised cost			Loans at fair value			Loan commitments and guarantees			Total
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Gross carrying amount at 1 January 2019	1,090,143	83,344	29,500	752,283	33,112	12,719	403,724	23,077	2,315	2,430,217
Transferred to stage 1	18,432	-17,904	-528	8,019	-7,659	-360	6,589	-6,580	-9	-
Transferred to stage 2	-29,614	32,378	-2,765	-18,804	20,571	-1,767	-4,543	4,881	-337	-
Transferred to stage 3	-1,776	-2,294	4,069	-1,465	-1,121	2,586	-2,247	-851	3,098	-
New assets	360,418	20,451	6,081	210,551	9,969	1,566	204,440	7,814	1,260	822,550
Assets derecognised	-301,203	-21,288	-7,695	-188,678	-8,671	-3,360	-174,746	-10,378	-849	-716,867
Changes due to modifications that did not result in derecognition	-	-	-59	-3	-12	-27	-	-	-	-102
Other changes	-36,406	-3,778	-1,285	-12,921	-473	-294	-8,121	-194	-174	-63,647
As at 31 December 2019	**1,099,994**	**90,909**	**27,319**	**748,983**	**45,715**	**11,063**	**425,096**	**17,769**	**5,303**	**2,472,151**
Transferred to stage 1	21,983	-21,856	-128	19,285	-18,574	-711	2,980	-2,956	-24	-
Transferred to stage 2	-35,519	36,794	-1,274	-8,374	9,415	-1,041	-7,107	9,154	-2,047	-
Transferred to stage 3	-4,463	-6,966	11,429	-2,077	-2,785	4,862	-709	-628	1,337	-
New assets	304,968	20,253	7,355	150,235	5,359	1,105	282,281	10,116	1,672	783,343
Assets derecognised	-291,346	-24,471	-8,484	-115,122	-8,683	-2,839	-181,914	-8,973	-1,859	-643,691
Changes due to modifications that did not result in derecognition	-	-	-69	-5	-8	-10	-	-	-	-92
Other changes	169,383	-7,359	-2,723	-15,291	-793	-331	-1,944	16	-330	140,628
As at 31. December 2020	**1,265,000**	**87,304**	**33,425**	**777,633**	**29,646**	**12,098**	**518,682**	**24,498**	**4,053**	**2,752,339**

(d) Significant accounting estimates related to expected credit losses

For information on significant accounting estimates related to expected credit losses, see note G1(b). Note G1(b) also includes information on the Group's approach to estimate expected losses following the corona crisis in the section 'Accounting treatment of the impacts on expected credit losses from the corona crisis'.

Notes – Danske Bank Group

G16. Loans and issued bonds at fair value

The Group has two types of portfolios of loans and issued bonds that are measured at fair value through profit or loss. The first portfolio consists of loans granted and bonds issued by the subsidiary Realkredit Danmark, a Danish mortgage institution covered by Danish mortgage finance law. The other portfolio consists of loans and bonds issued by the Group's trading units (FI&C and Capital Markets in C&I).

Accounting policy

Loans granted and bonds issued by Realkredit Danmark

Loans granted by Realkredit Danmark have contractual cash flows that are not solely payment of principal and interest on the principal amount outstanding. Therefore, the loans are mandatorily recognised at fair value through profit or loss. The issued bonds that are funding the loans are designated at fair value through profit or loss in order not to create an accounting mismatch. For the issued bonds, changes in fair value attributable to the Group's own credit risk is presented in the income statement, as an accounting mismatch would otherwise be introduced.

The fair value of the bonds issued by Realkredit Danmark is normally defined as their quoted market price. A small number of the issued bonds are illiquid, however, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation technique. The fair value of the loans is based on the fair value of the underlying bonds which ensures that changes in the fair value of the interest rate risk on the loans are measured based on market implied input. This fair value is adjusted for changes in the fair value of cash flows from the loans that differ from the cash flows from the issued bonds. The most important component is the credit risk on the borrowers (covered by the Group and not by the bond holders and therefore not priced into the price of the issued bonds).

Changes in fair value of credit risk etc on the loans

The IFRS 13 estimate of the fair value of the credit risk on the loans is based the expected credit losses estimated in the models developed in connection with the Group's implementation of the expected credit loss impairment model in IFRS 9, including the allocation of loans between stage 1, stage 2 and stage 3. The expected credit losses are calculated for all loans as a function of PD, EAD and LGD and incorporates forward looking information, see further in note G15. The latter reflects managements expectations of expected credit losses and involves multiple scenarios (base case, upside and downside), including an assessment of the probability for each scenario.

On top of the expected credit losses, a collective assessment determines the need for further adjustments to reflect other components in the fair value measurement, such as an assessment of lifetime expected credit losses for loans in stage 1, an investors risk premium, compensation for administrative costs related to the loans and the possibility to increase the margin on the loans if the credit risk etc increases. It is acknowledged that the possibility to increase the margin depends on the economic resources of the customers. The possibility to increase the margin is therefore only considered in the measurement if it is very likely that the margin can be increased without the customer defaulting. Further, the possibility to increase the margin is only relevant if it does not give the customer an incentive to "move" to another mortgage institution. Therefore, the possibility to increase the margin is only relevant for the measurement of loans to customers with neither a relatively high credit risk nor a relatively low credt risk.

The discount rate used to discount the cash flows represents the interest rate on the funding bonds. This is considered to be close to a risk-free interest rate. The risk premium is incorporated into the cash flows. The risk premium is assumed to be higher for customers with high credit risk than for customers with low credit risk. Further, the adjustments for changes in the fair value of the credit risk and other components cannot increase the value of a loan (the adjustment cannot be positive).

Other loans and issued bonds measured at fair value through profit or loss

The loans in the Group's trading units (FI&C and Capital Markets in C&I) are managed and their performance reported on a fair value basis and the loans are under IFRS 9 mandatorily measured at fair value through profit or loss. In order not to introduce an accounting mismatch by measuring the financial assets in the trading units at fair value through profit or loss and the financial liabilities at amortised cost, the financial liabilities in the trading units are designated at fair value through profit or loss with fair value changes attributable to the Group's own credit risk presented in other comprehensive income.

Notes – Danske Bank Group

G16. Loans and issued bonds at fair value continued

(a) Loans at fair value

(DKK millions)	2020	2019
Loans granted by Realkredit Danmark:		
Nominal value	792,701	782,991
Fair value adjustment of underlying bonds	26,677	22,770
Adjustment for credit risk	3,094	3,182
Fair value of loans granted by Realkredit Danmark	**816,284**	**802,579**
Loans in the Group's trading units:		
Reverse transactions	206,694	318,348
Other loans	345	1,121
Total	**1,023,323**	**1,122,048**

(b) Issued bonds at fair value

(DKK millions)	2020	2019
Bonds issued by Realkredit Danmark:		
Nominal value	853,855	885,535
Fair value adjustment of funding of current loans	28,373	24,953
Holding of own mortgage bonds	106,384	114,766
Fair value of bonds issued by Realkredit Danmark	**775,844**	**795,721**
Bonds issued by the Group's trading units:		
Commercial papers and certificates of deposit	8,183	6,780
Total	**784,027**	**802,501**

(c) Further explanation on loans granted and bonds issued by Realkredit Danmark

Each loan granted by Realkredit Danmark is funded by issuing listed mortgage bonds with matching characteristics (e.g. amount outstanding, reference interest rate, term and currency). The borrower may repay the loan by delivering the underlying bonds to Realkredit Danmark.

The loans are held in a business model being similar to other loans in the Group's banking units, ie. the business model under IFRS 9 is 'held to collect'. The customers' right to prepay a loan by delivering the underlying bonds represents an option to prepay at fair value. Under this prepayment option, the prepayment amount can be both above and below the principal amount plus accrued interest. Changes in the fair value of the underlying bonds include other elements than the effect of changes in the relevant benchmark interest rate and the prepayment option is therefore not consistent with the SPPI test in IFRS 9 and are mandatorily measured at FVPL.

To eliminate the accounting mismatch that would exist if the loans are measured at fair value through profit or loss and the issued bonds at amortised cost, the issued bonds are designated at fair value through profit or loss using the fair value option for financial liabilities in IFRS 9. As the fair value of the loans is based on the fair value of the issued bonds, fair value changes of the issued bonds are offset by fair value changes of the loans, including the changes related to the fair value of the own credit risk of the issued bonds. For example, if the credit quality of the bonds worsens the fair value of the liability decreases and the fair value of the loans also decreases. Therefore, fair value changes of own credit risk on the issued bonds are recognised in the income statement, as an accounting mismatch would otherwise be created if changes in own credit risk were recognised in other comprehensive income.

The value of the loans is affected by changes in the credit risk on the loans. In 2020, the Group recognised DKK 340 million regarding changes in the credit risk on loans at fair value (2019: DKK 262 million) see note G11. At the end of 2020, the accumulated changes in the credit risk amounted to DKK 3,094 million (2019: DKK 3,182 million). The amounts are determined as the amount of the change in fair value that is not attributable to changes in market conditions that give rise to market risk, with the latter being represented by the fair value of the funding issued bonds. The Group does not use credit derivatives or similar instruments to mitigate the exposure to credit risk.

The holding of own mortgage bonds includes pre-issued bonds of DKK 25 billion (2019: DKK 25 billion) used for FlexLån® refinancing in January 2021 and bonds of DKK 39 billion (2019: DKK 41 billion) that relate to investments under insurance contracts, pooled schemes and unit-linked investment contracts where most of the risk is assumed by customers and most of the return on the assets accrues to customers.

The nominal value of bonds issued by Realkredit Danmark equals the amount to be redeemed on maturity.

Notes – Danske Bank Group

G16. Loans and issued bonds at fair value continued

Fair value adjustment for the credit risk on issued mortgage bonds, i.e. own credit risk, is calculated on the basis of the option-adjusted spread (OAS) to government bond yields or, for variable-rate loans, the swap rate. The calculation incorporates maturity, nominal holdings and OAS sensitivity. As a number of estimates are made, the calculation is subject to uncertainty.

In 2020, the Danish mortgage bond yield spread narrowed, and consequently the fair value of issued mortgage bonds increased about DKK 1 billion. In 2019, the Danish mortgage bond yield spread also narrowed, and consequently the fair value of issued mortgage bonds increased about DKK 2.1 billion. In comparison with the fair value measured at the time of issue of the bonds, the fair value had increased about DKK 5.0 billion at the end of 2020 (2019: an increase of about DKK 4.7 billion). Net profit and equity remain unaffected because the spread narrowing increased the fair value of mortgage loans correspondingly.

Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA-rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar characteristics from different issuers. Using this method, no fair value adjustment for credit risk in 2019 or the period since issuance has been required.

(d) Further explanation on loans, deposits and issued bonds by the Group's trading units

The loans in the Group's trading units (FI&C and Capital Markets in C&I) are managed and their performance reported on a fair value basis. The loans are mandatorily recognised at fair value through profit or loss as the business model is neither 'held to collect' nor 'held to collect and sell'. The loans consist primarily of reverse transactions and short-term loans. In order not to introduce an accounting mismatch, the financial liabilities in the tranding units are designated at fair value through profit or loss, using the fair value option in IFRS 9.

The financial liabilities consist of issued bonds (certificates of deposits and commercial papers) and deposits (including repo transactions) with a maturity no longer than six months in general. Fair value changes attributable to the Group's own credit risk are presented in other comprehensive income. During 2020, changes in fair value attributable to the Group's own credit risk recognised in Other Comprehensive Income amounted to DKK 0 million (2019: DKK 0 million). In the balance sheet, deposits in the trading units are presented together with other deposits. The amount that the Group would be contractually required to pay at maturity amounts to DKK 8,107 million (2019: DKK 6,779 million) for bonds issued by the Group's trading units.

Notes – Danske Bank Group

G17. Assets and deposits under pooled schemes and unit-linked investment contracts

Assets and deposits under pooled schemes and unit-linked investment contracts comprises contributions to pooled schemes and unit-linked contracts defined as investment contracts. Assets include shares and bonds issued by the Group. Holdings of those assets are deducted from equity or eliminated. Consequently, the value of the line item Deposits under pooled schemes and unit-linked investment contracts exceeds that of Assets under pooled schemes and unit-linked investment contracts.

Accounting policy

Assets earmarked for customer savings are measured at fair value and recognised under Assets under pooled schemes and unit-linked investment contracts. Deposits made by customers are recognised under Deposits under pooled schemes and unit-linked investment contracts. These deposits are measured at the value of savings, corresponding to the fair value of the assets.

	Pooled schemes		Unit-linked contracts		Total	
(DKK millions)	2020	2019	2020	2019	2020	2019
(a) Assets						
Bonds	18,363	18,327	4,205	4,048	22,568	22,375
Shares	17,977	15,471	2,039	1,592	20,016	17,063
Unit trust certificates	17,278	20,275	17,163	15,552	34,441	35,827
Other	-239	178	6,118	4,917	5,879	5,095
Total	53,380	54,251	29,525	26,109	82,905	80,360
including						
own shares	165	124	12	14	177	138
other intra-group balances	-122	242	56	69	-66	311
Total assets recognised in balance sheet	**53,337**	**53,885**	**29,458**	**26,026**	**82,795**	**79,912**
(b) Deposits	**53,380**	**54,251**	**29,525**	**26,109**	**82,905**	**80,360**

A portfolio of unit-linked contracts of DKK 31 billion has been reclassified from investment contracts to insurance contracts. Comparative information has been restated.

Notes – Danske Bank Group

G18. Assets and liabilities under insurance contracts

Assets under insurance contracts comprise assets earmarked for policyholders because most of the return accrues to policyholders. As the assets can be used only for payment of insurance liabilities, they are presented as a single line in the balance sheet. Liabilities under insurance contracts comprise primarily life insurance provisions regarding average rate insurance contracts and obligations for guaranteed benefits under unit-linked insurance contracts. Assets include shares and bonds issued by the Group. The holdings of those assets are deducted from equity or eliminated. Consequently, the value of Liabilities under insurance contracts exceeds the value of Assets under insurance contracts.

Accounting policy

Assets include financial assets, investment property, tangible assets and associates. The financial assets are managed on a fair value basis with no short-term profit taking. The business model for managing the assets is therefore neither ‘held to collect’ nor ‘held to collect and sell’ and the financial assets are therefore mandatorily recognised at fair value through profit or loss. The valuation technique used matches the Group’s accounting policy for similar assets.

Recognition of life insurance provisions is based on actuarial computations of the present value of expected benefits for each insurance contract. The accounting for insurance liabilities follows the requirements in the Danish FSA’s executive order on financial reports for insurance companies etc.

Life insurance provisions include guaranteed benefits, a risk margin and individual bonus potentials.

Guaranteed benefits comprise obligations to pay guaranteed benefits to policyholders. These obligations are calculated as the present value of current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums. The actuarial computations rely on assumptions about a number of variables, including mortality and disability rates, and the expected frequency of surrenders and conversions into paid-up policies. The risk margin is the expected market payment to an acquirer of a policy in return for assuming the risk that the payment obligations under the policy deviate from the present value of the best estimate of the cash flows. The risk margin is determined using a margin on mortality intensity and intensity relating to conversions into paid-up policies and surrenders.

Policyholders’ share of the technical basis for insurance policies with a bonus entitlement not yet allocated to the individual policyholder is recognised in the collective bonus potential. Individual bonus potentials are calculated for the portfolio of insurance policies with bonus entitlement as the difference between the value of a policyholder’s savings and the present value of guaranteed benefits under the policy.

Liabilities also depend on the discount yield curve, which is fixed on the basis of an European Insurance and Occupational Pension Authority (EIOPA) yield curve and a volatility adjustment, also set by EIOPA.

Provisions for unit-linked insurance contracts are measured at fair value on the basis of each contract’s share of the earmarked assets and of the benefits guaranteed in the contract.

Notes – Danske Bank Group

G18. Assets and liabilities under insurance contracts continued

(a) Assets under insurance contracts (DKK millions)	2020	2019
Due from credit institutions	8,908	3,780
Investment securities	570,638	516,060
Holdings in associates	10,257	10,223
Investment property	15,720	15,237
Tangible assets	37	36
Reinsurers' share of provisions	287	337
Other assets	4,398	6,106
Total	**610,245**	**551,779**
including		
own bonds	39,332	37,522
own shares	441	459
other intra-group balances	24,764	18,805
Total assets	**545,708**	**494,993**

Investment securities under insurance contracts (DKK millions)	2020	2019
Listed bonds	208,758	211,943
Unlisted bonds	4,698	3,317
Listed shares	25,308	12,018
Unlisted shares	35,047	35,509
Unit trust certificates	139,002	145,856
Other securities	157,825	107,417
Total	**570,638**	**516,060**

(b) Liabilities under insurance contracts (DKK millions)	2020	2019
Life insurance provisions without collective bonus potential	171,442	172,018
Collective bonus potential	12,801	13,936
Provisions for unit-linked insurance contracts	219,509	201,924
Profit margin	6,854	6,146
Other technical provisions	18,130	17,608
Total provisions for insurance contracts	428,736	411,632
Other liabilities	181,768	140,173
Intra-group balances	-18,574	-15,914
Total	**591,930**	**535,891**

Provisions for insurance contracts (DKK millions)	2020	2019
Balance as at 1 January	411,632	383,255
Premiums paid	27,364	24,799
Benefits paid	-26,547	-28,005
Interest added to policyholders' savings	13,757	20,225
Fair value adjustment	6,525	10,003
Foreign currency translation	-367	91
Change in collective bonus potential	-1,134	2,249
Other changes	-2,494	-985
Balance as at 31 December	**428,736**	**411,632**

A portfolio of unit-linked contracts of DKK 31 billion has been reclassified from investment contracts to insurance contracts. Comparative information has been restated.

Notes – Danske Bank Group

G18. Assets and liabilities under insurance contracts continued

(c) Further explanation

The measurement of insurance liabilities is based on the requirements in the Danish FSA's executive order on financial reports for insurance companies etc. and is harmonised to the measurement under the Solvency II framework.

Below the different components of liabilities related to insurance contracts are explained.

Life insurance provisions

Life insurance provisions comprise obligations towards policyholders to

- pay guaranteed benefits
- pay bonuses over time on agreed premiums not yet due
- pay bonuses on premiums and other payments due
- include a risk margin

Recognition of life insurance provisions is based on actuarial computations of the present value of expected future benefits for each insurance contract using the discount rate at the balance sheet date. These computations rely on assumptions about a number of variables, including mortality and disability rates, and the expected frequency of surrenders and conversions into paid-up policies. Estimates of future mortality rates are based on Danish FSA benchmarks, while other estimates are based on empirical data from Danica Pension's own portfolio of insurance contracts. Estimates are updated regularly. The life insurance provisions also include a risk margin. Obligations for guaranteed benefits are calculated as the present value of current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums.

Insurance obligations are calculated by discounting the expected cash flows using a discount yield curve and a volatility adjustment, both defined by EIOPA as part of the Solvency II rules. At 1 January 2019, EIOPA changed its method of calculating the Danish volatility adjustment (VA) of the discount curve. As a result of the changed methodology and update of underlying parameters, the VA was reduced by 12 basis points. The financial effect of the changed discount curve was a DKK 1.5 billion reduction of the buffers and a reduction of the profit before tax of DKK 140 million and DKK 109 million after tax.

Collective bonus potential

Provisions for the collective bonus potential are the policyholders' part of the value of the bonus entitlement not yet allocated to the individual policyholders.

Provisions for unit-linked insurance contracts

Provisions are measured at fair value on the basis of each contract's share of the earmarked assets and of the benefits guaranteed in the contract.

Profit margin

The profit margin is the present value of the future profit on contracts expected to be recognised in the income statement concurrently with the provision of insurance cover and any other benefits under the contract. For products where life insurance and health and accident insurance are written together, these are measured collectively. Accordingly, the profit margin on the customers' savings component is reduced by an amount similar to the provision for losses on health and accident insurance that can be included in the profit margin before the reduction.

Other technical provisions

Other technical provisions includes outstanding claims provisions for non-life insurance contracts, unearned premiums provisions, a risk margin for non-life insurance contracts and provisions for bonuses and premium discounts. The item includes the provision for health and accident insurance contracts.

Other liabilities

Other liabilities includes the portion of Danica Pension's other liabilities assumed by customers. Other types of liabilities are measured in accordance with the Group's accounting policies for such liability types.

Notes – Danske Bank Group

G19. Intangible assets

Intangible assets consist of goodwill and customer relations taken over on the acquisition of undertakings. Further, acquired and internally developed software is recognised as an asset if certain criteria are fulfilled.

The Group did not make any acquisions of undertakings in 2020 and in 2019. In 2020, no impairment loss on goodwill was recognised. In 2019, the Group recognised impairment charges of DKK 1.6 billion on goodwill, see further below.

Accounting policy

Goodwill

Goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost (until 1 January 2010 including direct transaction costs) of the undertaking and the fair value of its net assets, including contingent liabilities, at the time of acquisition. Goodwill is allocated to cash-generating units at the level at which management monitors the investment.

Goodwill is not amortised; instead, each cash-generating unit is tested for impairment once a year, or more frequently if indications of impairment exist. Goodwill is written down to its recoverable amount through profit and loss if the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected from the unit.

Goodwill on associates is recognised under Holdings in associates.

Other intangible assets

Identifiable intangible assets taken over on the acquisition of undertakings, such as customer relations, are measured at their fair value at the time of acquisition and amortised over their expected useful live, usually five to ten years, according to the straight-line method and tested for impairment if indiciations of impairment exist.

Software acquired is measured at cost, including expenses incurred to make a software application ready for use. Software acquired is amortised over its expected useful life, usually three years, according to the straight-line method.

Software developed by the Group is recognised as an asset if the cost of development is reliably measurable and analyses show that future earnings from using the individual software applications exceed the cost. Cost includes expenses incurred to make a software application ready for use. Once a software application has been developed, the cost is amortised over its expected useful life, usually three years, according to the straight-line method. The cost of development consists primarily of direct remuneration and other directly attributable development costs. Costs incurred in the planning phase are not included but are expensed when incurred.

Software is tested for impairment if indications of impairment exist and is written down to its value in use.

(a) Intangible assets (DKK millions)	2020	2019
Goodwill	6,128	6,155
Customer relations	988	1,121
Software, acquired or internally developed	1,669	1,889
Total	**8,785**	**9,165**

In 2020, the Group recognised software development costs of DKK 1,616 million as an asset (2019: DKK 1,680 million) and expensed DKK 2,230 million (2019: DKK 2,735 million (restated)). An impairment loss of DKK 379 million was recognised in 2020 on software development costs (2019: DKK 355 million).

(b) Further explanation of impairment testing of goodwill

The Group's goodwill is tested for impairment at least once a year by testing at the level of identifiable cash-generating units to which goodwill has been allocated. Further, if goodwill in a cash-generating unit is fully impaired, a further impairment loss is recognised as an impairment loss on intangible or tangible assets, if any.

The impairment test in 2020 did not reveal any impairment loss.

Notes – Danske Bank Group

G19. Intangible assets continued

(DKK millions)	1.January 2019 Goodwill	Impairment charges	Foreign currency translation	31 December 2019 Goodwill	Foreign currency translation	31 December 2020 Goodwill
C&I, General Banking	509	-	-	509	-2	507
C&I, FI&C and Capital Markets	2,906	803	1	2,104	-9	2,095
Wealth Management, Danske Capital	1,815	-	1	1,816	-8	1,808
Wealth Management, Danica Pension	2,427	800	-	1,627	-	1,627
Others	98	-	1	99	-8	91
Total	**7,755**	**1,603**	**3**	**6,155**	**-27**	**6,128**

Model applied in the goodwill impairment tests for 2020 and 2019

The impairment test compares the recoverable amount and the carrying amount for each cash-generating unit. The recoverable amount is represented by the present value of expected future cash flows (value in use). The special debt structure of financial institutions requires the use of a discounted dividend (equity) model to calculate the present value of expected future cash flows, as the interest on lending and borrowings is included as part of the cash flows.

The carrying amount for each cash-generating unit is the aggregate of the cash-generating unit's goodwill and allocated capital. The cash-generating unit's allocated capital is derived using the Group's capital allocation framework. The capital framework is based on a regulatory approach to identify the individual business unit's capital consumption and is in accordance with the Group's capital targets. The capital framework includes the impact from implementation of CRR2/C21 and higher regulatory capital requirements from Basel IV. In the impairment test for 2020, the capital target was reduced from 16% to 15% in 2022 and 14.5% from 2023 in accordance with the current capital allocation model. This led to a decrease in the capital allocated to the cash-generating units compared to the impaiment test for 2019.

For each cash generating unit, the expected future cash flow is based on approved strategies and earnings estimates for the budget period representing the first five years. Future cash flows are budgeted based on actual performance in 2020 to take into account the impact of the corona crisis. Earnings are expected to normalise from 2022. For the terminal period, the steady state normalised level of earnings (expected dividend) is expected to grow at a constant growth rate equal to expected real GDP growth. Cash flow estimates are post-tax, and the risks of the individual cash-generating units are reflected in the estimated earnings. Accordingly, the risk-adjusted cash flows carry a similar risk profile. The estimated cash flows are discounted at the Group's risk-adjusted required rates of return post-tax.

Cash generating units with goodwill

Corporates & Institutions, General Banking

In 2007, Danske Bank acquired the shares of the Sampo Bank group and incorporated its banking activities into the business structure of Danske Bank's banking activities. In the beginning of 2011, General Banking was separated from banking activities into an independent unit, resulting in reallocation of goodwill to the unit. As a result of organisational changes in 2012, General Banking became part of Corporates & Institutions as a separate cash generating unit.

Corporates & Institutions, FI&C and Capital Markets

The trading activities of Sampo Bank were incorporated into the business structure of Danske Markets in 2007. As a result of organisational changes in 2012, Danske Markets became part of Corporates & Institutions as a separate cash generating unit. In 2015, the unit was renamed to FI&C and Capital Markets.

Wealth Management, Danske Capital

The wealth management activities of Sampo Bank were incorporated into the business structure of Danske Capital in 2007. In addition to the acquisition of Sampo Bank, goodwill recognised by Danske Capital is attributable to a number of smaller acquisitions. As a result of organisational changes in 2016, Danske Capital became part of Wealth Management as a separate cash generating unit.

Wealth Management, Danica Pension

This includes the acquisition of Danica Pensionsforsikring (formerly SEB Pension Danmark) in 2018 by the subsidiary Danica Pension. Through the acquisition of Danica Pensionsforsikring, the Group increased its presence in the Danish pension market, strengthened its innovation capacity and offered customers even better pension and insurance solutions. In 2019, Danica Pensionsforsikring was merged with Danica Pension. After the merger and integration of Danica Pensionsforsikring into Danica Pension, this goodwill is tested on the cash generating unit consisting of Danica Pension's Danish activities.

Key assumptions for goodwill impairment tests

Discount rate

The discount rate used to calculate the present value of expected future cash flows was changed from 8% after tax in the 2019 test to 7% after tax in the 2020 test after updating data used to calculate the discount rate. The discount rate has been determined on the basis of the Capital Asset Pricing Model and comprises a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined and updated yearly using external sources of information. The reduction in the discount rate reflects the reduction in the risk free interest rate and the market risk premium during 2020. The Group applies the same discount rate to all cash-generating units, as the risks of the individual cash-generating units are reflected in their estimated cash flows.

Notes – Danske Bank Group

G19. Intangible assets continued

Cash flows in the terminal period

Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate. The growth estimates are determined on the basis of Danske Research's forecasts of real GDP growth for the relevant markets. For Danske Capital, the assumed growth rate in the terminal period is 1.4% (2019: 1.4%), for Danica Pension the rate is 0% (2019: 0%), and for General Banking as well as for FI&C and Capital Markets, the rate is 1.5% (2019: 1.6%). Around 84% of the net present value of future cash flows is expected to be generated in the terminal period (2019: 74%).

Corporates & Institutions General Banking

Earnings are primarily affected by expectations for the interest level and its resulting effect on net interest income, as well as expectations for net fee income, on operating expenses and on credit losses.

The *interest rate levels* used in the impairment test are based on Danske Research's expectations for developments in overnight money market interest rates. The interest rates are expected to be positive from 2025 (2019: 2024). When interest rate levels increase, the return on allocated capital will increase. Earnings on lending and deposits depend on the growth in lending and deposits and on changes in lending and deposit margins. Lending and deposit volumes increased in 2020 driven by the corona crisis and are expected to decline in 2021, where after a normal underlying growth is expected. Expectations for growth in lending and deposits reflect Danske Bank's budgets for the first years and subsequently Danske Research's forecasts for real GDP growth. As lending and deposit margins are assumed to be constant regardless of the interest rate level, earnings from lending and deposits are not particularly sensitive to changes in the interest rate level.

Fee income is expected to continue to increase with the growth in GDP over the following years, however from a lower level due to the impact from the corona crisis.

From 2021-2023 *operating expenses* is expected to increase per year based on projections. 2024 and 2025 is based on expected wage inflation and other costs with general inflation. In addition there is an underlying cost increase in allocated cost from Group Functions due to mainly regulatory and compliance related activities.

The expectations for *credit losses* are for the budget period based on Danske Bank's estimates for each year, reflecting historical data adjusted to reflect the current situation, including the impact from the corona crisis. Credit losses are expected to normalise from 2022. Subsequently, expected credit losses are kept constant and reflect historical data for long-term annual credit losses.

Corporates & Institutions FI&C and Capital Markets

Earnings are primarily affected by expectations for net fee income, net trading income and costs.

From 2021-2023, *fee and trading income* are forecasted with actual projections, whereas 2024 and 2025 has been forecasted with the growth in GDP. Projections are based on expected fee and trading income for 2020 to reflect the impact of the corona crisis. Income is impacted by interest on calculated equity and Capital cost. Interest on calculated equity is calculated based on the overnight money market interest rate and the allocated capital. Interest on calculated equity changes from an expense to an income from 2025 (2019: 2024) as the overnight money market interest rate is expected to turn positive in that year. Capital costs are expected to increase driven by higher capital consumption and funding costs. The reasons for the higher funding costs is replacment of previous issued senior funding with new senior funding at a higher price.

From 2021-2023 *operating expenses* is expected to increase per year based on projections. In 2024-2025 is based on expected wage inflation and other costs with general inflation. In addition there is an underlying cost increase in allocated cost from Group Functions due to mainly regulatory and compliance related activities.

Wealth Management, Danske Capital

Earnings at Danske Capital depend primarily on the management fee on assets under management. Expected cash flows therefore depend on expectations for changes in assets under management and the average margin on those assets. For the period until the terminal period, changes in assets under management depend on net sales and on the accumulation of market returns on the assets. Assets under management declined in 2020 due to the impact of the corona crisis affecting market value and also the market actvitiy. Asset under management is expected to recover the lost ground in 2021, after which the development is expected to normalise from 2022. The average margin on assets under management is expected to be 0.32% (2019: 0.34%). The budgeted average margin on assets under management is slightly lower than the realised margin for 2020. The decrease in the average margin is among others driven by the allocation of assets between shares and bonds in funds and the allocation between active and passive managed funds. All assumptions reflect management's expectations.

Wealth Management, Danica Pension

Earnings are budgeted based on specific management forecast and projections, which includes expected reserves and provisions, fees and margins, operating cost base and effects from planned management actions. Future cash flows are budgeted taking into account the impact of the corona crisis on income and solvency capital requirements. Management actions mainly includes capital optimisation initiatives based on capital planning projections. For financial years after the forecast period, cash flows are projected based on the last year in the forecast period adjusted for an expected growth of 0% (2019: 0%), The growth rate reflects the expected long-term growth rate for life insurance.

Notes – Danske Bank Group

G19. Intangible assets continued

Sensitivity analysis

For *General Banking*, the excess value (the amount by which the recoverable amount exceeds the carrying amount of goodwill) amounts to DKK 12,812 million (2019: DKK 2,482 million). The increase in excess value is mainly due to the change in the discount rate, but also lower allocated capital because of reduction of the capital requirement and higher net interest income. Net interest income is expected to increase due to increasing deposit and lending volumes and more positive outlook for overnight money market interest rates. If the growth in the terminal period is reduced from 1.5% to -3.0% (2019: from 1.6% to -0.6%) or the discount rate is increased from 7.0% to 10.2% (2019: increased from 8.0% to 8.7%) the excess value would be zero.

For *FI&C and Capital Markets*, the excess value amounts to DKK 5,282 million (2019: DKK 0 million). The increase in excess value is driven by the lower discount rate. Lower costs as a result of redundancies and lower allocated capital because of reduction of the capital requirement have also contributed to the higher excess value. If the discount rate is increased from 7% to 8.4% or the growth in the terminal period is reduced from 1.5% to -0.3%, the excess value would be zero.

For *Danske Capital*, the excess value amounts to DKK 1,087 million (2019: DKK 1,069 million). The excess value is on same level as last year because the reduction of the discount rate countered the negative impact for of the expected reduction of the average margin on assets under management from 0.34% in the 2019 test to 0.32% in the 2020 test. The excess value is particularly sensitive to the assumption about the average margin on assets under management, as a further decrease from 0.32% to 0.22% would imply that the excess value is zero (2019: from 0.34% to 0.25%). For the other assumptions, the excess value would be zero if the discount rate was increased by 2.7 percentage points to 9.7% (2019: 3.5 percentage points to 11.5%), or the growth rate in the terminal period is lowered from 1.4% to -2.5% (2019: from 1.4% to -4.3%).

For *Danica Pension*, the excess value amounts to DKK 1,500 million (2019: DKK 0 million). The excess value increased mainly because of the lower discount rate. The excess value is particularly sensitive to regulatory driven increase in the solvency capital requirements. Sensitivity calculations show that an increase of the solvency capital requirement of DKK 1 billion at the end of 2020 would reduce the excess value by DKK 0.9 billion. If the growth in the terminal period is reduced from 0% to -1.0% or the discount rate is increased from 7% to 8%, an impairment loss of DKK 0.3 billion would have been recognised.

Notes – Danske Bank Group

G20. Due to credit institutions and central banks and Deposits

Amounts due to credit institutions and central banks and Deposits also include amounts received under repo transactions (sales of securities which the Group agrees to repurchase at a later date). Such transactions are presented as collateralised borrowings.

Accounting policy

Amounts due to credit institutions and central banks and Deposits in the Group's trading units (FI&C and Capital Markets in C&I) are designated at fair value through profit or loss. However, the amount of the change in fair value attributable to the Group's own credit risk is recognised in other comprehensive income.

All other balances are measured at amortised cost. If fixed-rate deposits are hedged effectively by derivatives, the fair value of the hedged interest rate risk is added to the amortised cost of the liabilities.

(a) Due to credit institutions and central banks (DKK millions)	2020	2019
Designated at fair value:		
Repo transactions	76,805	56,078
Other amounts due	16,068	23,799
Total designated at fair value	**92,873**	**79,877**
Amortised cost:		
Repo transactions	8,707	-
Other amounts due	109,602	75,369
Total amortised cost	**118,309**	**75,369**
Total	**211,182**	**155,246**

(b) Deposits (DKK millions)	2020	2019
Designated at fair value:		
Repo transactions	138,462	176,193
Time deposits	12,382	8,563
Total designated at fair value	**150,844**	**184,755**
Amortised cost:		
Repo transactions	-	-
Transaction accounts	1,090,686	879,932
Time deposits	75,388	60,130
Pension savings etc.	16,863	15,908
Total amortised cost	**1,182,937**	**955,970**
Total	**1,333,781**	**1,140,726**

(c) Further explanation on balances designated at fair value through profit or loss

Any changes in the fair value that is attributable to changes in the Group's own credit risk of the liabilities are recognised in other comprehensive income. As the deposits are collateralised and/or with a short maturity, no change in the fair value is attributable to changes in the Group's own credit risk. The amount that the Group would be contractually required to pay at maturity amounts to DKK 93.4 billion (2019: DKK 79.9 billion) for Due to credit institutions and central banks and DKK 150.8 billion (2019: DKK 184.8 billion) for Deposits.

Notes – Danske Bank Group

G21. Tax

Tax assets and liabilities are divided into current and deferred tax in this note. Current tax relates to expected tax to be paid on the profit for the year, whereas deferred tax relates to temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet. Further, this note gives an overview of the Group's tax expense for the year and the effective tax rate broken down by country. Since 2009, Danske Bank has been part of international joint taxation. This automatically runs for ten years and thus expires in 2019. The Board of Directors decided not to enter into a new 10-year period.

Accounting policy

Current tax

Current tax assets and liabilities are recognised in the balance sheet as the estimated tax payable on the profit for the year adjusted for prepaid tax and prior-year tax payables and receivables. Tax assets and liabilities are offset if the Group has a legally enforceable right to set off such assets and liabilities and intends either to settle the assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is measured on the basis of enacted or substantially enacted tax regulations and rates that are applicable in the relevant countries at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement on the basis of expected cash flows.The Group does not recognise deferred tax on temporary differences between the tax base and the carrying amounts of goodwill not subject to amortisation for tax purposes and other items if the temporary differences arose at the time of acquisition without effect on net profit or taxable income. If the tax base may be calculated according to several sets of tax regulations, deferred tax is measured in accordance with the regulations that apply to the use of the asset or settlement of the liability as planned by management. Tax assets arising from unused tax losses are only recognised if it is expected that such tax losses can be offset against tax on future profit in the next five years. Deferred tax assets and liabilities are offset when they relate to the same tax jurisdiction, a legally enforceable right to offset exists and the Group intends to settle on a net basis.

Current and deferred tax is calculated on the profit for the year, and adjustments of prior-year tax charges are recognised in the income statement. Tax on items recognised under Other comprehensive income is recognised under Other comprehensive income. Similarly, tax on items recognised in equity is recognised in equity. When uncertainty over tax treatment exists, the uncertainty is reflected by using either the most likely outcome (if the possible outcomes are binary or are concentrated on one value) or the expected value, probability weighted amounts in a range of possible outcomes (if there is a range of possible outcomes that are neither binary nor concentrated on one value).

Notes – Danske Bank Group

G21. Tax continued

(a) Tax assets and liabilities (DKK millions)

	Tax assets		Tax liabilities	
	2020	2019	2020	2019
Current tax charge	4,448	2,604	16	164
Deferred tax	754	383	1,805	2,008
Total tax	**5,202**	**2,987**	**1,821**	**2,172**

(b) Change in deferred tax (DKK millions)

2020	1 January	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	31 Dececember
Intangible assets	263	4	-94	-	173
Tangible assets	1,941	-12	-371	1	1,559
Securities	8	1	3	-	12
Provisions for obligations	312	-18	332	-39	587
Tax loss carry forwards	-170	9	-289	-	-450
Other	-728	7	-37	-71	-829
Total	**1,625**	**-9**	**-456**	**-109**	**1,051**
2019					
Intangible assets	387	-1	-123	-	263
Tangible assets	1,411	3	514	13	1,941
Securities	387		-384	5	8
Provisions for obligations	-11	16	328	-21	312
Tax loss carry forwards	-291	-12	133		-170
Recapture of tax loss	5,806		-5,806		-
Other	-364	-6	-298	-60	-728
Total	**7,323**	**-**	**-5,636**	**-63**	**1,625**

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit in the next five years. The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 2.9 billion (2019: DKK 2.9 billion).

In 2019 the Board of Directors decided not to enter into a new 10-year period. The expire of the international joint taxation is expected to lead to a tax payment of DKK 576 million, however, the final tax payment is subject to uncertainty as it involves the estimation of the fair value of foreign units with tax losses deducted in the joint taxation. In 2019 the deferred tax liability for recapture of tax loss from international joint taxation of DKK 5,806 million was reversed leading to an accounting income of DKK 5,230 million.

In 2019, a provision for deferred tax of DKK 1,096 million has been recognised related to financial instruments measured at amortised cost. The provision is included under the line item Provisions for obligations in the table.

Notes – Danske Bank Group

G21. Tax continued

(c) Tax expense

Tax 2020 (DKK millions)	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	1,192	115	617	-304	23	2	70	1,715
Tax on other comprehensive income	-48	-	10	-	-71	-	-	-109
Tax on profit for the year								
Current tax charge	1,028	174	577	76	-79	-	122	1,898
Transferred to other comprehensive income	48	-	-10	-	71	-	-	109
Change in deferred tax	216	-64	-	-377	42	3	-65	-245
Adjustment recognised tax loss					-7	-3		-10
Adjustment of prior-year tax charges	-100	5	49	-3	-14	2	13	-48
Change in deferred tax charge as a result of increased tax rate	-	-	1	-	10	-	-	11
Total	**1,192**	**115**	**617**	**-304**	**23**	**2**	**70**	**1,715**
Effective tax rate %								
Tax rate	22.0	20.0	21.4	25.0	24.0	12.5		
Non-recognised tax loss						-12.5		
Non-taxable income	-0.8	-11.0	-0.1	3.1	-5.5	-		
Non-deductible expenses	12.0	4.3	0.3	-1.3	9.4	-		
Tax on profit for the year	**33.2**	**13.3**	**21.6**	**26.8**	**27.9**	**-**		
Adjustment of prior-year tax charges	-2.6	0.7	1.9	0.3	-11.9	10.9		
Adjustment recognised tax loss	-	-	-	-	-5.5	-		
Change in deferred tax charge as a result of increased tax rate	-	-	-	-	8.4	-		
Effective tax rate	**30.6**	**14.0**	**23.5**	**27.1**	**18.9**	**10.9**	**-**	**27.2**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	-2	-	10	-	-46	-	-	-38
Hedging of units outside Denmark	-11	-	-	-	-	-		-11
Bonds at fair value (OCI)	-35	-	-	-	-25	-	-	-60
Total	**-48**	**-**	**10**	**-**	**-71**	**-**	**-**	**-109**

Notes – Danske Bank Group

G21. Tax continued

Tax 2019 (DKK millions)	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	-2,872	-13	621	724	178	64	49	-1,249
Tax on other comprehensive income	56	-	38	-	-68	-		26
Tax on profit for the year								
Current tax charge	1,317	181	580	675	4	-	166	2,923
Transferred to other comprehensive income	-56	-	-38	-	68	-	-	-26
Impact related to exit from International Joint Taxation	-5,230	-	-	-	-	-	-	-5,230
Change in deferred tax*	1,254	-146	71	56	120	19	-140	1,235
Adjustment recognised tax loss	-	-	-	-	-36	-19	-	-55
Adjustment of prior-year tax charges	-157	-48	8	-7	21	64	23	-96
Total	**-2,872**	**-13**	**621**	**724**	**178**	**64**	**48**	**-1,249**
Effective tax rate %								
Tax rate	22.0	20.0	21.4	25.0	27.1	12.5		
Non-recognised tax loss						-12.5		
Non-taxable income	-8.1	-16.9	-0.1	-0.6	-0.4	-		
Non-deductible expenses	8.8	0.9	0.3	0.3	2.2	-		
Tax on profit for the year	**22.7**	**4.0**	**21.6**	**24.7**	**28.9**	**-**		
Adjustment of prior-year tax charges	-2.4	-6.8	0.3	-0.2	3.9	38.6		
Exit from International Joint Taxation	-78.6	-	-	-	-	-		
Change in deferred tax charge as a result of lowered tax rate	16.5	-	-	-	-	-		
Effective tax rate	**-41.8**	**-2.8**	**21.9**	**24.5**	**32.8**	**38.6**		**-9.0**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	9.0	-	38.0	-	-68.0	-	-	-21.0
Hedging of units outside Denmark	47.0	-						47.0
Total	**56.0**	**-**	**38.0**	**-**	**-68.0**	**-**	**-**	**26.0**

* Includes the provision for deferred tax on assets and liabilities measured at amortised cost of DKK 1,096 million.

The accounting income related to the expire of the international joint taxation is net of the expected tax payment of DKK 576 million. For further information, see section (b) in this note.

Notes – Danske Bank Group

G22. Issued bonds

The issued bonds presented in this note consist of preferred senior, non-preferred senior and subordinated bonds issued by the Group, with the exception of additional tier 1 capital accounted for as equity. Note G16 provides more information about issued bonds measured at fair value through profit or loss and note G25 provides more information about additional tier 1 capital accounted for as equity.

Preferred senior bonds are presented under the balance sheet item Issued bonds at amortised cost, while non-preferred senior and subordinated bonds are presented as separate line items in the balance sheet. Non-preferred senior bonds rank senior to subordindated debt and junior to other debt. Subordinated bonds are liabilities in the form of subordinated loan capital and other capital instruments which, in case of the Group's voluntary or compulsory winding-up, will not be repaid until the claims of its ordinary and non-preferred senior creditors have been met. Subordinated bonds include additional tier 1 capital that converts into a variable number of ordinary shares if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group (the trigger event). The number of shares the additional tier 1 capital could potentially convert into is a function of the share price at the time of conversion, however, minimised to USD 23.97 per share (a maximum of 62.6 million shares for the outstanding amount of the capital of USD 1.5 billion). This capital utilises 70% of the Board of Directors' authorisation to issue shares without pre-emption rights. For further information on the Group's additional tier 1 capital, see note G25.

Accounting policy

Issued bonds, both senior, non-preferred senior and subordinated bonds, are at initial recognition measured at fair value less transaction costs and subsequently measured at amortised cost plus the fair value of the hedged interest rate risk. Interest income is recognised according to the effective interest rate method, including amortisation of any difference between the amount received on issue and the redemption amount.

The Group issues perpetual bonds with discretionary interest payments that fulfil the requirements for additional tier 1 capital under the Capital Requirements Regulation (CRR). If a trigger event occurs, those bonds must be either written down temporarily or converted into a variable number of ordinary shares, depending on the terms of the individual bond issue. Bonds that convert into a variable number of ordinary shares are accounted for as liabilities, while bonds that are temporarily written down are accounted for as equity. For liability accounted bonds, the interest expense is recognised in the income statement, i.e. the bonds are accounted for as liabilities in their entirety.

The yield on some issued bonds depends on an index that is not closely linked to the bonds' financial characteristics, for example an equity or commodity index. Such embedded derivatives are bifurcated and measured at fair value in the trading portfolio.

(a) Other issued bonds

Issued bonds at fair value

(DKK millions)	2020	2019
Bonds issued by Realkredit Danmark (covered bonds)	775,844	795,721
Commercial papers and certificates of deposits	8,183	6,780
Issued bonds at fair value, total	**784,027**	**802,501**

Bonds issued by Realkredit Danmark under the Group's green bond framework amounted to a nominal value of DKK 9,809 million outstanding at the end of 2020 (2019: DKK 812 million).

Issued bonds at amortised cost

(DKK millions)	2020	2019
Commercial papers and certificates of deposits	14,184	4,043
Preferred senior bonds	61,344	70,395
Covered bonds	170,044	181,918
Issued bonds at amortised cost, total	**245,573**	**256,355**
Non-preferred senior bonds	106,371	87,054

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

Notes – Danske Bank Group

G22. Issued bonds continued

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

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

The Group has issued non-preferred senior bonds in accordance with the Group's green bond framework. At the end of 2020, the nominal value of green non-preferred senior bonds amounted to DKK 3,720 million (2019: DKK 3,735 million) and is included under non-preferred senior bonds in the tables above.

Broken down by maturity (DKK millions)	2020	2019
Redeemed bonds 2020		71,501
2021	77,001	58,796
2022	64,527	58,282
2023 or later	217,813	160,901
Nominal value of other issued bonds	359,340	349,481
Fair value hedging of interest rate risk	8,385	6,611
Premium/discount	1,072	211
Own holding of bonds issued	8,671	6,113
Total other issued bonds	**360,126**	**350,190**

Notes – Danske Bank Group

G22. Issued bonds continued

(b) Subordinated debt

Subordinated debt consists of liabilities in the form of issued subordinated bonds. Some of these bonds (presented as liability accounted additional tier 1 capital below) rank below other subordinated bonds. Early redemption of subordinated debt must be approved by the Danish FSA. Subordinated debt is included in total capital in accordance with the CRR.

The issuance and redemption of subordinated debt during the year and the maturity of the outstanding debt are presented in the tables below.

Nominal value (DKK millions)	1 January 2020	Issued	Redeemed	Foreign currency translation	Other changes	31 December 2020
Subordinated debt, excluding liability accounted additional tier 1 capital	21,571	3,721	2,180	-54		23,058
Liability accounted additional tier 1 capital	10,014	-	-	-935		9,079
Total subordinated debt	**31,585**	**3,721**	**2,180**	**-989**		**32,137**

Nominal value (DKK millions)	1 January 2019	Issued	Redeemed	Foreign currency translation	Other changes	31 December 2019
Subordinated debt, excluding liability accounted additional tier 1 capital	13,132	11,901	3,467	5	-	21,571
Liability accounted additional tier 1 capital	9,782	-	-	232	-	10,014
Total subordinated debt	**22,914**	**11,901**	**3,467**	**237**	-	**31,585**

Currency	Borrower	Note	Nominal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2020 (DKK m)	2019 (DKK m)
Subordinated debt, excluding liability accounted additional tier 1 capital									
Redeemed loans 2020									2,181
EUR	Danske Bank A/S	a	500	2.75	2014	19.05.2026	100	3,720	3,735
EUR	Danica	b	500	4.375	2015	29.09.2045	100	3,720	3,735
EUR	Danske Bank A/S	c	750	2.5	2019	21.06.2029	100	5,579	5,602
SEK	Danske Bank A/S	d	1,000	var	2019	14.11.2029	100	740	716
EUR	Danske Bank A/S	e	750	1.375	2019	12.02.2030	100	5,579	5,602
EUR	Danske Bank A/S	f	500	1.5	2020	02.09.2030	100	3,720	
Subordinated debt, excluding liability accounted additional tier 1 capital								**23,058**	**21,571**
Liability accounted additional tier 1 capital									
USD	Danske Bank A/S	g	750	6.125	2017	Perpetual	100	4,539	5,007
USD	Danske Bank A/S	h	750	7.0	2018	Perpetual	100	4,539	5,007
Liability accounted additional tier 1 capital								**9,079**	**10,014**
Nominal subordinated debt								32,137	31,585
Discount								-169	-191
Fair value hedging of interest rate risk								435	377
Own holding of subordinated debt								-66	-37
Total subordinated debt								**32,337**	**31,733**
Portion included in total capital as additional tier 1 or tier 2 capital instruments								**28,417**	**27,473**

Total capital further includes DKK 8.6 billion (2019: DKK 14.2 billion) from the additional tier 1 bond issues accounted for as equity (see note G25).

Notes – Danske Bank Group

G22. Issued bonds continued

a Optional redemption in May 2021. If the debt is not redeemed, the annual interest rate will be reset at 1.52 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

b Optional redemption from September 2025. If the debt is not redeemed, the annual interest rate will be reset at 4.38 percentage points above the 10-year EUR swap rate every tenth year until maturity. Solvency II compliant tier 2 capital and included in Danica's capital base.

c Optional redemption in June 2024. If the debt is not redeemed, the annual interest rate will be reset at 2.50 percentage points above the 5 year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

d Optional redemption in November 2024. If the debt is not redeemed, the quarterly interest rate will be reset at 1.90 percentage points above the 3-month STIBOR rate for the remaining five years until maturity. CRR compliant tier 2 capital.

e Optional redemption in February 2025. If the debt is not redeemed, the annual interest rate will be reset at 1.70 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

f Optional redemption in September 2025. If the debt is not redeemed, the annual interest rate will be reset at 1.90 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

g Optional redemption from March 2024. If the debt is not redeemed, the annual interest rate will be reset at 3.896 percentage points above 7-year USD swap rate. CRR compliant tier 1 capital. The capital converts into a variable number of shares if Danske Bank Group's or Danske Bank A/S' commen equity tier 1 capital ratio falls below 7%. The instrument is included as a CRR compliant additional tier 1 capital instrument in the statement of capital.

h Optional redemption from June 2025. If the debt is not redeemed, the annual interest rate will be reset at 4.130 percentage points above 7-year USD swap rate. CRR compliant tier 1 capital. The capital converts into a variable number of shares if Danske Bank Group's or Danske Bank A/S' commen equity tier 1 capital ratio falls below 7%. The instrument is included as a CRR compliant additional tier 1 capital instrument in the statement of capital.

Notes – Danske Bank Group

G23. Assets held for sale

Assets held for sale includes assets that fall under IFRS 5. In the balance sheet, Assets held for sale are presented under Other assets.

Accounting policy

Assets held for sale and Liabilities in disposal groups

Assets held for sale are tangible assets and disposal groups of assets actively marketed for sale and for which a sale is expected to occur within 12 months. A disposal group is a group of assets that will be disposed of in a single transaction and includes any directly associated liabilities. A disposal group includes for example companies (subsidiaries) taken over under non-performing loan agreements. Further, loans that are marketed for sale are transferred to Assets held for sale. The loans are written down to their expected selling price.

When significant, assets held for sale and liabilities in disposable groups held for sale are presented separately in the balance sheet.

Tangible assets held for sale are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated. For disposal groups, the net assets in the disposal group is remeasured at the lower of the carrying amount of the net assets in the disposal group at the time of reclassification and fair value less expected cost to sell.

If a disposal group of assets and liabilities represents a separate major line of business (typically a reportable segment) or a geographical area of operation or is a subisidiary acquired exlusively with a view of resale, it is presented as a discontinued operation. For a discontinued operation, net profit is presented as a single item 'Net profit from discontinued operations' in the income statement, i.e. no longer included as income and expenses from the Group's continuing operations.

Assets held for sale

(DKK millions)	2020	2019
Loans held for sale	416	938
Other	293	414
Total	**709**	**1,352**

Loans held for sale consists of loan portfolios within the non-core segment where the Group has entered into sales agreements. At the end of 2020, it consists of portolios of loans to commercial customers in Latvia. At the end of 2019, it consisted of portfolios of loans to personal customers in Lithuania and Latvia.

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

(a) Further explanation

At the end of 2019, loans held for sale consists of portfolios of loans to personal customers in Lithuania and Latvia. In December 2019 and January 2020, the Group entered into agreements to sell the portfolios. The transactions settled in first half of 2020. In June 2020, an agreement to sell a portfolio of Estonian corporate loans managed by the Lithuania branch was entered into. The transaction settled in October 2020.

In April 2019, the Group together with the other owners, entered into an agreement to sell the shares in the associate undertaking LR Realkredit. The sale settled in December 2019.

Notes – Danske Bank Group

G24. Other assets and Other liabilities

The Group uses quantitative and qualitative materiality considerations when aggregating line items in the balance sheet that are not considered individually material. Such line items are presented under Other assets or Other liabilities and consist of assets and liabilities in disposal groups, net assets or net liabilities in defined benefit pension plans, investment property, tangible assets, right-of-use lease assets and lease liabilities and holdings in associates.

The Group uses clean pricing of financial instruments, and accrued interest is therefore included in Other assets and Other liabilities. In addition, prepayments and accrued income and expenses are included under Other assets and Other liabilities. Other staff commitments includes provisions for holiday payments, variable remuneration, severance pay etc. The provisions recognised represent the compensation that the employee has earned and that is expected to be paid to the employee.

Accounting policy

Defined benefit pension plans

When the Group has entered into defined benefit pension plans, the amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is calculated on the basis of expected future trends in salaries and interest rates, the time of retirement, mortality rates and other factors. The present value of pension benefits less the fair value of pension assets is recognised as a pension obligation for each plan under Other liabilities. If the net amount of a defined benefit pension plan is positive and may be repaid to the Group or reduce its future contributions to the plan, the net amount is recognised under Other assets. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations.

Right of use lease assets and lease liabilities

The Group recognise a right-of-use asset and a lease liability at the commencement date, for all lease agreements, that the Group has entered into as lessee, exept short-term leases and leases of low value asset. The lease liability is initially measured at the present value of the future payments from lease components, discounted using the incremental borrowing rate for the individual lease. The lease liability is subsequently measured by increasing the carrying amount, to reflect interest and by reducing the carrying amount to reflect the lease payments made. Furher lease liabilities are changed when reameasurements are needed, corresponding adjustment is the related right-of-use asset. Gain or loss from a lease modification, not accounted for as a separate lease, is recognised in profit and loss. The initial right-of-use asset comprise the amount of the initial measurement of the lease liability, lease payments made at or before the commencement day, initial direct costs and costs to restore the underlying asset. The right-of-use asset are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. When the Group is an intermediate lessor, the Group accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Investment property

Investment property is real property, including real property let under operating leases, which the Group owns for the purpose of receiving rent and/or obtaining capital gains. Real property with both domicile (occupied by the Group's support, administrative and back-office functions) and investment property elements is allocated proportionately to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as investment property if the Group occupies less than 10% of the total floorage. Investment property is recognised at fair value. Fair value adjustments and rental income are recognised under Other income. Real property taken over by the Group under non-performing loan agreements that is expected to be sold within 12 months of classification is valued in accordance with the principles used for investment property but presented as Assets held for sale.

Tangible assets

Tangible assets include domicile property and plant and equipment. Plant and equipment cover equipment, vehicles, furniture, fixtures and leasehold improvements. Tangible assets also include lease assets, i.e. assets let under operating leases, except real property. Lease assets includes cars, lorries and equipement. Tangible assets are measured at cost and depreciated over the estimated useful life. The estimated useful life is 20-50 years for domicile property, 3-10 years for plant and equipment and three years for lease assets. Depreciation charges are recognised under Operating expenses.

Tangible assets are tested for impairment if indications of impairment exist. An impaired asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Loan commitments and guarantees

The Group issues a number of loan commitments and guarantees. Such exposures are subject to impairment for excepted credit losses. Further information can be found in note G15.

Other provisions, including lititgations

Provisions for other obligations, such as lawsuits, are recognised if the obligation is likely to result in a payment obligation and the amount can be measured reliably. Liabilities are recognised at the present value of expected payments.

Notes – Danske Bank Group

G24. Other assets and Other liabilities continued

Other assets and Other liabilities (DKK millions)	2020	2019
Other assets*		
Accrued interest and commissions due	3,607	3,928
Prepayments, accruals and other amounts due	14,068	14,430
Defined benefit pension plan, net assets	2,547	2,252
Investment property	2,256	2,644
Tangible assets	8,547	8,450
Right of use lease assets	4,819	5,634
Holdings in associates	209	341
Assets held for sale	709	1,352
Total	**36,761**	**39,031**
Other liabilities		
Sundry creditors	32,852	28,695
Accrued interest and commissions due	6,676	6,833
Defined benefit pension plans, net liabilities	642	692
Other staff commitments	3,022	1,993
Lease liabilities	4,761	5,526
Loan commitments and guarantees etc.	2,724	2,039
Reserves subject to a reimbursement obligation	9	13
Liabilities in disposal groups	47	110
Other provisions, including litigations	558	401
Total	**51,291**	**46,301**

*Using the Group's quantitative and qualitative materiality considerations, Assets held for sale and Liabilities in disposal groups are no longer presented as separate line items in the balance sheet and, therefore, presented within Other assets and Other liabilities, respectively. Comparative information has been restated to reflect this.

Information on defined benefit plans and holdings in associates is provided in notes G9 and G39, respectively.

(a) Further explanation other assets

Investment property is recognised at fair value through profit or loss under Other income. Information on the method used to determine the fair value of investment properties is provided in note G34.

Right-of-use lease assets includes domicile property of DKK 3,938 million) (2019: DKK 4,650 million) and other tangible assets of DKK 881 million (2019: DKK 984 million). The depreciation charge is respectively DKK 731 million (2019: DKK 730 million) and DKK 111 million (2019: DKK 109 million). The interest expense on the corresponding lease liability is DKK 76 million (2019: DKK 83 million). There has been no significant impairment losses of the right-of-use lease assets in 2020 and 2019.

Tangible assets consist primarily of lease assets (where the Group acts as lessor). Further, it includes domicile property (not held for sale) amounting to DKK 140 million (2019: DKK 179 million). If indications of impairment exist, the properties are written down to the lower of the carrying amount and its value in use determined on the basis of the rate of return used for investment property. Note G33 provides more information. There was no write-down in 2020, nor in 2019. The fair value of the properties was DKK 286 million (2019: DKK 324 million). The required rate of return of 3.4% (2019: 7.8%) was determined in accordance with Danish FSA rules.

Information on Assets held for sale can be found in note G23.

(b) Further explanation other liabilities

The table below shows an analysis of provisions by class of provision

Provisions	Customer remediations	Regulatory and legal proceedings	Restructuring cost	Other provisions
Balance as at 1 Januar 2020	628	10	260	1,870
Additional provisions made	377	1	785	23
Amounts used	50	1	188	43
Reversals	151	1	24	3
Foreign exchange adjustments	-	-	-3	-5
Balance as at 31 December 2020	**804**	**8**	**830**	**1,842**

Notes – Danske Bank Group

G24. Other assets and Other liabilities continued

Customer remediation refers to activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by the Group in response to customer complaints and/or industry developments in sales practices and is not necessarily initiated by regulatory action. Customer remediation includes the provision for customer compensation in the debt collection case, the Flexinvest Fri case and other investor protection cases.

Regulatory and legal proceedings include civil court, arbitration or tribunal proceedings brought against companies within the Danske Bank Group (whether by way of claim or counterclaim) or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. Regulatory matters refer to investigations, reviews and other actions carried out by, or in response to the actions of, regulators or law enforcement agencies in connection with alleged wrongdoing by companies within the Danske Bank Group. For futher information on regulatory and legal proceedings, including the Estonia matter, see note G27(c).

Restructuring costs include provisions for severance pay in connection with termination of employees and provisions for branch mergers and closure of office sites. Other provisions includes the provision of DKK 1.5 billion (2019: DKK 1.5 billion) for the donation of the estimated gross income from the non-resident portfolio at the Estonian branch. The foundation will be set up to support initiatives aimed at combating international financial crime. Any confiscated or disgorged gross income will be deducted from the donation to the foundation. Further, Other provisions includes a provision of DKK 0.3 billion (2019: DK 0.3 billion) for restor of lease assets.

In the table above showing the decomposition of Other liabilities, Customer remediation and Other provisions, except restor of lease assets, are included in the line item Sundry credits, while the other provisions are included in the line item Other provisions, including litigations.

Further analysis of the movement in the expected credit loss provision is disclosed within the 'Reconciliation of total allowance account' in note G15.

At the end of 2019, Liabilities in disposal groups held for sale consist of deposits to personal customers in Lithuania and Latvia and subject to sales agreements that settled in the first half of 2020.

Notes – Danske Bank Group

G25. Equity

Equity is the residual interest in the assets after deducting all liabilities recognised in the balance sheet. Equity is divided between capital and reserves that are attributable to holders of shares issued by the Group (owners of Danske Bank A/S) and other parties holding an interest in the net assets of the Group.

At the end of 2020, the nominal value of issued additional tier 1 capital in Danske Bank Group amounted to DKK 17,658 million (2019: DKK 24,219 million) of which DKK 8,579 million (2019: DKK 14,205 million) is accounted for as equity instruments and DKK 9,079 million (2019: 10,014 million) as liability instruments, see note G22. Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bondholders. Additional tier 1 capital that are accounted for as equity instruments are included in equity as a non-controlling interest. This means that equity was increased at the time of issue by the net proceeds received. When interest is paid, the amount paid to investors reduces equity at the time of payment and does not affect net profit. If the Group decides to repay the capital, equity will be reduced by the redemption amount at the time of redemption. The capital issued is included in tier 1 capital instruments in the statement of capital as it meets the criteria of the CRR for such instruments.

Accounting policy

Equity is the residual interest in recognised assets after deduction of recognised liabilities. In this context, the following items are of particular interest:

Own shares

Amounts received or paid for the Group's sale or purchase of Danske Bank shares are recognised directly in equity under transactions with owners. The same applies to premiums received or paid for derivatives entailing settlement in own shares. A capital reduction by cancellation of own shares will lower the share capital by an amount equal to the nominal value of the shares at the time of registration of the capital reduction.

Additional tier 1 capital

The capital instruments accounted for as equity instruments include no contractual obligation to deliver cash or another financial asset to the holders, as Danske Bank A/S may, at its sole discretion, omit payment of interest and principal payments to the bondholders. Therefore, the issue does not fall under the definition of financial liabilities under IAS 32. The net amount received at the time of issue is recognised as an increase in equity. Interest payments are accounted for as dividends, which are recognised directly in equity at the time the payment obligation arises. If Danske Bank A/S chooses to redeem the bonds, equity will be reduced by the redemption amount at the time of redemption. Amounts received or paid for the sale or acquisition of own holdings of additional tier 1 capital instruments are recognised directly in equity, similarly to holdings of own shares.

(a) Further explanation

Equity consists of various components, including the accumulated balance of each class of other comprehensive income, retained earnings and issued additional tier 1 capital. The various components of equity are described below. Tax on items recognised directly in equity is recognised under Retained earnings.

Foreign currency translation reserve

Assets and liabilities of units outside Denmark are translated into DKK at the applicable exchange rates at the balance sheet date. Income and expenses are translated at the applicable exchange rates at the transaction date. Gains and losses arising at the translation of net investments in units outside Denmark are recognised under Other comprehensive income and recognised in the foreign currency translation reserve in equity. Net investments include the net assets and goodwill of the units as well as holdings in the form of subordinated loan capital and other loans to the units for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate adjustments of financial liabilities used for hedging the Group's net investments are also recognised under Other comprehensive income and in the foreign currency translation reserve. Further information can be found in Note G12(d).

If the net investment in a unit outside Denmark is sold, translation differences, including the impact from hedge, are reclassified from Other comprehensive income to the income statement.

Reserve for bonds at fair value through other comprehensive income

The reserve covers unrealised fair value adjustments, other than expected credit losses and foreign exchanges gains and losses, of bonds measured at fair value through other comprehensive income. Unrealised fair value adjustments of hedged interest rate risks that qualify for fair value hedge accounting are recognised in the income statement and are not included in the reserve. When bonds are sold, the Group reclassifies unrealised value adjustments from the reserve to the income statement.

Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in equity. The dividends are recognised as a liability when the general meeting has adopted the proposal.

Notes – Danske Bank Group

G25. Equity continued

Share-based payments

Share-based payments by the Group are settled in Danske Bank shares. The fair value at the grant date is expensed over the vesting period and set off against equity. At the time of exercise, payments by employees are recognised as an increase in equity. As with other purchases of Danske Bank shares, shares acquired for hedging purposes reduce equity by the amount paid.

Non-controlling interests

Non-controlling interests' share of equity equals the carrying amounts of the net assets in group undertakings not owned directly or indirectly by Danske Bank A/S. Non-controlling interests amounted to DKK 0 million (2019: DKK 1 million) and are presented under 'Additional tier 1 capital' as other holders of equity than shareholders of the parent company.

Additional tier 1 capital holders

This reserve includes the net proceed received at the time of issuance and accrued interest not yet paid to the holders of the capital.

As described above, Danske Bank A/S may, at its sole discretion, cancel interest payments to additional tier 1 bond holders (equity accounted as well as liability accounted bonds). Any interest payments must be paid out of distributable items, which primarily consist of retained earnings at Danske Bank A/S and Danske Bank Group (see section 5.4.3 of Risk Management 2019 for further information). The additional tier 1 capital will be either written down temporarily or converted into a variable number of shares (depending on if the common equity tier 1 ratio falls below 7% for Danske Bank A/S or Danske Bank Group). The ratio at year-end is disclosed in the statement of capital for Danske Bank A/S and Danske Bank Group. Bonds that are temporarily written down are accounted for as equity, while bonds that convert into a variable number of ordinary shares are accounted for as liabilities (included in note G22).

Outstanding equity accounted additional tier 1 capital

Currency	Borrower	Note	Nominal (DKK m)	Interest rate	Year of issue	Maturity	2020 (DKK m)	2019 (DKK m)
Equity accounted additional tier 1 capital								
Redeemed capital instruments 2020								5,602
EUR	Danske Bank A/S	a	750	5.875	2015	Perpetual	5,579	5,602
DKK	Danske Bank A/S	b	3,000	var.	2016	Perpetual	3,000	3,000
Equity accounted additional tier 1 capital							**8,579**	**14,205**

The amounts shown in the two last columns represent the nominal value translated into Danish kroner at the applicable exchange rates at 31 December, and equal the amounts included as tier 1 capital in the statement of capital. In the financial statements, the instruments have increased Equity by the proceeds received at the time of issue and is not subsequently changed due to changes in e.g. exchange rates. At the end of 2020, the fair value of the outstanding equity accounted additional tier 1 capital amounted to DKK 8,867 million (2019: DKK 14,639 million).

In April 2020, the Group redeemed EUR 750 million of additional tier 1 capital at the first call date. The redemption led to a reduction in shareholders' equity of DKK 5,600 million.

a. Interest is paid semi-annually at an annual rate of 5.875. If certain criteria are fulfilled, including approval by the Danish FSA, the bonds may be redeemed at par from April 2022. If the bonds are not redeemed, the annual interest rate will be reset at 5.471 percentage points above the 7-year EUR swap rate every seventh year. The capital is temporarily written down if Danske Bank Group's or Danske Bank A/S' commen equity tier 1 capital ratio falls below 7%. The instrument is included as a CRR compliant additional tier 1 capital instrument in the statement of capital.

b. Interest is paid quarterly at a variable rate of 3M CIBOR + 4.75% p.a. If certain criteria are fulfilled, including approval by the Danish FSA, the bonds may be redeemed at par from November 2021. If the bonds are not redeemed, the margin remains unchanged. The capital is temporarily written down if Danske Bank Group's or Danske Bank A/S' commen equity tier 1 capital ratio falls below 7%. The instrument is included as a CRR compliant additional tier 1 capital instrument in the statement of capital.

Notes – Danske Bank Group

G26. Note to the cash flow statement

This note provides further information on the cash flow statement, including a reconciliation of the cash flows arising from financing activities.

Accounting policy

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

In the cash flow statement, cash flows are divided into cash flows from operations, investing activities and financing activities. Investing activities include cash flows from the sale or acquisition of tangible and intangible assets as well as businesses. Financing activities include cash flows from the Group's issued subordinated debt, additional tier 1 capital (both liability- and equity-accounted bonds) and share capital.

All credit institutions and insurance companies supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities. Note G31 provides information on amounts due from credit institutions that are provided as collateral for liabilities or contingent liabilities.

Adjustment for non-cash operating items (DKK millions)	2020	2019
Income from holdings in associates	193	-386
Amortisation/depreciation of intangible, tangible and right-of-use assets	6,304	7,591
Loan impairment charges	7,089	1,729
Other	-594	1,435
Total	**12,993**	**10,369**

Reconciliation of liabilities from financing activities		Cash flows		Non-cash changes		
(DKK millions)	1 January 2020	Issued	Redeemed	Foreign exchange movement	Fair value changes	31 December 2020
Subordinated debt	**31,733**	**3,721**	**2,180**	**-989**	**52**	**32,337**
Non-preferred senior bonds	**87,054**	**23,610**		**-5,569**	**1,276**	**106,371**

		Cash Flows		Non-Cash Changes		
(DKK millions)	1 January 2019	Issued	Redeemed	Foreign exchange movement	Fair Value changes	31 December 2019
Subordinated debt	**23,092**	**11,791**	**3,467**	**237**	**80**	**31,733**
Non-preferred senior bonds	**26,353**	**59,808**	**-**	**539**	**354**	**87,054**

Fair value changes include the impact from fair value hedge accounting, amortisation of transaction costs and changes in own holdings. The cash flows from debt issued and redeemed are based on the applicable foreign exchange rate at the transaction date and net of any transaction costs etc. In note G22, which shows changes in the nominal value of subordinated debt, issue and redemption amounts excludes transaction costs etc.

Liabilities from financing activities includes lease liabilities that are recognised on the balance sheet under IFRS 16 implemented 1 January 2019. At the end of 2020, lease liabilities amounted to DKK 4,761 million (2019: DKK 5,526 million). The cash flows included in the cash flow statement as cash flows from financing activities relates to the principal portion of the lease payments. Other changes are non-cash changes, which primarily consists of interest expenses, new leases, terminated leases and modifications of existing leases.

Notes – Danske Bank Group

G27. Guarantees, commitments and contingent liabilities

The Group uses a variety of loan-related financial instruments to meet customers' financial requirements. Such instruments include loan commitments, loan offers, other credit facilities and guarantees. This note provides information on such instruments and on other contingent liabilities.

Accounting policy

Guarantees and loan commitments are subject to the expected credit loss impairment model in IFRS 9. For further information, see note G15.

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

A contingent liability is not recognised in the financial statement but disclosed, unless the possibility of an outflow of financial resources is remote.

(a) Guarantees

(DKK millions)	2020	2019
Financial guarantees	6,708	4,661
Other guarantees	65,108	64,403
Total	**71,816**	**69,064**

(b) Commitments

(DKK millions)	2020	2019
Loan commitments shorter than 1 year	276,413	204,610
Loan commitments longer than 1 year	198,830	174,211
Other unutilised commitments*	18,995	25,760
Total	**494,239**	**404,581**

*Other unutilised commitments have been restated to include investment commitments in Danica Pension of DKK 25,477 million. 31 December 2020, the investment commitments in Danica Pension amounted to DKK 18,822 million.

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 242 billion (2019: DKK 213 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

(c) Regulatory and legal proceedings

Estonia matter

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

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

In November 2018, Danske Bank was preliminary charged by the Danish State Prosecutor for Serious Economic and International Crime ("SØIK") with violating the Danish AML Act on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016. In October 2020, SØIK added violation of Section 71 of the Danish Financial Business Act for governance and control failures in the period from 1 February 2006 to the end of 2017 to the preliminary charges.

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

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

Notes – Danske Bank Group

G27. Contingent liabilities continued

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

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

On 9 January 2019, an action was filed in the United States District Court for the Southern District of New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against the Bank and certain of its officers and former officers and/or directors. The complaint alleges that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 by, among other things, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters. The complaint seeks unspecified damages on behalf of a putative class of purchasers of the Bank's American Depositary Receipts between 9 January 2014 and 29 April 2019. On 24 August 2020, the Court granted the motion and dismissed all claims against the Bank on three independent grounds. On 23 September 2020, the plaintiffs filed an appeal of this ruling to the Second Circuit. The Bank intends to oppose that appeal, and a decision is expected in the Second Half of 2021. The Bank intends to defend against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action lead by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 21 January 2021, the court dismissed the case because it did not fulfil the criteria for being approved as a class action. The Bank expects that the association will seek to appeal the dismissal. The appeal, if any, would not be decided until late 2021 at the earliest. In March 2019 (153), October 2019 (60), January 2020 (9), March 2020 (38) and September 2020 (55) in total 315 separate cases were initiated against the Bank with a total claim amount of approximately DKK 7.5 billion. On 27 December 2019 (63) and on 4 September 2020 (30), two separate claims were filed by 93 investors against Danske Bank with a total claim amount of approximately DKK 1.7 billion. On 2 September 2020, 20 separate claims were filed by 20 investors against Danske Bank with a total claim amount of approximately DKK 1.1 billion. On 18 September 2020, one case was filed by 201 investors with a total claim value of approximately DKK 2.1 billion. On 18 September 2020, one case was filed against the Bank (and the Bank's former CEO, Thomas F. Borgen) by two investors with a total claim amount of DKK 10 million. These court actions relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and/or alleged failure to timely inform the market of such violations (and in one claim, also market manipulation). 209 of the 315 cases filed in the period from March 2019 to September 2020 have been referred to the Eastern High Court. The remaining 106 cases are currently stayed before the Copenhagen City Court. The Bank intends to defend itself against these claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

On 20 February 2020, Danske Bank received a procedural notification in a case initiated against Thomas F. Borgen by 74 institutional investors, and funded by the litigation funder Deminor Recovery Services. The total claim amount is approximately DKK 2.7 billion. Under Danish law, the purpose of a procedural notification is to make a formal reservation of rights to bring a potential claim against the notified party in the future.

Other

Owing to its business volume, Danske Bank is continually a party to various other lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA on other matters. On 14 November 2019, Danske Bank was preliminarily charged by SØIK for violating the Danish Executive Order on Investor Protection in connection with the Flexinvest Fri case. Danske Bank has cooperated fully with SØIK and in November 2020 accepted a fine of DKK 9 million after which the matter has been closed. In general, Danske Bank does not expect the outcomes of any of these other pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. Provisions for litigations are included in Other liabilities, see note G24.

Notes – Danske Bank Group

G27. Contingent liabilities continued

(d) Further explanation

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

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

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

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

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

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

Notes – Danske Bank Group

G28. Balance sheet items broken down by expected due date

The Group presents the balance sheet items in order of liquidity instead of distinguishing between current and non-current items. The table below shows the balance sheet items expected to mature within one year (current) and after more than one year (non-current).

	2020		2019	
(DKK millions)	Within 1 year	After 1 year	Within 1 year	After 1 year
Assets				
Cash in hand and demand deposits with central banks	320,702	-	99,035	-
Due from credit institutions and central banks	80,831	597	104,946	728
Trading portfolio assets	376,776	306,173	247,119	248,202
Investment securities	73,019	223,750	59,865	225,008
Loans at amortised cost	281,021	743,586	294,631	733,380
Loans at fair value	225,662	797,661	338,701	783,347
Assets under pooled schemes and unit-linked investment contracts	-	82,795	-	79,912
Assets under insurance contracts	38,600	507,108	6,100	488,893
Intangible assets	-	8,785	-	9,165
Tax assets	4,448	754	2,604	383
Other assets	18,585	18,378	19,710	19,321
Total	**1,419,645**	**2,689,586**	**1,172,711**	**2,588,338**
Liabilities				
Due to credit institutions and central banks	172,452	38,730	145,747	9,500
Trading portfolio liabilities	103,383	395,952	78,911	373,291
Deposits	268,588	1,065,193	282,460	858,266
Bonds issued by Realkredit Danmark	146,847	637,180	198,060	604,441
Deposits under pooled schemes and unit-linked investment contracts	87,804	264,140	71,652	271,757
Liabilities under insurance contracts	10,149	72,756	9,015	71,345
Other issued bonds	12,420	579,510	25,946	509,945
Tax liabilities	16	1,805	164	2,008
Other liabilities	45,880	5,411	40,070	6,231
Subordinated debt	3,743	28,594	2,191	29,543
Total	**851,282**	**3,089,271**	**854,216**	**2,736,326**

Deposits include fixed-term deposits and demand deposits. Fixed-term deposits are recognised according to maturity. Demand deposits have short contractual maturities but are considered a stable funding source with an expected maturity of more than one year. In the table, the balance sheet line items 'Assets held for sale' and 'Liabilities in disposal groups held for sale' are included in Other assets and Other liabilities, respectively.

Notes – Danske Bank Group

G29. Contractual due dates of financial liabilities

The table below shows the contractual due dates of non-derivative financial liabilities broken down by maturity time bands. The maturity analysis is based on the earliest date on which the Group can be required to pay and does not reflect the expected due date. The section on liquidity risk in the risk management notes provides information about the Group's liquidity risk and liquidity risk management.

2020 (DKK millions)	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	139,166	22,317	10,738	38,508	1
Deposits	1,233,418	60,777	20,049	9,669	9,576
Repurchase obligation under reverse transactions	132,349		-	-	-
Issued bonds at fair value	52,969	5,045	97,131	487,550	218,185
Issued bonds at amortised cost	12,066	17,030	59,742	245,695	37,657
Subordinated debt	93	187	4,597	33,089	-
Other financial liabilities	2,774	1,005	6,371	27,242	45,514
Financial and loss guarantees	71,816				
Loan commitments shorter than 1 year	204,610	-	-	-	-
Loan commitments longer than 1 year	198,830	-	-	-	-
Other unutilised loan commitments	173	-	-	-	-
Total	**2,048,265**	**106,362**	**198,626**	**841,753**	**310,932**

2019 (DKK millions)	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	97,758	23,448	24,951	9,661	1
Deposits	1,059,320	49,937	14,056	8,901	9,184
Repurchase obligation under reverse transactions	152,507		-	-	-
Bonds issued by Realkredit Danmark	95,588	5,019	106,816	473,383	204,351
Other issued bonds	16,176	10,263	46,331	267,784	27,997
Subordinated debt	101	202	2,907	20,114	16,083
Other financial liabilities	2,638	1,030	5,348	41,696	60,825
Financial and loss guarantees	69,064				
Loan commitments shorter than 1 year	204,610	-	-	-	-
Loan commitments longer than 1 year	174,211	-	-	-	-
Other unutilised loan commitments	283	-	-	-	-
Total	**1,872,254**	**89,899**	**200,408**	**821,539**	**318,440**

(a) Further explanation

Disclosures comprise agreed payments, including principal and interest. For liabilities with variable cash flows, for example variable-rate financial liabilities, disclosure is based on the contractual conditions at the balance sheet date.

Usually, deposits are contractually very short-term funding, but in practice, they are considered a stable funding source, as amounts disbursed largely equal deposits received. A number of loan commitments and guarantees expire without being utilised. Loan commitments and guarantees are included at the earliest date on which the Group can be required to pay. To take into account potential drawings under loan commitments, the Group factors in the effect of the unutilised portion of the facilities in the calculation of liquidity risk.

For guarantees to result in a payment obligation to the Group, a number of individual conditions must be met. As it is not possible to break down the earliest dates on which such conditions are met by maturity time bands, all guarantees are included in the 0-1 month column.

The table excludes investment commitments in Danica Pension of DKK 18,822 million (2019: 25,477 million). The investment commitments relate primarily to commitments to participate in alternative investments where the insurance policyholders' assume the majority of the risks on the investments.

Notes – Danske Bank Group

G30. Transferred financial assets that are not derecognised

The Group enters into transactions that transfer ownership of financial assets, such as bonds and shares, to a counterparty, while the Group retains the risks associated with the holding of the assets. If the Group retains all significant risks, the securities remain in the balance sheet, and the transactions are accounted for as loans received against collateral. Such transactions are repo transactions and securities lending. The transactions involve selling the securities to be repurchased at a fixed price at a later date. Counterparties are entitled to sell the securities or deposit them as collateral for loans.

Trading portfolio	2020		2019	
(DKK millions)	Bonds	Shares	Bonds	Shares
Carrying amount of transferred assets				
Repo transactions	237,453		186,473	-
Securities lending		2,051	-	1,487
Total transferred assets	**237,453**	**2,051**	**186,473**	**1,487**
Repo transactions, own issued bonds	19,556		43,322	-
Carrying amount of associated liabilities	257,450	2,154	232,271	1,565
Net positions	**441**	**103**	**2,476**	**78**

The Group has not entered into any agreements on the sale of assets that entail the Group's continuing involvement in derecognised financial assets.

Notes – Danske Bank Group

G31. Assets provided or received as collateral

At the end of 2020, the Group had deposited DKK 20.9 billion worth of securities as collateral with Danish and international clearing centres and other institutions (2019: DKK 8.6 billion).

At the end of 2020, the Group had provided DKK 101.2 billion worth of cash and securities as collateral for derivatives transactions (2019: DKK 107.4 billion).

At the end of 2020, the Group had registered DKK 473.5 billion worth of assets (including bonds and shares issued by the Group) under insurance contracts (2019: DKK 450.9 billion) as collateral for policyholders' savings of DKK 326.5 billion (2019: DKK 437.4 billion).

At the end of 2020, the Group had registered loans at fair value and securities worth a total of DKK 827.1 billion (2019: DKK 816.8 billion) as collateral for bonds issued by Realkredit Danmark. Note G16 provides additional information. Similarly, the Group had registered DKK 326.5 billion worth of loans and other assets (2019: DKK 294.6 billion) as collateral for covered bonds issued under Danish, Swedish and Finnish law.

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

	2020			2019		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	28,886	28,886	-	43,230	43,230
Trading portfolio securities	237,453	80,062	317,515	186,473	75,876	262,349
Loans at fair value	-	816,284	816,284	-	802,579	802,579
Loans at amortised cost	-	360,511	360,511	-	277,395	277,395
Assets under insurance contracts	-	370,176	370,176	-	359,246	359,246
Other assets	-	52	52	-	72	72
Total	237,453	1,655,971	1,893,424	186,473	1,558,398	1,744,871
Own issued bonds	19,556	93,992	113,548	43,322	81,354	124,675
Total, including own issued bonds	**257,009**	**1,749,963**	**2,006,972**	**229,795**	**1,639,752**	**1,869,547**

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 237.5 billion at the end of 2020 (2019: DKK 186.5 billion).

At the end of 2020, the Group had received DKK 309.8 billion worth of securities (2019: DKK 401.3 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in many 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. At the end of 2020, the Group had sold securities or provided securities as collateral worth DKK 132.3 billion (2019: DKK 152.5 billion).

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

Notes – Danske Bank Group

G32. Offsetting of financial assets and liabilities

Offsetting of financial assets and liabilities in the financial statements requires some criteria to be fulfilled. In the event that the counterparty or the Group defaults, further offsetting will take place. This note shows the offsetting in the financial statements, further netting according to enforceable master netting agreements and similar agreements (i.e. in the event of default) and collateral provided or received under such agreements.

Accounting policy

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to offset recognised amounts and have agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Positive and negative fair values of derivatives with the same counterparty are offset if the Group has agreed with the counterparty to settle contractual cash flows net and to make cash payments or provide collateral on a daily basis to cover changes in the fair value of the derivative position. Master netting agreements or similar agreements give the right to additional offsetting in the event of default. Such agreements reduce the exposure further in the event of default, but do not qualify for offsetting in accordance with IFRS.

2020 (DKK millions)	Gross amount	Offsetting	Net amount presented in balance sheet	Further offsetting, master netting agreements	Collateral	Net amount
Financial assets						
Derivatives with positive market value	880,479	500,913	379,566	269,964	78,835	30,767
Reverse transactions	453,986	196,103	257,883	-	257,883	-
Other financial assets	15,483	5,274	10,209	-	-	10,209
Total	**1,349,948**	**702,290**	**647,657**	**269,964**	**336,718**	**40,975**
Financial liabilities						
Derivatives with negative market value	867,899	500,913	366,985	269,964	83,304	13,717
Repo transactions	453,553	196,103	257,450	-	257,009	441
Other financial liabilities	72,277	5,274	67,003	-	-	67,003
Total	**1,393,729**	**702,290**	**691,439**	**269,964**	**340,314**	**81,161**
2019 (DKK millions)						
Financial assets						
Derivatives with positive market value	622,352	328,372	293,980	217,619	50,730	25,631
Reverse transactions	583,753	237,045	346,708	-	346,708	-
Other financial assets	9,684	2,752	6,932	-	-	6,932
Total	**1,215,789**	**568,169**	**647,620**	**217,619**	**397,438**	**32,563**
Financial liabilities						
Derivatives with negative market value	628,067	328,372	299,695	217,619	70,796	11,280
Repo transactions	469,316	237,045	232,271	-	229,795	2,476
Other financial liabilities	32,759	2,752	30,007	-	-	30,007
Total	**1,130,141**	**568,169**	**561,973**	**217,619**	**300,591**	**43,763**

Notes – Danske Bank Group

G33. Fair value information for financial instruments

Financial instruments are carried in the balance sheet at fair value or amortised cost. The Group breaks down its financial instruments according to the valuation method (note G1 provides additional information).

	2020		2019	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	320,702	-	99,035
Due from credit institutions and central banks	52,402	29,026	24,354	81,320
Trading portfolio assets	682,948	-	495,321	-
Investment securities	165,141	131,628	163,782	121,091
Loans at amortised cost	-	1,024,607	-	1,028,011
Loans at fair value	1,023,323	-	1,122,048	-
Assets under pooled schemes and unit-linked investment contracts	82,795	-	79,912	-
Assets under insurance contracts	521,245	-	466,122	-
Loans held for sale	-	416	-	938
Total	**2,527,854**	**1,506,379**	**2,351,538**	**1,330,395**
Financial liabilities				
Due to credit institutions and central banks	92,873	118,309	79,877	75,369
Trading portfolio liabilities	499,334	-	452,202	-
Deposits	150,844	1,182,937	184,756	955,970
Issued bonds at fair value	784,027	-	802,501	-
Issued bonds at amortised cost	-	245,573	-	256,355
Deposits under pooled schemes and unit-linked investment contracts	82,905	-	80,360	-
Liabilities in disposal groups held for sale	-	47	-	110
Non-preferred senior bonds	-	106,371	-	87,054
Subordinated debt	-	32,337	-	31,733
Loan commitments and guarantees	-	2,724	-	2,485
Total	**1,609,983**	**1,688,298**	**1,599,695**	**1,409,076**

Comparative information has been restated to reflect the reclassification of a portfolio of unit-linked contracts of DKK 31 billion from investment contracts to insurance contracts.

(a) Financial instruments at fair value

The fair value is the amount for which a financial asset or a financial liability can be exchanged between knowledgeable, willing parties. Fair value is measured on the basis of the following hierarchy:

The fair value hierarchy

- Quoted price (level 1) consists of financial instruments that are quoted in an active market. The Group uses the price quoted in the principal market.
- Valuation based on observable input (level 2) consists of financial instruments valued substantially on the basis of observable input other than a quoted price for the instrument itself. If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes to market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no market exists. In such cases, the Group uses recent transactions in similar instruments and discounted cash flows or other generally accepted estimation and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value. 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.
- Valuation based on significant non-observable input (level 3): The valuation of certain financial instruments is based substantially on non-observable input. Such instruments include unlisted shares, some unlisted bonds and a limited portion of the derivatives portfolio (2%).

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 reclassifications 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 instead become liquid and have been moved from the Observable input to the Quoted prices category.

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

Valuation techniques
The most frequently used valuation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes models. As part of the Group's control environment, valuation models are validated by units that are independent of the business units that develop the models and trade in the products covered by the models. Validation is made to test the implementation, quality and operating stability of models to ensure that the models can be used for pricing and risk management of financial products.

Loans granted and bonds issued by Realkredit Danmark are recognised at the fair value of the issued bonds (the quoted price in an active market). The Group adjusts for changes to the fair value of the credit risk on borrowers etc. The adjustment is described further in note G16.

The value of derivatives, primarily long-term contracts, is determined on observable yields extrapolated to yield curves for the full duration of the contracts. Moreover, the very limited portfolio of credit derivatives is valued on the basis of observable input as well as assumptions about the probability of default (recovery rate). Unlisted shares are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEV) which are compliant with IFRS. IPEV guides the calculation of the estimated fair value of unlisted shares as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation methods include discounted cash flow models and pricing based on a multiple of earnings or equity.

Fair value adjustments
Management estimates underlie the valuation of financial instruments for which the value is based on valuation techniques. The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) on derivatives, funding risk (FVA and ColVA), bid-offer spreads on the net open position of portfolios with offsetting market risk, and model risk on level 3 derivatives.

Credit value adjustment (CVA), debit value adjustment (DVA) and funding value adjustment (FVA and ColVA)
The Group makes a fair value adjustment to cover the counterparty credit risk on derivatives with a positive fair value (CVA). For a given counterparty's portfolio of derivatives, CVA is calculated as a function of the probability of default (PD), the expected positive exposure (EPE) and the loss given default in the event of bankruptcy (LGD). The Group enters into derivatives transactions mainly with counterparties in the Scandinavian market.

The PDs used in the CVA model are derived from single name liquid credit default swap (CDS). If this is not available, the PDs are derived using proxy-mapping to a CDS index. For the calculation of EPE, the Group uses simulations to estimate the expected positive exposures to the counterparty's portfolio over the term of the derivatives. The exposure model is based fully on market-implied data. For the calculation of LGD, the Group uses market compliant LGD. However, for customers classified in stage 3 in relation to the expected credit loss impairment, CVA is calculated as if the derivatives were loans subject to impairment because of credit losses.

A fair value adjustment for derivatives with an expected negative exposure is made to cover the counterparty's credit risk on Danske Bank (DVA), with PD calculated according to principles similar to CVA. The Group uses PD values derived from Danske Bank's liquid CDS spread.

A fair value adjustment for derivatives to cover expected funding costs (FVA and ColVA) is calculated. FVA primarily arises from the cost of funding uncollaterialised derivatives. The adjustment is a function of the unsecured funding curve and expected future exposures. ColVA takes into account the funding cost and benefit on collateralised derivatives. The ColVA adjustment was implemented in the fourth quarter of 2020 and is a function of expected collateral balances and cross-currency basis and repo spreads.

At the end of 2020, CVA, DVA, FVA and ColVA came to a net amount of DKK 1.5 billion (2019: DKK 1.5 billion), including the adjustment for credit risk on derivatives in stage 3.

Bid-offer spread
For portfolios of assets and liabilities with offsetting market risk, the Group bases its measurement of the portfolios on mid-market prices and makes fair value adjustments to recognise net assets at the bid price and net liabilities at the offer price (exit prices). At the end of 2020, these fair value adjustments totalled DKK 114 million (2019: DKK 127 million).

Model risk
To account for the uncertainty associated with measuring the value of derivatives on the basis of non-observable input (level 3 in the fair value hierarchy), the Group has established guidelines to quantify risk. The Group calculates and monitors the reserve on an ongoing basis. At the end of 2020, the reserve totalled DKK 0 million (2019: DKK 0 million).

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

Amortisation of initial margin

If, at the time of acquisition, a difference arises between the model value of a financial instrument, calculated on the basis of non-observable input and actual cost (day-one profit or loss), and the difference is not the result of transaction costs, the Group adjusts model parameters to actual cost to take the initial margin into account. Accordingly, the valuation of derivatives includes amortisation of the value of initial margins over the remaining term to maturity. The initial margins relate to elements not covered by the above CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. At 31 December 2020, the value of unamortised initial margins was DKK 1,407 million (2019: DKK 1,306 million).

(DKK millions)	2020	2019
Unamortised initial margins at 1 January	1,306	1,180
Amortised to the income statement during the year	-337	-298
Initial margins on new derivatives contracts	530	491
Terminated derivatives contracts	-92	-67
Unamortised initial margins as at 31 December	**1,407**	**1,306**

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2020				
Financial assets				
Due from credit institutions and central banks	-	52,402	-	52,402
Derivatives				
Interest rate contracts	1,935	254,211	2,172	258,318
Currency contracts etc.	86	119,787	1,375	121,248
Trading portfolio bonds	275,717	11,296	-	287,013
Trading portfolio shares	15,595	-	775	16,370
Investment securities, bonds	144,208	20,598	-	164,806
Investment securities, shares	-	-	335	335
Loans at fair value	-	1,023,323	-	1,023,323
Assets under pooled schemes and unit-linked investment contracts	82,795	-	-	82,795
Assets under insurance contracts, bonds				
Danish mortgage bonds	59,005	10,342	452	69,799
Other covered bonds	130,481	14,856	6,986	152,323
Assets under insurance contracts, shares	120,021	2,122	35,026	157,169
Assets under insurance contracts, derivatives	-	138,734	3,220	141,954
Total	**829,843**	**1,647,670**	**50,341**	**2,527,854**
Financial liabilities				
Due to credit institutions and central banks	-	92,873	-	92,873
Derivatives				
Interest rate contracts	1,535	226,059	2,279	229,873
Currency contracts etc.	85	135,622	1,405	137,112
Obligations to repurchase securities	131,193	1,048	108	132,349
Deposits	-	150,844	-	150,844
Issued bonds at fair value	784,027	-	-	784,027
Deposits under pooled schemes and unit-linked investment contracts	-	82,905	-	82,905
Total	**916,840**	**689,351**	**3,792**	**1,609,983**

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2019				
Financial assets				
Due from credit institutions and central banks	-	24,354	-	24,354
Derivatives				
Interest rate contracts	3,636	220,829	3,963	228,428
Currency contracts etc.	59	64,387	1,107	65,553
Trading portfolio bonds	173,852	15,260	-	189,112
Trading portfolio shares	12,028	-	200	12,228
Investment securities, bonds	133,953	28,393	-	162,346
Investment securities, shares	53	-	1,383	1,436
Loans at fair value	-	1,122,048	-	1,122,048
Assets under pooled schemes and unit-linked investment contracts	79,912	-	-	79,912
Assets under insurance contracts, bonds				
Danish mortgage bonds	67,292	8,751	427	76,470
Other covered bonds	138,863	9,090	3,672	151,625
Assets under insurance contracts, shares	101,432	2,304	39,813	143,549
Assets under insurance contracts, derivatives	2,225	89,990	2,263	94,478
Total	**713,305**	**1,585,405**	**52,828**	**2,351,538**
Financial liabilities				
Due to credit institutions and central banks	-	79,877	-	79,877
Derivatives				
Interest rate contracts	3,545	201,525	3,634	208,704
Currency contracts etc.	64	89,707	1,219	90,990
Obligations to repurchase securities	151,590	744	173	152,507
Deposits	-	184,756	-	184,756
Issued bonds at fair value	802,501	-	-	802,501
Deposits under pooled schemes and unit-linked investment contracts	-	80,360	-	80,360
Total	**957,700**	**636,969**	**5,026**	**1,599,695**

Comparative information has been restated to reflect a reclassification of a portfolio of unit-linked contracts of DKK 31 billion from investment contracts to insurance contracts.

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 December 2020					
Unlisted shares					
allocated to insurance contract policyholders	35,026	-	-	411	-1,276
other	1,002	100	100	200	-39
Illiquid bonds	7,438	106	106	235	-236
Derivatives, net fair value	3,083	-	-	-	489
31 December 2019					
Unlisted shares					
allocated to insurance contract policyholders	39,813	-	-	1,357	1,898
other	1,410	141	141	208	345
Illiquid bonds	4,099	90	90	-25	260
Derivatives, net fair value	2,480	-	-	-	1,690

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

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 2020 were attributable to various unlisted shares.

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

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

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

Reconciliation from beginning to end of period	2020			2019		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	41,223	4,099	2,480	34,730	4,131	3,497
Value adjustment through profit or loss	-704	-1	489	3,808	235	1,690
Acquisitions	7,198	4,076	-274	20,437	8,512	-233
Sale and redemption	-9,620	-1,572	-522	-17,752	-8,779	-2,455
Transferred from quoted prices and observable input	-511	836	1,618	-	-	-
Transferred to quoted prices and observable input	-1,558	-	-708	-	-	-19
Fair value end of period	**36,028**	**7,438**	**3,083**	**41,223**	**4,099**	**2,480**

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

(b) Financial instruments at amortised cost

In this section, the fair value of financial instruments recognised at amortised cost is presented. The fair value is based on quoted market prices, if available. If quoted prices are not available, the value is approximated to reflect the price that would have been fixed had the terms been agreed at the balance sheet date.

The fair values disclosed below are determined on the basis of the following principles:

Investment securities (bonds classified as held-to-collect), other issued bonds and subordinated debt

Quoted prices in an active market exist for a significant part of these financial instruments. If quoted prices in an active market do not exist, the Group uses an estimate of the current return required by the market to estimate the fair value.

Other financial instruments

The determination of the fair value of financial instruments recognised at amortised cost is based on the following preconditions relating to interest rate risk:

- For a significant number of the Group's deposits and loans, the interest rate depends on the standard variable rate fixed by the Group. The rate is adjusted only upon certain changes in market conditions. Such deposits and loans are considered to carry interest at a variable rate, as the standard variable rate fixed by the Group at any time applies to both new and existing arrangements.
- The interest rate risk on some fixed-rate loans extended by the Group is designated as a hedge of the interest rate risk on liabilities. Interest rate risk not hedging the interest rate risk on liabilities is hedged by derivatives. Such hedges are accounted for as fair value hedges, and the fair value of the hedged interest risk is adjusted in the carrying amount of the hedged financial instruments. Consequently, only fair value changes related to fixed-rate loans not hedged by derivatives are adjusted in the fair values presented in the table below.

For financial instruments that are only to a limited extent influenced by changes in credit risk, the amortised cost, including the adjustment for the fair value hedge accounting of the interest rate risk, is a reasonable approximation of fair value. This is the case for Due from/to credit institutions and central banks and Deposits.

It is assessed that the expected credit loss impairment model used for loans measured at amortised cost is a reasonable proxy for the fair value of the credit risk.

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

In the table below, fair value is presented for classes of financial instruments for which the carrying amount is not a reasonable approximation of fair value.

2020 (DKK millions)	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	131,628	133,910	113,230	20,680	-
Loans at amortised cost	1,024,607	1,024,316	-	9,546	1,014,769
Financial liabilities					
Other issued bonds, including non-preferred senior bonds	351,944	355,210	293,842	31,149	30,220
Subordinated debt	32,337	33,853	33,135	718	-

2019 (DKK millions)					
Financial assets					
Investment securities	121,091	122,785	100,517	22,268	-
Loans at amortised cost	1,028,011	1,028,261		9,837	1,018,424
Financial liabilities					
Other issued bonds, including non-preferred senior bonds	343,409	346,057	293,141	20,430	32,485
Subordinated debt	31,733	32,486	29,398	3,088	-

Notes – Danske Bank Group

G34. Non-financial assets recognised at fair value

Non-financial assets are recognised at fair value on a recurring or non-recurring basis after initial recognition. Investment property is measured at fair value on a recurring basis, and assets that are marketed for sale and expected to be sold within one year are written down to fair value less expected costs to sell, i.e. measured at fair value on a non-recurring basis.

Accounting policy

Investment property (fair value on recurring basis)

Investment property is recognised at fair value through profit or loss. Property investments are made for own investment purposes and recognised under Other assets, or on behalf of insurance customers and recognised under Assets under insurance contracts and Assets under pooled schemes and unit-linked investment contracts. Value adjustments of investment property are recognised under Other income.

The fair value is assessed by the Group's valuers at least once a year on the basis of a discounted cash flow model.

Assets held for sale (fair value on non-recurring basis)

Assets held for sale are measured at the lower of cost and fair value less expected costs to sell and are no longer depreciated.

(a) Investment property (DKK millions)	2020	2019
Fair value as at 1 January	2,644	3,167
Value adjustment through profit or loss	-14	4
Acquisitions and improvements	139	77
Sale	513	604
Fair value as at 31 December	**2,256**	**2,644**

The investment properties included in the table above consist of investments made for own investment purposes. The valuations rely substantially on non-observable input. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of lessees. The required rate of return ranged between 2.5-8.0% (2019: 2.5-8.5%) and averaged 5.1% (2019: 5.2%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2020 by DKK 342 million (2019: DKK 314 million).

Investment properties held on behalf of insurance customers amount to DKK 22,694 million (2019: DKK 21,053 million), including DKK 5,767 million (2019: DKK 5,175 million) related to unit-linked investment contracts. Changes in the fair value of these will only to a limited extent affect the Group's net profit. The valuation is based on the same principles as investments made for own investment purposes. The required rate of return ranged between 2.5-8.0% (2019: 2.5-8.5%) and averaged 4.6% (2019: 4.8%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2020 by DKK 4,081 million (2019: DKK 4,211 million).

(b) Assets held for sale

Non-financial assets held for sale are measured at the lower of cost and fair value less expected costs to sell and include lease assets (where the Group act as lessor) put up for sale, and properties taken over by the Group under non-performing loan agreements. Note G23 provides more information. During 2020, a negative fair value adjustment of DKK 78 million was recognised on properties held for sale. No significant changes in the fair value of non-financial assets held for sale occured during 2019.

Notes – Danske Bank Group

G35. Related parties

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing of surplus liquidity and provision of short- and long-term financing are the primary services provided by Danske Bank A/S.

Danica Pension manages the pension plans of a number of related parties, and Danske Bank manages the assets of a number of the Group's pension funds.

Accounting policy

A related party to the Group is either a party over which the Group has control or significant influence or a party that has control or significant influence over the Group. All entities over which the Group has control are consolidated and are therefore not considered a related party to the Group.

Entities that are related parties to the Group comprise shareholders that have a significant holding of shares (significant influence over the Group), associates, joint venture partners or defined benefit pension plan providers (the Group has significant influence over the entity). Further, key management personnel, defined as members of the Board of Directors and the Executive Leadership Team, are related parties to the Group.

Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

(a) Related parties (DKK millions)	Parties with significant influence 2020	Parties with significant influence 2019	Associates 2020	Associates 2019	Board of Directors 2020	Board of Directors 2019	Executive Leadership Team 2020	Executive Leadership Team 2019
Loans and loan commitments	3,408	5,987	1,659	2,002	39	86	37	63
Securities and derivatives	1,883	1,136	11,092	13,065	-	-	-	-
Deposits	9,017	6,465	894	715	56	86	11	25
Derivatives	475	210	-	-	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-
Guarantees issued	227	288	9	6	-	-	-	-
Guarantees and collateral received	262	435	568	120	67	65	30	53
Interest income	53	139	52	108	1	1	-	1
Interest expense	39	117	7	26	-	-	-	-
Fee income	14	10	3	5	12	19	-	-
Dividend income	5	7	15	99	-	-	-	-
Other income	4	7	-1	-	-	-	-	-
Loan impairment charges	-	-1	1	1	-	-	-	-
Trade in Danske Bank shares								
Acquisitions	-	-	-	-	2	4	4	2
Sales	-	-	-	-	-	-	-	-

The Group is a listed company, with no shareholder having control over the Group. Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller Holding Group, Copenhagen, hold 21.3% of the share capital. Note G38 lists significant holdings in associates. The Board of Directors and Executive Leadership Team columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Leadership Team and their dependants, and facilities with businesses in which these parties have control, joint control or significant influence.

In 2020, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Leadership Team were 1.5% (2019: 1.3%) and 1.3% (2019: 1.3%), respectively. Notes G36 and G37 specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of the Danske Bank Group are also considered related parties. The Danske Bank Group has entered into transactions with these funds. Such transactions are not eliminated in the consolidated financial statements. Transactions with pension funds comprised loans in the amount of DKK 6 million (2019: DKK 6 million), deposits amounting to DKK 76 million (2019: DKK 103 million), DKK 22 million worth of bonds issued (2019: DKK 36 million), derivatives with a positive fair value of DKK 0 million (2019: DKK 0 million), derivatives with a negative fair value of DKK 301 million (2019: DKK 968 million), interest expenses of DKK 2 million (2019: DKK 4 million), fee income of DKK 0 million (2019: DKK 0 million) and pension contributions of DKK 25 million (2019: DKK 14 million).

The figures above do not include debt to related parties in the form of issued notes or bonds. Such notes or bonds are bearer securities, which means that Danske Bank does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers

This note gives information on the remuneration of the Group's management in the form of the Board of Directors and the Executive Leadership Team, and of other material risk takers. This note further includes information on the Group's share-based payment. Remuneration Report 2020 available at danskebank,com/remuneration provides a detailed description of remuneration paid to the Board of Directores and the Executive Leadership team. The presentation used in the remuneration report is different from the presentation and accounting policy applied in the Annual report, especially related to the Long-Term Incentive Programme. The remuneration report provides further information.

(a) Remuneration of the Board of Directors

Danske Bank's directors receive fixed remuneration only and are not covered by incentive programmes. Directors also receive a fee for board committee membership. The Board of Directors is remunerated by the parent company, Danske Bank A/S. No director has received remuneration for membership of the executive management or the Board of Directors in any of the Group's subsidiaries. The Group has no pension obligations towards the directors.

Remuneration of the board of directors (DKK thousands)	2020	2019
Karsten Dybvad	2,539	2,573
Jan Thorsgaard Nielsen	1,245	1,130
Carol Sergeant	1,269	1,254
Martin Blessing [1]	402	-
Lars-Erik Brenøe	836	805
Raija-Leena Hankonen [1]	471	-
Bente Avnung Landsnes [2]	846	634
Christian Sagild [2]	908	681
Gerrit Zalm [2]	846	634
Bente Bang	538	538
Kirsten Ebbe Brich	723	723
Thorbjørn Lundholm Dahl	538	538
Charlotte Hoffmann	661	661
Ingrid Bonde [3]	-	227
Jens Due Olsen [4]	219	862
Rolv Erik Ryssdal [3]	-	165
Hilde Tonne [3]	-	165
Total remuneration	**12,037**	**11,587**
Remuneration for committee work included in total remuneration	**3,501**	**3,256**

[1] From 9 June 2020
[2] From 18 March 2019
[3] Until 18 March 2019
[4] Until 7 April 2020

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

(b) Remuneration of the Executive Leadership Team

For the Executive Leadership Team, a total remuneration of DKK 110.0 million for 2020 (2019: DKK 100.9 million) has been expensed, with fixed remuneration amounting to DKK 82.4 million (2019: DKK 78.3 million) and variable remuneration amounting to DKK 27.6 million (2019: DKK 22.6 million). Part of the variable remuneration of the Executive Leadership Team is provided as a share-based Long-term Incentive Programme as described in section (d). The variable share-based payment for 2020 includes deferred variable payments from the Short-term Incentive Programme to be paid in future financial years, in accordance with EBA regulations, and prorated provisions for the Long-term Incentive Programme. Danske Bank Group's Remuneration Policy, June 2020 provides more information on the Group's remuneration policy. The policy is available at danskebank.com/remuneration-policy. Membership of the Board of Directors in one or more of the Group's subsidiaries is not remunerated separately but considered part of the Executive Leadership Team's responsibilities and as such part of the remuneration of the Executive Leadership Team.

Remuneration of the Executive Leadership Team

2020 (DKK millions)	Chris Vogelzang	Berit Behring	Karsten Breum	Carsten Rasch Egeriis	Stephan Engels	Glenn Söderholm	Philippe Vollot	Frans Woelders
Fixed salary*	15.0	8.7	2.3	10.0	8.1	9.1	10.4	7.5
Pension	-	-	0.5	-	-	1.6	-	-
Variable cash payment**	1.1	0.5	0.2	0.6	5.4	0.6	0.6	6.4
of which remuneration under the short-term incentive programme 2020	*1.1*	*0.5*	*0.2*	*0.6*	*0.4*	*0.6*	*0.6*	*0.4*
Variable share-based payment	2.6	1.1	0.3	1.7	0.8	1.6	1.4	0.8
of which remuneration under the short-term incentive programme 2020	*1.7*	*0.8*	*0.3*	*0.9*	*0.7*	*0.9*	*0.9*	*0.6*
Total expensed	**18.7**	**10.3**	**3.3**	**12.3**	**14.3**	**12.9**	**12.4**	**14.7**

*Fixed salary includes fixed cash salary, other benefits and allowances such as for relocation, and where the ELT member assumes an additional ELT position for an interim period.

** Variable cash payment includes sign-on fees.

Frans Woelders and Stephan Engels took up their positions as members of the Executive Leadership Team on 18 March 2020 and on 1 April 2020, respectively. Karsten Breum joind the Executive Leadership Team on 25 August 2020.

Jacob Aarup-Andersen resigned and left his position as member of the Executive Leadership Team on 18 May 2020. During his period in 2020 as member of the Executive Leadership Team, Jacob Aarup-Andersen earned remuneration of DKK 4.7 million, which consists of fixed salary of DKK 3.3 million, pension of DKK 0.7 million, variable cash payment of DKK 0.2 million, of which DKK 0.2 million was under the short-term incentive programme in 2020, and variable share-based payment of DKK 0.5 million, of which DKK 0.2 million was under the short-term incentive programme in 2020. His employment with the Danske Bank Group ended on 31 August 2020. During this period, Jacob Aarup-Andersen earned a further DKK 3.1 million (of which DKK 3.1 million was paid in 2020). He has forfeited the right to previously earned variable share-based payment of DKK 3.3 million.

Jakob Groot left his position as member of the Executive Leadership Team on 25 August 2020. During his period in 2020 as member of the Executive Leadership Team, Jakob Groot earned remuneration of DKK 6.4 million, which consists of fixed salary of DKK 5.2 million, pension of DKK 0 million, variable cash payment of DKK 0.3 million, of which DKK 0.3 million was under the short-term incentive programme in 2020, and variable share-based payment of DKK 0.9 million, of which DKK 0.5 million was under the short-term incentive programme in 2020. His employment with the Danske Bank Group ends on 28 February 2022. During this period, Jakob Groot is entitled to a further DKK 14.5 million (of which DKK 3.0 million was paid in 2020).

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

Remuneration of the Executive Leadership Team

2019 (DKK millions)	Chris Vogelzang	Jacob Aarup-Andersen	Berit Behring	Carsten Rasch Egeriis	Jakob Groot	Glenn Söderholm	Philippe Vollot
Fixed salary*	9.0	7.9	2.6	8.4	7.9	8.0	10.5
Pension	-	1.6	-	-	-	1.4	-
Variable cash payment**	11.7	0.4	0.1	0.3	0.2	0.3	0.4
of which remuneration under the short-term incentive programme 2019	*0.6*	*0.4*	*0.1*	*0.3*	*0.2*	*0.3*	*0.4*
Variable share-based payment	1.1	1.3	0.2	1.1	0.7	1.1	0.9
of which remuneration under the short-term incentive programme 2019	*0.9*	*0.6*	*0.1*	*0.5*	*0.4*	*0.4*	*0.6*
Total expensed	**21.8**	**11.2**	**2.9**	**9.8**	**8.8**	**10.8**	**11.8**

*Fixed salary includes fixed cash salary, other benefits and allowances such as for relocation, and where the ELT member assumes an additional ELT position for an interim period.

** Variable cash payment includes sign-on fees.

On 1 June 2019 Chris Vogelzang was appointed member of the Executive Leadership Team and CEO of the Group. Berit Behring was appointed member of the Executive Leadership Team on 5 September 2019.

Jesper Nielsen left his position as member of the Executive Leadership Team on 29 June 2019. Jesper Nielsen held the position as interim CEO of the Group in the period from 1 October 2018 to 1 June 2019. During his period in 2019 as member of the Executive Leadership Team Jesper Nielsen earned remuneration of DKK 5.7 million, which consisted of fixed salary of DKK 4.3 million, pension of DKK 0.8 million, variable cash payment of DKK 0.1 million, of which under the short-term incentive programme 2019 DKK 0.1 million, and variable share-based payment of DKK 0.5 million, of which under the short-term incentive programme 2019 DKK 0.2 million. Paid remuneration amounted to DKK 5.3 million. His employment with Danske Bank Group ended on 30 September 2020. During this period Jesper Nielsen was entitled to a further DKK 11.2 million (of which DKK 3.9 million was paid in 2019).

Christian Baltzer left his position as member of the Executive Leadership Team on 5 September 2019. During his period in 2019 as member of the Executive Leadership Team Christian Baltzer earned remuneration of DKK 6.0 million, which consisted of fixed salary of DKK 4.5 million, pension of DKK 0.8 million, variable cash payment of DKK 0.2 million, of which under the short-term incentive programme 2019 DKK 0.2 million, and variable share-based payment of DKK 0.5 million, of which under the short-term incentive programme 2019 DKK 0.3 million. Paid remuneration amounted to DKK 5.5 million. His employment with Danske Bank Group ends on 31 March 2021. During this period Christian Baltzer is entitled to a further DKK 13.6 million (of which DKK 2.4 million was paid in 2019).

James Ditmore left his position as member of the Executive Leadership Team on 5 September 2019. During his period in 2019 as member of the Executive Leadership Team James Ditmore earned remuneration of DKK 6.5 million, which consisted of fixed salary of DKK 5.5 million, pension of DKK 0.0 million, variable cash payment of DKK 0.2 million, of which under the short-term incentive programme 2019 DKK 0.2 million, and variable share-based payment of DKK 0.8 million, of which under the short-term incentive programme 2019 DKK 0.3 million. Paid remuneration amounted to DKK 6.2 million. His employment with Danske Bank Group ends on 31 March 2021. During this period James Ditmore is entitled to a further DKK 15.4 million (of which DKK 2.7 million was paid in 2019).

Henriette Fenger Ellekrog left her position as member of the Executive Leadership Team on 31 March 2019. During her period in 2019 as member of the Executive Leadership Team Henriette Fenger Ellekrog earned remuneration of DKK 1.4 million, which consisted of fixed salary of DKK 1.1 million, pension of DKK 0.2 million, variable cash payment of DKK 0.0 million and variable share-based payment of DKK 0.1 million, of which under the short-term incentive programme 2019 DKK 0.1 million. Paid remuneration amounted to DKK 1.3 million. Her employment with Danske Bank Group ended on 31 May 2019. During this period Henriette Fenger Ellekrog was paid a further DKK 0.9 million. She has forfeited the right to previously earned variable share based payments of DKK 0.7 million.

Frederik Gjessing Vinten left his position as member of the Executive Leadership Team on 5 September 2019. During his period in 2019 as member of the Executive Leadership Team Frederik Gjessing Vinten earned remuneration of DKK 4.2 million, which consisted of fixed salary of DKK 3.2 million, pension of DKK 0.6 million, variable cash payment of DKK 0.1 million, of which under the short-term incentive programme 2019 DKK 0.1 million, and variable share-based payment of DKK 0.3 million, of which under the short-term incentive programme 2019 DKK 0.2 million. Paid remuneration amounted to DKK 3.8 million. Frederik Gjessing Vinten was relieved of his duties on 21 November 2019. Remuneration earned in the period from 5 September 2019 to 21 November 2019 is included as remuneration to other material risk takers. His employment with Danske Bank Group ends on 31 March 2021. During the period from 22 November 2019 to 31 March 2021 Frederik Gjessing Vinten is entitled to a further DKK 8.6 million (of which DKK 0.6 million was paid in 2019).

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

Pension and termination (end of 2020)

	Chris Vogelzang	Berit Behring	Karsten Breum	Carsten Rasch Egeriis	Stephan Engels	Glenn Söderholm	Philippe Vollot	Frans Woelders
Annual contribution	-	-	Bank contributes 20% of salary p.a.	-	-	Bank contributes 20% of salary p.a.	-	-
Notice of termination by Danske Bank (months)	18	18	18	18	18	18	18	18
Notice of termination by the executive (months)	9	9	9	9	9	9	9	9
Non-competition clause (months)	12	12	12	12	12	12	12	12

The members of the Executive Leadership Team may choose not to receive pension contributions from the Bank and instead to receive a corresponding amount as a fixed salary, which is not eligible for bonus.

During the notice period, the Executive Leadership Members are only entitled to full salary and benefits to the extent the Executive does not obtain other income during the notice period. The disclosed amount of remuneration for the notice period is before set-off against any other income. The members of the Executive Leadership Team are not entitled to severance pay.

(c) Remuneration of other material risk takers

Danske Bank Group is required to identify all employees whose professional activities could have a material impact on the risk profile of Danske Bank in accordance with current legislation. Other material risk takers do not include members of the Board of Directors or the Executive Leadership Team.

At the end of 2020, 634 other material risk takers were designated (end of 2019: 696 other material risk takers). During 2020, 648 full-time-equivalents were designated as other material risk takers (2019: 711 FTEs). The 648 FTEs designated as other material risk takers earned remuneration of DKK 1,220 million (2019: 711 FTEs earned remuneration of DKK 1,302 million), with fixed remuneration amounting to DKK 998 million and variable remuneration amounting to DKK 222 million (2019: DKK 1,086 million and DKK 216 million, respectively). Variable pay for 2020 is estimated and the final figure is determined at the end of February 2021. The final variable pay for material risk takes will be published in the quantitative disclosure on material risk takers' remuneration, compliant with the Danish FSA and EBA requirements. The disclosure will be available at danskebank.com/remuneration in May 2021.

Of the above remuneration for 2020, 388 FTEs designated as other material risk takers at the parent company, Danske Bank A/S, earned remuneration of DKK 941 million (2019: DKK 971 million to 438 FTEs), with fixed remuneration amounting to DKK 754 million and variable remuneration amounting to DKK 187 million (2019: DKK 781 million and DKK 190 million, respectively).

The Group's pension obligations towards other material risk takers amounted to DKK 539 million to 99 employees at year-end 2020 (2019: DKK 555 million and 101 employees). Variable payment for other material risk takers is split into cash and equity shares according to EBA regulations. Further, 40-60% of variable payments are deferred for a minimum of three years. All variable payments are subject to back testing and claw-back if granted on the basis of results which has subsequently proven to not be sustainable or accurate.

(d) Share-based payment

The total expense recognised as Operating expenses in 2020 arising from share-based payments was DKK 108 million (2019: DKK 90 million). All share-based payments are equity-settled. The exact number of shares granted for 2020 will be determined at the end of March 2021.

The Group has granted rights to conditional shares under the bonus structure for material risk takers and other employees as part of their variable remuneration. Such employees have a performance agreement based on the performance of the Group, the business unit and the individual employee. Part of the Danske Bank shares granted to material risk takers are, as required by the EBA, deferred (see section (c) above on variable payment). The fair value at the grant date is measured at the expected monetary value of the underlying agreement.

The variable remuneration of the Executive Leadership Team is provided as part of a Short-term Incentive Programme and a Long-term Incentive Programme. The Short-term Incentive Programme is structured as the programme for other material risk takers, as described above. However, the rights to Danske Bank shares are deferred for five years, followed by a one year retention period before shares are available to trade. The Long-term Incentive Programme is based on total shareholder return performance relative to peers over a three-year performance period. In 2020, there were three Long-term Incentive Programmes running and the programmes have a vesting period of three years. The current programmes running are the 2018-2020, the 2019-2021 and the 2020-2022 Long-term Incentive Programmes. After the vesting period, part of the shares will be paid out. The remaining shares are deferred for five years from grant date followed by a one year retention period before shares are available to trade. The remuneration is subject to back-testing and claw-back. The fair value of the Long-term Incentive programmes at the grant date was DKK 5.4 million for the 2020-2022 programme and DKK 7.4 million for the 2019-2021 programme. The fair value of the shares is calculated at the grant date, which includes valuing market conditions. The estimated fair value is based on relevant assumptions, which relate to the expected return on equity and volatility relative to peers. The fair value at grant date is expensed over the three-year vesting period.

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

Conditional shares	Number				Fair value (FV)	Fair value
	Executive Leadership Team	Other staff	Total	Employee payment price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2013						
1 January 2019	-	144,881	144,881	0.0-1.1	15.5	14.4
Vested 2019	-	-140,471	-140,471	0.0-1.1		
Forfeited 2019	-	-4,410	-4,410	-		
31 December 2019	-	-	-	0.0-1.1	-	-
Granted in 2014						
1 January 2019	-	-	-	0.0-1.4	-	-
Granted in 2015						
1 January 2019	2,876	34,377	37,253	0.0-1.7	6.3	3.7
Vested 2019	-2,698	-24,741	-27,439	0.0-1.7		
Forfeited 2019	-178	-9,636	-9,814	-		
31 December 2019	-	-	-	0.0-1.7	-	-
Granted in 2016						
1 January 2019	6,818	565,571	572,389	-	104.3	57.6
Vested 2019	-	-527,700	-527,700	-		
Forfeited 2019	-	-4,804	-4,804	-		
Other changes 2019	-4,066	-122	-4,188	-		
31 December 2019	2,752	32,945	35,697	-	6.5	3.6
Vested 2020	-2,752	-22,052	-24,804	-		
Forfeited 2020	-	-6,799	-6,799	-		
Other changes 2020	-	-	-	-		
31 December 2020	-	4,094	4,094	-	0.7	0.4
Granted in 2017						
1 January 2019	11,728	496,016	507,744	-	120.6	51.1
Vested 2019	-	-939	-939	-		
Forfeited 2019	-	-21,844	-21,844	-		
Other changes 2019	5,681	-188	5,493	-		
31 December 2019	17,409	473,045	490,454	-	116.5	49.4
Vested 2020	-11,117	-440,026	-451,143	-		
Forfeited 2020	-3,001	-7,134	-10,135	-		
Other changes 2020	-	2,813	2,813	-		
31 December 2020	3,291	28,698	31,989	-	7.6	3.2
Granted in 2018						
1 January 2019	78,579	461,533	540,112	-	126.6	54.4
Vested 2019	-	-	-	-		
Forfeited 2019	-	-29,033	-29,033	-		
Other changes 2019	-25,773	35,125	9,352	-		
31 December 2019	52,806	467,625	520,431	-	122.0	52.4
Vested 2020	-	-	-	-		
Forfeited 2020	-19,566	-27,418	-46,984	-		
Other changes 2020	-12,027	14,446	2,419	-		
31 December 2020	21,213	454,653	475,866	-	111.5	47.9
Granted in 2019						
1 January 2019	122,024	797,198	919,222	-	114.2	92.5
Vested 2019	-1,256	-327,634	-328,890	-		
Forfeited 2019	-6,167	-21,457	-27,624	-		
Other changes 2019	-36,024	36,024	-	-		
31 December 2019	78,577	484,131	562,708	-	69.9	56.6
Vested 2020	-	-22,969	-22,969	-		
Forfeited 2020	-12,220	-16,474	-28,694	-		
Other changes 2020	-9,864	11,365	1,501	-		
31 December 2020	56,493	456,053	512,546	-	63.7	51.6
Granted in 2020						
1 January 2020	187,567	1,222,961	1,410,528	-		
Vested 2020	-1,345	-518,028	-519,373	-		
Forfeited 2020	-15,913	-45,968	-61,881	-		
Other changes 2020	-12,169	12,169	-	-		
31 December 2020	158,140	671,134	829,274	-	80.1	83.5

Other staff includes material risk takers and other employees eligible for share-based payment.

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

Holdings of conditional shares of the Executive Leadership Team and fair value as at 31 December 2020

Grant year	2017-2020 Number	FV (DKK m)
Chris Vogelzang	54,907	5.5
Berit Behring	24,003	2.4
Karsten Breum	4,586	0.5
Carsten Rasch Egeriis	38,906	3.9
Stephan Engels	17,087	1.7
Glenn Söderholm	46,237	4.7
Philippe Vollot	38,372	3.9
Frans Woelders	15,039	1.5

Holdings of conditional shares of the Executive Leadership Team and fair value as at 31 December 2019

Grant year	2016-2019 Number	FV (DKK m)
Chris Vogelzang	15,619	1.7
Jacob Aarup-Andersen	28,847	3.1
Berit Behring	13,464	1.5
Carsten Rasch Egeriis	17,032	1.8
Glenn Söderholm	34,637	3.7
Jakob Groot	27,576	3.0
Philippe Vollot	14,369	1.5

In 2020, the average price at the vesting date for rights to conditional shares was DKK 95.2 (2019: DKK 100.5).

Notes – Danske Bank Group

G37. Danske Bank shares held by the Board of Directors and the Executive Leadership Team

(Number)	Beginning of 2020	Upon appointment/ retirement	Additions	Disposals	End of 2020
Board of Directors					
Karsten Dybvad	11,258	-	-	-	11,258
Jan Thorsgaard Nielsen	10,557	-	9,443	-	20,000
Carol Sergeant	7,023	-	-	-	7,023
Martin Blessing	-	-	-	-	-
Lars-Erik Brenøe	23,127	-	6,178	-	29,305
Raija-Leena Hankonen	-	-	2,890	-	2,890
Bente Avnung Landsnes	6,000	-	2,000	-	8,000
Christian Sagild	50,000	-	-	-	50,000
Gerrit Zalm	-	-	5,325	-	5,325
Bente Bang	882	-	-	-	882
Kirsten Ebbe Brich	3,796	-	-	-	3,796
Thorbjørn Lundholm Dahl	1,488	-	1,236	-	2,724
Charlotte Hoffmann	3,256	-	2,744	-	6,000
Jens Due Olsen	7,600	-7,600	-	-	-
Total	**124,987**	**-7,600**	**29,816**	**-**	**147,203**

(Number)	Beginning of 2020	Upon appointment/ retirement	Additions	Disposals	End of 2020
Executive Leadership Team					
Chris Vogelzang	44,300	-	-	-	44,300
Berit Behring	7,712	-	9,008	-	16,720
Karsten Breum	-	65,551	-	-	65,551
Carsten Rasch Egeriis	1,334	-	-	-	1,334
Stephan Engels	-	7,500	7,500	-	15,000
Glenn Söderholm	34,709	-	2,752	-	37,461
Philippe Vollot	-	-	-	-	-
Frans Woelders	-	-	-	-	-
Jacob Aarup-Andersen	21,360	-21,360	-	-	-
Jakob Groot	33,296	-33,296	-	-	-
Total	**142,711**	**18,395**	**19,260**	**-**	**180,366**

Danske Bank discloses all additions, disposals and total holdings of members of the Board of Directors and the Executive Leadership Team and their immediate family. Holdings of conditional shares of the members of the Executive Leadership Team are disclosed in note G36.

Notes – Danske Bank Group

G38. Group holdings and undertakings

This note provides information on subsidiaries.

Accounting policy

The financial statements consolidate Danske Bank A/S and group undertakings in which the Group has control over financial and operating policy decisions. Control is said to exist if Danske Bank A/S, directly or indirectly, is exposed, or has rights, to variable returns from the involvement with the entity and has the ability to affect these returns through the power over the entity. Power exists if Danske Bank A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Operating policy control may be exercised through agreements about the undertaking's activities. In the rare situations where potential voting rights exist, these are taken into account if Danske Bank has the practical ability to exercise these rights.

When assessing whether to consolidate investment funds, the Group reviews all facts and circumstances to determine whether the Group, as fund manager, is acting as agent or principal. The Group is deemed to be a principal, and the Group controls and consolidates a fund when it acts as fund manager and cannot be removed without cause (i.e. when kick-out rights are weak), has variable returns through significant holdings, and is able to influence the returns of the funds by exercising its power. Holdings where all returns belong to customers (pooled schemes and unit-linked investment contracts) are not considered as exposure to variable returns, whereas holdings where the majority of the returns belong to customers (holdings related to insurance contracts) are considered only limited exposure to variable returns.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intra-group transactions, balances and trading profits and losses.

Undertakings acquired are included in the financial statements at the time of acquisition. The net assets of such undertakings (assets, including identifiable intangible assets, less liabilities and contingent liabilities) are measured at fair value at the date of acquisition according to the acquisition method.

If the cost of acquisition (until 1 January 2010 including direct transaction costs) exceeds the fair value of the net assets acquired, the excess amount is recognised as goodwill. Goodwill is recognised in the functional currency of the undertaking acquired. The portion of the acquisition that is attributable to non-controlling interests does not include goodwill.

Divested undertakings are included in the financial statements until the transfer date. Changes in the ownership share in a subsidiary that do not result in loss of control are accounted for as equity transactions. This implies that the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interest in the subsidiary, and any difference between the fair value of the consideration paid/received and the adjustment made to non-controlling interests is attributed to the shareholders of Danske Bank A/S. If changes in the ownership share in a subsidiary result in the loss of control, any investment retained in the former subsidiary is recognised at fair value, and amounts recognised under Other comprehensive income are reclassified to the income statement or transferred directly to retained earnings if so required by other IFRSs. The difference between the fair value of the consideration received plus any investment retained in the former subisidiary and the carrying amount of the net assets in the subsidiary less the carrying amounts of any non-controlling interests is recognised in the income statement.

Held-for-sale group undertakings

Companies taken over by the Group under non-performing loan agreements and actively marketed for sale and expected to be sold within 12 months of classification are recognised as held-for-sale. Assets and liabilities in such companies are presented under Other assets and Other liabilities. The assets are recognised at the lower of cost and fair value less expected costs to sell.

(a) Further explanation

All credit institutions and insurance companies supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities and dividend payouts.

Danica Pension has an obligation to allocate part of the margin by which Danica Pension's equity exceeds the statutory solvency requirement to certain policyholders who were previously policyholders of Statsanstalten for Livsforsikring (now part of Danica Pension). This applies only if the margin exceeds the margin in Statsanstalten for Livsforsikring before the privatisation in 1990 and relates to any excess included in the shareholders' equity or paid out as dividend. Such special allotments are expensed and recognised under Net insurance benefits.

Restrictions impacting the Group's ability to use assets are disclosed in note G31 and include, among others, assets pledged as collateral under repo transactions funded by covered bonds and assets held by insurance subsidiaries that are primarily held to satisfy obligations to policyholders' savings.

The Group has established a number of investment funds in which the Group acts as fund manager. The Group has consolidated investment funds of DKK 9,656 million (2019: DKK 11,088 million), as the Group is deemed to be acting as principal rather than agent in its role as fund manager and as the Group is the sole investor. The investments are held to satisfy obligations towards insurance policyholders and are recognised under Assets under insurance contracts. The Group does not have consolidated structured entities in the form of securitisation vehicles or asset-backed financing vehicles.

(b) Acquisition of subsidiary undertakings

The Group did not make any acquisitions of undertakings in 2020 and 2019. In 2019, the Group recognised impairment charges of DKK 800 million on the goodwill related to the acquisition in 2018. Further information can be found in note G19.

Notes – Danske Bank Group

G38. Group holdings and undertakings continued

(c) List of significant subsidiaries

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	8,621,846	4,589	168,678	
Credit institutions					
Danske Bank International S.A., Luxembourg	EUR	90,625	240	1,352	100
Danske Hypotek AB (publ), Stockholm	SEK	50,000	562	3,676	100
Danske Mortgage Bank Plc, Helsinki	EUR	70,000	138	2,258	100
Northern Bank Limited, Belfast	GBP	218,170	527	6,802	100
Realkredit Danmark A/S, Copenhagen	DKK	630,000	3,883	49,590	100
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,001,000	1,501	22,377	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	DKK	1,101,000	1,122	24,142	100
Danica Pensjonsforsikring AS, Trondheim	NOK	185,844	110	1,020	100
Investment and real property operations etc.					
Danica Ejendomsselskab ApS, Copenhagen	DKK	1,075,000	-20	23,715	100
Danske Corporation, Delaware	USD	4	-	2	100
Danske Invest Asset Management AS, Trondheim	NOK	6,000	30	54	100
Danske Invest Management A/S, Copenhagen	DKK	120,000	107	460	100
Danske IT and Support services India Private Limited, Bangalore	INR	3,227,890	38	150	100
Danske Leasing A/S, Birkerød	DKK	10,000	246	3,021	100
Danske Markets Inc., Delaware	USD	2,000	11	253	100
Danske Private Equity A/S, Copenhagen	DKK	6,000	-13	55	100
DDB Invest AB, Stockholm	SEK	100,000	-1	168	100
home a/s, Åbyhøj	DKK	15,000	36	137	100
MobilePay A/S, Copenhagen	DKK	25,610	-158	390	100
MobilePay Denmark A/S, Copenhagen	DKK	10,510	-19	166	100
MobilePay Finland OY, Helsinki	EUR	700	-77	145	100

The list above includes significant active subsidiary operations only.

In 2020, Danske Bank, St. Petersborg was liquidated. Danica Ejendomsselskab ApS and Danica Ejendomme II A/S merged with Danica Ejendomsselskab ApS as the continuing company and Danske Corporation ceased its activity. The Group´s ownership share of the other subsidiaries is unchanged from 2019 to 2020. The financial information above is extracted from the companies´ most recent annual reports prior to 4 February 2021.

Notes – Danske Bank Group

G39. Interests in associates and joint arrangements

This note provides information about the Group's interests in associates and joint arrangements.

Accounting policy

Joint ventures and associates are entities other than group undertakings in which the Group has holdings and joint control with one or more parties or significant but not controlling influence, respectively. The Group generally classifies entities as joint ventures/associates if Danske Bank A/S, directly or indirectly, holds 20-50% of the share capital and has influence over management and operating policy decisions. Holdings in joint ventures and associates are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate share of the net profit or loss of the individual entity is included under Income from holdings in associates. The share is calculated on the basis of data from financial statements with balance sheet dates no earlier than three months before the Group's balance sheet date. If objective evidence of impairment exists, the investment is recognised at the lower of carrying amount and the present value of future cash flows.

The proportionate share of the profit or loss on transactions between associates/joint ventures and group undertakings is eliminated.

Ownership shares held by the Group's insurance business are treated as held by a venture capital organisation and are measured at fair value.

Significant associates		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Sanistål A/S, Aalborg	**DKK**	**11,924**	**-203**	**602**	**43**

The financial information above is extracted from the most recent annual reports prior to 4 February 2021.

The total carrying amount of holdings in associates amounted to DKK 209 million (2019: DKK 341 million) and is presented under Other assets in note G24. The list above includes significant associates held at end 2020. Sanistål, which was taken over by the Group under a non-performing loan agreement, is a listed company. The investment had a market value of DKK 314 million at 31 December 2020 (31 December 2019: DKK 319 million). The Group´s ownership share in Sanistål A/S is unchanged from 2019 to 2020.

The Group does not have any significant holdings in joint ventures or joint operations.

There are no other significant restrictions on the ability of associates to transfer funds to Danske Bank Group in the form of dividends or to repay loans granted.

Notes – Danske Bank Group

G40. Interests in unconsolidated structured entities

The Group has established a number of investment funds in which the Group acts as fund manager. The Group is entitled to receive management fees based on the assets under management. The Group may also retain units in these funds. The assets in unconsolidated investment funds managed by the Group totalled DKK 737.3 billion (2019: DKK 721.9 billion). The Group retained holdings of DKK 122.7 billion (2019: DKK 114.6 billion) in these funds. Substantially all of these holdings are related to pooled schemes, unit-linked investment contracts and insurance contracts. Income generated to the Group in the form of management fees amounted to DKK 3.4 billion (2019: DKK 3.5 billion). In addition, the Group has holdings in private equity investment funds of DKK 0.1 billion (2019: DKK 0.1 billion).

The Group has limited exposure to structured securitisation entities. The exposure dates back to the period between 2001-2007 when the Group acted as an investor. This involved the purchase of bonds and entering into facilities for securitisation assets that were either structurally senior or triple A-rated by at least one of the major rating agencies. The Group has not acted as a sponsor or an orginator, and none of the assets of the structured entities were previously held on the Group's balance sheet. The remaining exposure consists mainly of liquidity facilities and is reported as part of the credit exposure in the Non-core segment. At end-2020, the gross exposure amounted to DKK 3.4 billion (2019: DKK 4.4 billion). During the year, the Group did not provide any non-contractual financial or other support to any of the structural entities. The key risk on the portfolio relates to the underlying securitisation transactions, which consist mainly of commercial and residential mortgage loans originated in the UK and Germany.

Notes – Danske Bank Group – Risk management

Risk exposure

Danske Bank Group is exposed to a number of risks and manages them at various organisational levels.

The main categories of financial risks are the following:
- Credit risk: The risk of losses because debtors or counterparties fail to meet all or part of their payment obligations to the Group.
- Market risk: The risk of losses because the fair value of the Group's assets, liabilities and off-balance-sheet items varies with changes in market conditions.
- Liquidity risk: The risk of losses because funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.
- Insurance risk: All types of risk at Danica Pension, including market risk, life insurance risk and operational risk.
- Non-financial risk. The risk of financial losses or gains, regulatory impact, reputational impact or customer impact resulting from inadequate or failed internal processes, people ord systems or from external events, including legal and compliance risks.

Danica Pension is a wholly-owned subsidiary of Danske Bank A/S. As required by Danish law and the Danish Executive Order on the Contribution Principle, Danica Pension has notified the Danish Financial Supervisory Authority (the Danish FSA) of its profit policy. The contribution principle and the profit policy mean that policyholders assume risks and receive the returns on assets allocated to them. Assets are allocated to policyholders to secure their guaranteed benefits. Market risk and other risks on assets and liabilities allocated to policyholders are therefore not consolidated in the tables of this section, but are treated in the section on insurance risk.

The Management's report and Risk Management 2020 provide a detailed description of Danske Bank Group's risk management practices, including on pension and non-financial risk. Risk Management 2020 is available at danskebank.com/ir. The publication is not covered by the statutory audit.

Total capital

Capital risk is the risk of not having enough capital to cover all material risks arising from the Group's chosen business strategy.

Danske Bank Group has licences to provide financial services and must therefore comply with the capital requirements of the Capital Requirements Regulation (CRR) and the Danish Financial Business Act. The Danish rules are based on the EU Capital Requirements Directive (CRD IV) and apply to both Danske Bank A/S (the Parent Company) and the Group. Similarly, the Group's financial subsidiaries in and outside Denmark must comply with local capital requirements. The regulatory requirements stipulate a minimum capital level of 8% of the total risk exposure amount (REA) under Pillar I (including risk exposure amounts for credit risk, counterparty credit risk, market risk and operational risk). In addition, financial institutions are required to calculate their solvency need under Pillar II to reflect all relevant risks. Danske Bank A/S was designated a systemically important financial institution (SIFI) in Denmark in 2014. This means that the Group is subject to stricter requirements than non-SIFIs. Danske Bank Group's SIFI buffer requirement is set at an additional 3% above the regulatory requirements for common equity tier 1 (CET1) capital.

The Group's total capital consists of tier 1 capital (share capital and additional tier 1 capital after deductions) and tier 2 capital (subordinated loan capital after deductions).

The Group's CET1 capital is based on the carrying amount of shareholders' equity corrected for equity-accounted additional tier 1 capital and adjusted with the following main deductions.
- Adjustments to eligible capital instruments
- Prudential filters
- Proposed dividends
- Intangible assets of banking operations, including goodwill
- Deferred tax assets that rely on future profitability
- Defined benefit pension fund assets
- Statutory deductions for insurance subsidiaries etc.
- Reversal of the effect of IFRS 9 (expected credit losses) implementation due to transitional rules

The presentation of the Group's total capital in the statement of capital shows the difference between the carrying amount of shareholders' equity and CET1 capital. At the end of 2020, the Group's CET1 capital amounted to DKK 143.7 billion (2019: DKK 132.7 billion), and its CET1 capital ratio was 18.3% (2019: 17.3%)

The Group's additional tier 1 capital and tier 2 capital may, subject to certain conditions, be included in total capital. The conditions are described in the CRR. Until the CRR is fully phased in, transitional rules apply to instruments that do not qualify for inclusion according to the CRR. Notes G23 and G25(b) show additional tier 1 capital and tier 2 capital. At the end of 2020, the Group's total capital was DKK 180.1 billion (2019: DKK 174.2 billion), and its total capital ratio was 23.0% (2019: 22.7%). The Group's tier 1 capital was DKK 161.2 billion (2019: DKK 156.6 billion), and its tier 1 capital ratio was 20.5% (2019: 20.4%).

Risk Management 2020 provides a description of the Group's solvency need.

Notes – Danske Bank Group – Risk management

Total capital continued

In 2020, the Group's capital targets were unchanged from the increased levels set by the Board of Directors in 2019. The target for the CET1 capital ratio was kept at above 16% in the short term to ensure a sufficiently prudent buffer in relation to the capital requirement. This implies a management buffer of at least 2.8% in relation to the fully phased-in CET1 capital requirement. The target for the total capital ratio was kept at above 20%.

The Group aspires to improve its credit ratings, which are important for its access to liquidity and for the pricing of its long-term funding. The Group therefore includes rating targets in its capital considerations.

Credit risk

The Group offers loans, credits, guarantees and other products as part of its business model and thus takes on credit risk.

Credit risk is the risk of losses because debtors or counterparties fail to meet all or part of their payment obligations to the Group.

In accordance with th Group's Credit Policy, the Group carefully assesses the financial situation of customers to ensure that loans granted are suited to their needs and financial capacity and that customers understand their financial obligations. Besides providing loans in a responsible manner, the Group has spent the past few years integrating sustainability and ESG considerations into its lending practices.

In 2015, work began to integrate ESG considerations into credit processes with the aim of identifying and managing business with customers believed to disregard or deliberately violate UN-based principles on environmental protection, human rights, labour rights and anti-corruption. In 2016, the Group published position statements on sectors with elevated ESG risks, describing processes and restrictions within these sectors.

Sectors that are recognised to have elevated ESG risks are also specified in the Credit Policy and are subject to periodic review. These include sectors such as metals and mining, forestry, fossil fuels, and arms and defence, for which instructions specify minimum requirements for managing ESG risks and how to perform ESG assessments at the customer level. Furthermore, ESG risk identification is made at the portfolio level for specific sectors on an ongoing basis by screening large customers using external ESG data providers. In 2019, ESG risk identification was discussed as part of the annual sector risk reviews by the Group All risk Committee and the Board of Directors' Risk Committee.

In addition, the Group has started to assess and quantify the financial impact of climate-related risks in the lending portfolio in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This means reviewing selected sectors using climate scenarios to measure the sensitivity of the portfolio to climate-related risks with the aim of covering key sectors over time. In 2019, this work included an assessment of transition risks in the oil and gas portfolio and a physical risk assessment of flooding risk in relation to segments of the real estate portfolio.

Overall, the work on both ESG integration in general and assessment in accordance with TCFD recommendations is well-aligned with the Group's commitment to the Principles for Responsible Banking developed by the United Nations Environment Programme Finance Initiative. For more information about these activities, see the Group's Sustainability Report 2019.

In order to mitigate credit risk, the Group uses collateral, guarantees and covenants.

Further information on the Group's risk management practices related to credit risk can be found in the report Risk management 2019.

Credit exposure

Credit exposure consists of balance sheet items and off-balance-sheet items that carry credit risk. Most of the exposure derives from lending activities in the form of secured and unsecured loans. The Non-core business unit is not considered part of Danske Bank's core activities and is stated separately. Securities positions taken by the Group's trading and investment units also entail credit risk and are presented as credit exposure from trading and investment securities as well as derivatives and loans at the Group's trading units.

The overall management of credit risk thus covers credit risk from direct lending activities, counterparty credit risk on derivatives and loans at the Group's trading units and credit risk from securities positions.

The Group's exposure to the risk on some balance sheet items is limited. This is the case for assets under customer-funded investment pools, unit-linked investment contracts and insurance contracts. The risk on assets under pooled schemes and unit-linked investment contracts is assumed solely by the customers, while the risk on assets under insurance contracts is assumed primarily by the customers. The section on insurance risk describes the Group's credit risk on insurance contracts.

Notes – Danske Bank Group – Risk management

Credit exposure continued

Breakdown of credit exposure

(DKK billions) 31 December 2020	Total	Lending activities Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	314.6	314.6	-	-	-	-
Due from credit institutions and central banks	81.4	28.9	0.1	52.4	-	-
Trading portfolio assets	682.9	-	-	379.6	303.4	-
Investment securities	296.8	-	-	-	296.8	-
Loans at amortised cost	1,024.6	1,022.7	1.9	-	-	-
Loans at fair value	1,023.3	816.3	-	207.0	-	-
Assets under pooled schemes and unit-linked investment contracts	82.8	-	-	-	-	82.8
Assets under insurance contracts	545.7	-	-	-	-	545.7
Loans held for sale	0.4	-	0.4	-	-	-
Off-balance-sheet items						
Guarantees	71.8	71.7	0.2	-	-	-
Loan commitments shorter than 1 year	276.4	274.9	1.5	-	-	-
Loan commitments longer than 1 year	198.8	198.8	-	-	-	-
Other unutilised commitments	19.0	-	-	-	0.2	18.8
Total	**4,618.6**	**2,727.9**	**4.1**	**639.0**	**600.3**	**647.3**
31 December 2019						
Balance sheet items						
Demand deposits with central banks	92.8	92.4	0.4	-	-	-
Due from credit institutions and central banks	105.7	81.9	0.1	23.7	-	-
Trading portfolio assets	495.3	-	-	294.0	201.3	-
Investment securities	284.9	-	-	-	284.9	-
Loans at amortised cost	1,028.0	1,022.3	5.7	-	-	-
Loans at fair value	1,122.0	802.6	-	319.5	-	-
Assets under pooled schemes and unit-linked investment contracts	79.9	-	-	-	-	79.9
Assets under insurance contracts	495.0	-	-	-	-	495.0
Loans held for sale	0.9	-	0.9	-	-	-
Off-balance-sheet items						
Guarantees	69.1	68.7	0.3	-	-	-
Loan commitments shorter than 1 year	204.6	202.2	2.5	-	-	-
Loan commitments longer than 1 year	174.2	173.7	0.5	-	-	-
Other unutilised commitments*	25.8	-	-	-	0.3	25.5
Total	**4,178.2**	**2,443.8**	**10.4**	**637.1**	**486.5**	**600.4**

*Other unutilised commitments havebeen restated to include investment commitments in Danica Pension of DKK 25.5 billion.

In addition to credit exposure from lending activities, the Group had made uncommitted loan offers and granted uncommitted lines of credit of DKK 242 billion at 31 December 2020 (2019: DKK 213 billion).These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Credit exposure from core lending activities

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

For details about the Group's credit risk management and the use of information on expected credit losses for risk management purposes, see Risk Management 2020.

Notes – Danske Bank Group – Risk management

Credit exposure continued

Classification of customers

The main objectives of risk classification are to rank the Group's customers according to risk and to estimate each customer's probability of default (PD). As part of the credit process, the Group classifies customers according to risk and updates their classifications upon receipt of new information. Risk classification comprises rating and credit scoring of customers. While all large customers are rated, the Group uses fully automated and statistically-based scoring models for small customers such as personal customers and small businesses. Credit scores are updated monthly in a process subject to automated controls.

The Group has developed a number of classification models to assess customer PD and to classify customers in various segments.

In its credit risk management, the Group uses point in time (PIT) PD estimates for risk classification. These PIT PD estimates express a customer's probability of default within the next 12 months in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands. During a downturn, a customer's PIT PD may increase, and the customer may migrate to a lower rating category. The effect from a downturn is thus larger when PIT PD is used than if the classification were based on through-the-cycle (TTC) PD, which the Group uses to calculate the risk exposure amount for credit risk.

The classification of facilities between stage 1 and 2 for the purpose of calculating expected credit losses under IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. The assessment of whether the credit risk has increased significantly since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the individual facility and incorporating forward-looking information. A facility is transferred from stage 1 to stage 2 on the basis of observed increases in the probability of default:

- For facilities originated below 1% in PD: an increase in the facility's 12-month PD of at least 0.5 of a percentage point since initial recognition and a doubling in the facility's lifetime PD since origination.
- For facilities originated above 1% in PD: an increase in the facility's 12-month PD of 2 percentage points since origination or a doubling of the facility's lifetime PD since origination.

In addition, facilities that are more than 30 days past due are moved to stage 2. 30 days past due is considered a backstop. Finally, customers subject to forbearance measures are placed in stage 2, if the Group, in the most likely outcome, expects no loss or the customers are in the two-year probation period for performing forborne exposures.

A facility is transferred from stage 2 to stage 3 when it becomes credit-impaired. A facility becomes credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. This includes observable data about (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event; (c) the borrower, for financial or contractual reasons relating to the borrower's financial difficulty, having been granted a concession that would not otherwise have been considered; (d) it is becoming probable that the borrower will enter into bankruptcy or other financial restructuring; and (e) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss. It may not be possible to identify a single discrete event – instead, the combined effect of several events may cause a financial asset to become credit-impaired. Credit-impaired facilities are placed in rating category 10 or 11. For customers in rating category 10, the stage 3 classification applies only to customers where a loss is expected in the most likely scenario. For rating category 11 (default), all facilities are classified as stage 3 exposures.

Exposures which are considered to be in default for regulatory purposes will always be categorised as stage 3 exposures under IFRS 9. This applies to 90-days-past-due considerations and unlikely-to-pay factors leading to regulatory default.

Management applies judgement and recognises post-model adjustments to cover risks that are not reflected sufficiently in the Group's expected credit loss model. Besides increasing the expected credit losses, the post-model adjustments may lead to the transfer of part of the gross exposure covered by the post-model adjustments from stage 1 to stage 2 through targeted PD pushes to the current point in time estimates of PD (i.e. increases in the PD for the underlying customers in the selected portfolios covered by the post-model adjustments) to ensure consistency between the methods used for disclosing information about expected credit losses and exposures subject to significant increase in credit risk. While the distribution of customers between the Group's 11 rating categories is unchanged and reflects the current point-in-time estimate of the underlying customers' PDs, the PD pushes may lead to the transfer of gross exposures to stage 2 as the assessment of the increase in credit risk is performed by comparing the initial PD with the current PD (after the adjustment for the targeted PD pushes).

Expected credit losses

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). For exposures in stage 1, 12- month expected credit losses are recognised, while lifetime expected credit losses are recognised for exposures in stage 2-3. For further information see note G15.

Notes – Danske Bank Group – Risk management

Credit exposure continued

Credit portfolio in core activities broken down by rating category

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

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

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

For further information about the decrease of DKK 12.8 billion in the gross exposure within stage 2 from 2019 to 2020, see the description below the table "Credit portfolio in core activities broken down by industry (NACE)".

The gross exposure within stage 3 increased by DKK 6.1 billion from 2019 to 2020 and at the same time the expected credit losses within stage 3 declined by DKK 0.5 billion. This was primarily due to an increase in collateral (net of haircut) of DKK 7.3 billion.

Notes – Danske Bank Group – Risk management

Credit exposure continued

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

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 adapted to the Group's business risk approach used for the active management of the credit portfolio.

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

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

As at 31 December 2020, oil and gas exposures represented a gross exposure of DKK 23.3 billion (2019: DKK 29.9 billion) and expected credit losses of DKK 2.4 billion (2019: DKK 2.7 billion). Those exposures represented the majority of the exposures in stage 3 within the Shipping, oil and gas industry at the end of 2020.

As described in the section 'Classification of customers', the post-model adjustments may, besides increasing the expected credit losses, lead to the transfer of part of gross exposures covered by the post-model adjustments from stage 1 to stage 2 for some industries. Compared to the end of 2019, such transfers improved the overall average credit quality of the exposures within stage 2 for some industries. This is the case for the Retailing industry.

The gross exposure in stage 2 decreased by DKK 12.8 billion from 2019 to 2020, with especially the Agriculture, Commercial properties and Shipping, oil and gas industries showing significant decreases. For Agriculture, the decrease in the gross exposure within stage 2 reflected a general improvement within the industry, however, combined with part of the exposure being transferred from stage 2 to stage 3 following credit deterioration. For Commercial property, the development related mainly to the actual development of house prices during 2020, which despite - the corona crisis - turned out to be positive. Although post-model adjustments were added to Commercial property during 2020 with an impact on the expected credit loss, the underlying improvement within the stage 1 exposure during 2020 led to a decrease in the gross exposure that was transferred from stage 1 to stage 2 through the targeted PD-pushes related to the post-model adjustments for the industry. For Shipping, oil and gas, the decrease related to a general decrease in the exposure to the industry across all three stages, amongst others due to restructurings leading to write-offs impacting both the stage 2 and 3 exposure.

Notes – Danske Bank Group – Risk management

Credit exposure continued

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

Notes – Danske Bank Group – Risk management

Credit exposure continued

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

Credit portfolio in core activities broken down by business unit

31 December 2020	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK billions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail	543.1	34.1	5.3	0.8	1.6	2.4	542.2	32.5	3.0	73.8	6.8	0.4
Commercial	429.4	17.2	16.1	0.8	2.0	3.9	428.6	15.2	12.2	87.6	3.3	1.8
Banking DK	**972.5**	**51.3**	**21.5**	**1.7**	**3.6**	**6.3**	**970.8**	**47.7**	**15.2**	**161.4**	**10.1**	**2.3**
Sweden	302.6	24.0	3.9	0.1	1.0	0.9	302.4	23.0	3.0	114.8	9.3	1.2
Norway	235.8	12.7	3.2	0.1	0.3	0.4	235.7	12.4	2.8	75.7	4.0	0.9
Finland	158.0	14.9	6.8	-	0.5	1.4	158.0	14.4	5.4	44.3	2.5	1.3
Other	36.8	12.5	1.3	-	0.4	0.5	36.8	12.1	0.9	13.3	2.6	-
Banking Nordic	**733.2**	**64.1**	**15.3**	**0.3**	**2.2**	**3.1**	**732.9**	**61.9**	**12.1**	**248.0**	**18.3**	**3.4**
C&I[1]	**517.2**	**19.0**	**8.9**	**0.2**	**1.4**	**2.8**	**517**	**18**	**6**	**444.2**	**14.2**	**0.9**
Wealth Management	**1.3**	**-**	**-**	**-**	**-**	**-**	**1.3**	**-**	**-**	**1.3**	**-**	**-**
Northern Ireland	**83.1**	**6.9**	**3.1**	**0.1**	**0.2**	**0.6**	**83.0**	**6.7**	**2.4**	**49.6**	**1.5**	**0.4**
Other	**253.0**	**0.1**	**-**	**-**	**-**	**-**	**253.0**	**0.1**	**-**	**252.3**	**-**	**-**
Total	**2,560.2**	**141.4**	**48.8**	**2.3**	**7.4**	**12.9**	**2,558.0**	**134.0**	**35.9**	**1,156.6**	**44.3**	**7.0**

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

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

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

For further information on the increase in exposures within stage 2, see the tables on credit exposure broken down by industry.

Notes – Danske Bank Group – Risk management

Concentration risk

The Group has implemented a set of frameworks to manage the concentration risk to which the Group is exposed. These frameworks cover single-name concentrations, industry concentrations and geographical concentrations.

Industry concentrations
The Group manages industry concentrations as part of its credit risk appetite framework by setting exposure limits on selected industries. The industry concentrations are updated on an ongoing basis and at least once a year. The Group accepts the risks on material concentrations in accordance with the industry-specific guidelines that outline the use of credit policies within the industry. In addition, the Group manages key concentrations to personal customers in relation to high LTV ratios and short-term interest loans, for example.

Geographical concentrations
Credit reporting includes a breakdown by region. Limits are set on exposures outside the Group's home markets (sovereigns, financial institutions and counterparties in derivatives trading). Limits are approved by the Group Credit Committee on the basis of expected business volume and an assessment of the specific country risk.

Single-name concentrations
Single-name concentrations are managed according to two frameworks:

- Single-name concentration instructions: This risk-sensitive internal framework specifies limits on exposure, expected loss (EL) and loss given default (LGD) in order to limit potential losses on single-name exposures. Single-name concentrations are monitored monthly and reported on quarterly basis to the Group All Risk Committee, the Board Risk Committee and Board of Directors.

- Large exposures instructions: This framework is based on the regulatory definition of large exposures as specified in article 395 of the CRR (Regulation (EU) No. 575/2013).

The Group has also defined stricter internal limits for managing single-name concentrations within the large exposure framework, including the following:

- absolute limit on single-name exposures
- the sum of single-name exposures larger than 10% of the total adjusted capital may not exceed a portfolio limit of 95% of the total adjusted capital
- the sum of single-name exp osures equal to 5% to 10% of the total adjusted capital may not exceed 150% of the total adjusted capital

The largest single-name exposures are monitored daily under the large exposures framework. Large exposures are reported on a quarterly basis to the Group All Risk Committee, the Board Risk Committee and the Board of Directors. At the end of 2019, the Group was well within the regulatory limits for large exposures.

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral.

The market value of collateral is monitored and reassessed by advisers, internal or external assessors, or automatic valuation models. Automatic valuation models are validated annually and monitored quarterly. The Group regularly evaluates the validity of external inputs on which the valuation models are based. The Collateral System supports the process of reassessing the market value to ensure that the Group complies with regulatory requirements.

The market value of collateral is subject to a haircut. The haircut reflects the risk that the Group will not be able to obtain the estimated market value upon the sale of the individual asset in a distressed situation. The haircut applied depends on the type of collateral. For regulatory purposes, the Group also applies more conservative haircuts to capture the risk of an economic downturn.

The composition of the Group's collateral base reflects the product composition of the credit portfolio. The most important collateral types, measured by volume, are real property and vessels and aircrafts. For reporting purposes, all collateral values are net of haircuts and capped by the exposure amount at the facility level.

During 2020, the Group granted loans with an outstanding amount of DKK 5.0 billion subjet to guarantee schemes offered by the governments in the Group's markets to mitigate the economic consequences of the corona crises. The guarantees covered DKK 4.2 billion of the loans. A large part of the guarantee schemes related to Northern Ireland.

Notes – Danske Bank Group – Risk management

Collateral continued

Type of collateral in core activities (after haircuts)

(DKK billions)	Banking DK		Banking Nordic		C&I		Wealth Management		Northern Ireland		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Real property	842.5	828.6	451.6	432.1	29.9	26.6	-	-	32.9	34.8	0.7	0.6	1,357.6	1,322.7
- Personal	489.2	487.1	292.6	276.1	-	-	-	-	21.5	21.6	0.6	0.3	804.0	785.1
- Commercial	313.0	299.8	151.4	149.1	28.1	24.8	-	-	9.1	10.3	-	0.3	501.6	484.2
- Agricultural	40.3	41.7	7.5	7.0	1.8	1.8	-	-	2.4	2.9	-	-	52.0	53.4
Bank accounts	1.2	1.1	1.1	0.9	0.1	0.1	-	-	-	-	-	-	2.4	2.1
Custody account and securities	8.8	9.0	3.6	3.4	6.0	10.8	-	3.1	-	-	-	-	18.3	26.3
Vehicles	1.4	1.6	21.6	20.5	1.2	0.7	-	-	-	-	-	-	24.2	22.9
Equipment	2.1	3.1	13.9	15.8	1.2	1.5	-	-	3.1	3.5	-	-	20.3	23.8
Vessels and aircraft	2.0	1.7	2.5	2.6	19.6	25.2	-	-	-	-	-	-	24.1	29.6
Guarantees	1.7	1.9	8.3	7.2	18.2	5.8	-	-	3.0	-	-	-	31.2	14.8
Amounts due	-	-	3.8	4.0	0.4	0.2	-	-	0.3	0.5	-	--	4.5	4.7
Other assets	0.2	0.3	31.0	29.3	4.8	4.0	-	-	1.3	1.4	-	-	37.3	35.1
Total collateral	**860.0**	**847.3**	**537.3**	**515.8**	**81.4**	**74.9**	**0.0**	**3.1**	**40.7**	**40.2**	**0.7**	**0.6**	**1,520.0**	**1,481.9**
Total unsecured credit exposure	**173.7**	**206.8**	**269.7**	**248.5**	**459.3**	**368.3**	**1.3**	**1.1**	**51.5**	**38.3**	**252.4**	**99.0**	**1,207.9**	**962.0**
Unsecured portion of credit exposure (%)	**16.8**	**19.6**	**33.4**	**32.5**	**84.9**	**83.1**	**99.3**	**25.7**	**55.9**	**48.8**	**99.7**	**99.4**	**44.3**	**39.4**

Notes – Danske Bank Group – Risk management

Past due amounts in core activities (excluding loans in rating category 10 and 11)

Past due amounts

(DKK millions)	Banking DK		Banking Nordic		C&I		Northern Ireland		Other		Total past due amount		Total due under loans	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
6-30 days	71	57	23	52	1	2	1	7	-	-	95	118	1,530	2,790
31-60 days	13	15	20	6	-	-	1	1	-	-	34	23	691	536
> 60 days	34	33	5	20	-	-	-	2	-	-	40	56	587	497
Total past due amounts	**118**	**106**	**48**	**78**	**2**	**3**	**2**	**10**	**-**	**-**	**170**	**196**	**-**	**-**
Total due under loans	**883**	**670**	**1,850**	**3,022**	**6**	**6**	**60**	**119**	**8**	**4**	**-**	**-**	**2,807**	**3,822**

For the past due amounts, the average unsecured portion of the claims recorded was 0% at the end of 2020 (2019: 11.7%). Real property accounted for 74.8% of collateral provided (2019: 80.3%).

Forbearance practices and repossessed assets

The Group adopts forbearance plans to assist customers in financial difficulty. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and 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 2020, the Group had recognised properties taken over in Denmark at a carrying amount of DKK 39 million (2019: DKK 15 million), and there were no properties taken over in other countries (2019: DKK 0 million). The properties are held for sale and included under Other assets in the balance sheet.

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

In 2020, the Group increased the use of concessions to assist customers affected by the corona crisis. These concessions represented an increase in gross exposure of around DKK 44 billion, of which around DKK 6 billion (net of expected credit losses) was considered forbearance measures, see note G1(b) for the definition of when such concessions are considered to be a forbearance measure. The concessions related primarily to Personal customers and to the following industries: Shipping, oil and gas, Commercial property, Transportation and Consumer goods. In the Group's Nordic markets, such concessions were granted on a voluntary basis, while in Northern Ireland, Danske Bank was selected by the UK Government to provide concessions through the UK government-backed lending schemes.

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

Exposures subject to forbearance measures

(DKK millions)	2020		2019	
	Performing	Non-performing[1]	Performing	Non-performing[1]
Active forbearance	11,973	10,481	8,161	9,341
Under probation	14,962	-	4,933	-
Total	**26,934**	**10,481**	**13,094**	**9,341**

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

Notes – Danske Bank Group – Risk management

Non-performing loans

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

The impact of the corona crisis on total gross NPL exposures was limited. At the same time, net NPL decreased driven by a decrease in net NPL in default.

The table below shows the reconciliation between the gross exposure in stage 3 and gross non-performing loans.

Non-performing loan bridge	2020			2019		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	30.8	18.0	48.8	21.2	21.5	42.8
None or an immaterial allowance account	13.6	3.4	17.0	4.1	3.9	8.0
Gross non-performing loans	17.2	14.6	31.8	17.1	17.6	34.7
Expected credit loss	5.1	7.9	12.9	5.1	8.3	13.4
Net non-performing loans	**12.1**	**6.7**	**18.8**	**12.0**	**9.4**	**21.3**

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

Non-performing loans in core activities		
(DKK millions)	2020	2019
Total non-performing loans	18,842	21,346
- portion from customers in default*	6,698	9,372
Coverage ratio (default) (%)	100	74
Coverage ratio (non-default) (%)	54	85
Coverage ratio (total non-performing loans) (%)	75	78
Non-performing loans as a percentage of total gross exposure (%)	1.2	1.4

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

Notes – Danske Bank Group – Risk management

Non-performing loans continued

Non-performing loans in core activities broken down by industry (NACE)

	2020				2019			
(DKK millions)	Gross exposure a	Expected credit loss b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Expected credit loss b	Net exposure =a-b	Net exposure, ex collateral
Public institutions	-	-	-	-	1	-	1	1
Financials	199	199	-	-	338	263	75	-
Agriculture	3,156	1,410	1,746	440	3,452	1,708	1,744	412
Automotive	480	163	317	113	190	91	99	43
Capital goods	1,793	672	1,121	779	4,043	565	3,478	2,241
Commercial property	3,371	1,016	2,356	111	3,610	1,257	2,353	9
Construction and building materials	1,520	658	862	303	2,207	864	1,343	181
Consumer goods	1,452	575	878	173	886	441	446	34
Hotels, restaurants and leisure	1,563	410	1,153	678	145	81	64	12
Metals and mining	100	42	58	23	42	34	8	2
Other commercials	19	8	11	1	13	10	3	-
Pharma and medical devices	52	11	41	17	30	19	11	-
Private housing co-ops and non-profit associations	715	231	484	84	803	321	482	49
Pulp, paper and chemicals	418	180	237	62	368	119	249	78
Retailing	2,137	1,030	1,108	422	1,379	662	717	-
Services	941	526	415	182	664	402	262	50
Shipping, oil and gas	6,509	2,270	4,239	95	9,230	2,938	6,292	-
Social services	872	323	549	-	739	252	487	-
Telecom and media	177	106	71	9	220	110	109	32
Transportation	866	129	737	523	126	98	28	-
Utilities and infrastructure	47	47	-	-	59	34	25	12
Personal customers	5,388	2,931	2,457	261	6,167	3,095	3,072	714
Total	**31,776**	**12,934**	**18,842**	**4,275**	**34,713**	**13,367**	**21,346**	**3,867**

For non-performing exposures, the average unsecured portion was 22.7% at the end of 2020 (2019: 18.1%). Real property accounted for 44.3% of collateral provided (2019: 49.1%).

Notes – Danske Bank Group – Risk management

Non-performing loans continued

Non-performing loans in core activities broken down by business unit

(DKK millions)	2020 Gross exposure a	2020 Expected credit loss b	2020 Net exposure =a-b	2020 Net exposure, ex collateral	2019 Gross exposure a	2019 Expected credit loss b	2019 Net exposure =a-b	2019 Net exposure, ex collateral
Retail	3,983	2,293	1,690	183	4,636	2,486	2,150	294
Commercial	8,312	3572	4,740	922	10,953	4,797	6,156	472
Banking DK	**12,295**	**5,864**	**6,430**	**1,105**	**15,588**	**7,282**	**8,306**	**767**
Sweden	3,905	1,103	2,801	732	1,384	493	892	97
Norway	2,213	466	1,747	2,015	2,083	545	1,539	-
Finland	3,227	1,413	1,814	169	2,125	1,106	1,019	56
Other	717	401	316	-12	392	276	116	-
Banking Nordic	**10,061**	**3,383**	**6,679**	**2,904**	**5,985**	**2,420**	**3,565**	**154**
C&I[1]	**7,394**	**3,011**	**4,383**	**52**	**11,853**	**3,155**	**8,698**	**2,718**
Northern Ireland	**2,014**	**668**	**1,346**	**214**	**1,281**	**508**	**773**	**227**
Other	**12**	**8**	**3**	**-**	**6**	**2**	**4**	**2**
Total NPL	**31,776**	**12,934**	**18,842**	**4,275**	**34,713**	**13,367**	**21,346**	**3,867**

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

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). In general, the Group's IFRS 9 impairment models and parameters draw on the bank's internal models in order to ensure alignment of models across the Group. New models and calculations have been developed especially for IFRS 9 purposes, including models for lifetime PD, prepayment and forward-looking LGD. All expected credit loss impairments are allocated to individual exposures. For significant stage 3 exposures, the Group determines the expected credit losses individually.

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2019	1,574	5,375	13,405	20,353
Transferred to stage 1 during the period	784	-699	-86	-
Transferred to stage 2 during the period	-357	1,067	-710	-
Transferred to stage 3 during the period	-34	-542	576	-
ECL on new assets	263	1,174	2,461	3,898
ECL on assets derecognised	-320	-1,183	-2,875	-4,377
Impact of net remeasurement of ECL (incl. changes in models)	-602	726	1,141	1,264
Write-offs debited to the allowance account	-	-5	-791	-796
Foreign exchange adjustments	4	22	82	109
Other changes	-7	-27	33	-
ECL allowance account as at 31 December 2019	**1,306**	**5,908**	**13,237**	**20,451**
Transferred to stage 1 during the period	1,063	-1,006	-57	-
Transferred to stage 2 during the period	-117	754	-636	-
Transferred to stage 3 during the period	-22	-984	1,006	-
ECL on new assets	542	1,860	2,105	4,507
ECL on assets derecognised	-289	-1,307	-3,584	-5,180
Impact of net remeasurement of ECL (incl. changes in models)	-193	2,268	2,209	4,283
Write-offs debited to the allowance account	-1	-6	-1,069	-1,076
Foreign exchange adjustments	-22	-7	-396	-425
Other changes	-4	-42	40	-6
ECL allowance account as at 31. December 2020	**2,263**	**7,438**	**12,853**	**22,554**

The stage 3 allowance account includes DKK 7.1 billion (2019: DKK 7.2 billion) relating to originated credit impaired financial assets. Originated credit impaired financial assets are granted as part of restructuring non-performing loan exposures, and are otherwise outside the Group's credit policy. The Group has not acquired any credit impaired financial assets.

Expected credit losses (allowance account) in core activities broken down by segment

(DKK millions)	Banking DK	Banking Nordic	C&I	Northern Ireland	Other	Allowance account Total
ECL allowance account as at 1 January 2019	12,593	4,149	2,806	792	12	20,353
ECL on new assets	1,631	935	1,278	52	3	3,898
ECL on assets derecognised	-2,296	-1,062	-843	-172	-5	-4,377
Impact on remeasurement of ECL (incl. change in models)	24	415	798	29	-1	1,264
Write-offs debited to allowance account	-397	-104	-281	-14	-	-796
Foreign currency translation	-1	13	54	44	-	109
Other changes	109	-13	-94	-	-1	-
ECL allowance account as at 31 December 2019	**11,662**	**4,333**	**3,718**	**730**	**8**	**20,451**
ECL on new assets	1,300	1,442	1,647	108	10	4,507
ECL on assets derecognised	-2,303	-963	-1,809	-103	-3	-5,180
Impact on remeasurement of ECL (incl. change in models)	974	843	2,111	354	1	4,283
Write-offs debited to allowance account	-120	-40	-865	-51	-	-1,076
Foreign currency translation	-8	14	-381	-48	-2	-425
Other changes	14	14	-34	-1	1	-6
ECL allowance account as at 31. December 2020	**11,520**	**5,643**	**4,387**	**990**	**15**	**22,554**

The method used for calculating expected credit losses is described in detail in note G15.

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

Gross credit exposure in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2019	2,233,127	139,503	43,486	2,416,115
Transferred to stage 1	33,039	-32,143	-896	-
Transferred to stage 2	-52,820	57,689	-4,869	-
Transferred to stage 3	-5,487	-4,266	9,753	-
New assets	775,390	38,234	8,908	822,532
Assets derecognised	-654,929	-40,315	-11,766	-707,010
Changes due to modifications that did not result in derecognition	-3	-12	-90	-105
Other changes	-61,043	-4,445	-1,769	-67,258
As at 31 December 2019	**2,267,273**	**154,243**	**42,758**	**2,464,274**
Transferred to stage 1	44,248	-43,386	-863	-
Transferred to stage 2	-51,001	55,363	-4,362	-
Transferred to stage 3	-7,249	-10,380	17,628	-
New assets	735,906	35,729	10,131	781,766
Assets derecognised	-584,552	-41,981	-13,130	-639,662
Changes due to modifications that did not result in derecognition	-5	-8	-79	-92
Other changes	155,606	-8,136	-3,298	144,172
As at 31. December 2020	**2,560,227**	**141,445**	**48,786**	**2,750,458**

In 2020, the Group increased the use of modification of the contractual terms in the form of concessions to assist customers affected by the corona crisis. A large part of the concessions were short-term reliefs in the form of amortisation holidays. Such modifications led only to insignificant modification losses (changes in the net present value of the contractual cash flows). In the table above, 'Changes due to modifications that did not result in derecognition' includes partial forgiveness of debt assessed to be uncollectible. The modification loss is recognised within the income statement as part of Loan impairment charges. The contractual amount of loans written off in 2020 and for which the Group retains the right to enforce its claims amounted to DKK 3,616 million (2019: DKK 1,480 million).

Allowance account in core activities broken down by balance sheet item

(DKK millions)	2020	2019
Due from credit institutions and central banks	19	13
Loans at amortised cost	16,512	15,237
Loan commitments and guarantees	3,175	2,020
ECL Impairment, Total	**19,705**	**17,270**
Fair value credit risk adjustment on loans at fair value	2,849	3,182
Total	**22,554**	**20,451**

Macroeconomic scenarios

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

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

The forward-looking information is based on a three-year forecast period converging to a steady state level in year seven. The base case is based on the macroeconomic outlook as disclosed in the Group's Nordic Outlook reports. The base-case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 December 2020, the base-case scenario used in the modelled expected credit losses was based on the Nordic Outlook report published in October 2020, reflecting a recession in 2020 followed by a recovery in 2021. A comparison between the macroeconomic inputs for 2021 and 2022 in the base case sceanario used at the end of 2020 and the inputs used in the base case scenario at the end of 2019 shows that they appear to be more positive. However, this should be seen in the light of the inputs developing from a lower starting point (i.e. 2020) than expected in 2019. When adjustments are made for this, the base case used at the end of 2020 was more negative than the base case scenario used at the end of 2019.

The downside scenario reflects a W-shaped trend, where the second wave of the coronavirus pandemic causes new lockdowns in the fourth quarter of 2020 and the first quarter of 2021. The housing market proved quite resilient to this kind of shock during the first wave of the pandemic. Even so, property prices are expected to decline in 2021 in the downside scenario as more people will fear for their future income and because the initial shift in consumer preferences due to restrictions (boosting demand in the spring) has to some extent already happened. As societies return to normal and the output gap starts closing, property prices also start to increase. The recovery is sluggish though, reflecting increased risk aversion among households and businesses. Fiscal support is more limited and less effective than in the first wave. That said, this scenario assumes that the economy will not suffer extensive long-term damage from the crisis and as such will be back on track in the second or third quarter of 2021. The output gap will have grown significantly though, reflecting a further decline in GDP in 2021. The Nordics are less affected in this scenario compared to most of the rest of the world, where the coronavirus is generally more widespread, as is the case in the UK, for instance.

In the current situation, significant uncertainty related to the macroeconomic outlook and the impact on expected credit losses does exist. The scenarios used at the end of 2020 were in line with the scenarios published by e.g. the Danish central bank. Compared with the macroeconomic scenarios used at the end September 2020, the updated scenarios lead to a reversal of modelled expected credit losses which was partly offset by recognising further post-model adjustments in the fourth quarter of 2020. For further information, see the separate section below.

Forecasts are produced for the coming three years. After this period, the outlook returns to a steady state level after a further four years. The macroeconomic parameters in the base case and downside scenario used in the ECL calculation for the first three years of the forecast horizon as an average across the Group's core markets are included below. The table also includes the macroeconomic parameters for 2020 for a comprehensive overview of the scenarios used in relation to the scenarios used at the end of 2019.

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

2020	Base case				Downside			
	2020	2021	2022	2023	2020	2021	2022	2023
GDP	-3.7	3.3	2.1	1.8	-4.2	-1.2	2.7	2.3
Industrial Production	-5.0	4.1	3.1	2.5	-5.4	-1.7	4.8	3.6
Unemployment	6.7	6.1	5.5	5.1	6.6	7.4	6.6	5.9
Inflation	0.7	1.5	1.6	1.6	0.6	0.7	1.4	1.4
Consumption Expenditure	-4.4	4.7	1.8	1.7	-4.9	0.6	1.9	1.8
Property prices - Residential	2.7	2.7	2.6	2.9	2.7	-4.1	2.6	2.9
Interest rate - 3 month	-0.1	0.0	0.1	-0.2	-0.1	-0.1	0.0	0.2
Interest rate - 10 year	0.1	0.3	0.6	0.7	-0.2	0.1	0.4	0.7

After the forecast period, the macroeconomic scenarios revert slowly towards a long-term average.

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

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

2019	Base case			Downside		
Group average	2020	2021	2022	2020	2021	2022
GDP	1.3	1.5	1.6	-0.1	1.6	2.2
Industrial Production	1.9	2.1	2.1	-0.3	2.9	3.3
Unemployment	5.2	5.2	5.1	6.2	6.1	5.8
Inflation	1.6	1.7	1.8	1.0	1.4	1.7
Consumption Expenditure	1.9	1.6	1.7	0.2	0.8	1.1
Property prices - Residential	1.8	2.3	2.6	-2.1	-0.4	1.8
Interest rate - 3 month	0.3	0.2	0.4	-0.4	0.0	0.4
Interest rate - 10 year	0.1	0.1	0.3	-0.5	-0.1	0.4

At 31 December 2019, the upside scenario represented a slightly better outlook than the base case scenario across the macroeconomic parameters, mainly to capture uncertainty to the upside.

The base-case scenario enters with a probability of 60% (2019: 60%), the upside scenario with a probability of 15% (2019: 10%) and the downside scenario with a probability of 25% (2019: 30%). On the basis of these assessments, the allowance account at 31 December 2020 amounted to DKK 22.6 billion (2019: 20.5 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.4 billion (2019: 0.7 billion). Compared to the base case scenario, the allowance account would increase DKK 1.7 billion (2019: 2.4 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease by DKK 0.4 billion (2019: 0.5 billion) compared to the base-case scenario. It should be noted that the expected credit losses in the individual scenarios (i.e. without the weighting) do not represent forecasts of expected credit losses (ECL).

Post-model adjustments

Management applies judgement when determining the need for post-model adjustments. At 31 December 2020, the post-model adjustments amounted to DKK 6.4 billion (2019: 4.0 billion). The post-model adjustments related primarily to the following types of risk:

- specific macroeconomic risks on certain industries not fully captured by the expected credit loss model, for instance Agriculture industry (for such industries, supplementary calculations are made in order to ensure sufficient impairment coverage)
- non-linear downside macroeconomic risks, for instance in relation to 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 credit loss model
- post-model adjustments including the immediate risks arising from the corona crisis introduced in the first quarter of 2020.

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

Notes – Danske Bank Group – Risk management

Expected credit losses (allowance account) in core activities continued

Post-model adjustments by type and mostly impacted industries

	2020	2019
Specific macroeconomic risks		
Agriculture	0.8	0.9
Commercial Property	1.6	0.7
Personal customers	1.1	0.6
Others	0.4	0.1
Specific macroeconomic risks, total	3.9	2.3
of which corona crisis related	2.0	-
Process related	1.8	1.4
Upcoming model changes	0.6	0.3
Total	**6.4**	**4.0**

The post-model adjustments relating to the corona crisis concern industries directly affected by the corona crisis and for which the macroeconomic scenarios themselves do not lead to a sufficient increase in expected credit losses. It includes expected, but not yet materialised, credit deterioration in relation to the Personal customers and Commercial property industries in Denmark as government support ends. This also includes retailing, hotels and restaurants (within the Hotels, restaurants and leisure industry) as well as oil and gas (within the Shipping, oil and gas industry). The post-model adjustments gradually increased during the quarters of 2020. The base case macroeconomic scenarios used in the quarters of 2020 all reflect a recovery in 2021, gradually becoming more positive as the period until recovery in 2021 shortens, thus leading to a reversal of the modelled expected credit losses. Due to the continued significant uncertainty relating to the magnitude of the pandemic and to the extent to which government will continue to support the economies, management deemed it appropriate to increase the post-model adjustments relating to the corona crisis during the second half of 2020 to outweight the reversal of the modelled expected credit losses during the same period.

Notes – Danske Bank Group – Risk management

Credit exposure from Non-core lending activities

The Non-core business unit includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up of this part of the loan portfolio. The portfolio consists primarily of loans to customers in the Baltics and liquidity facilities for Special Purpose Vehicles (SPVs) and conduit structures.

In December 2019 and January 2020, the Group entered into agreements to sell portfolios of loans granted to personal customers in Latvia and Lithuania. The transactions were settled in the first half of 2020. In June 2020, the Group entered into an agreement to sell a portfolio of Estonian commercial loans managed by the Lithuanian branch. The transaction was settled in October 2020. In the fourth quarter of 2020, the Group entered into agreements to sell portfolios of commercial customers in Latvia also managed by the Lithuanian branch. Settlement requires the approval of the competent authorities. Until settlement, the portfolios are presented as loans held for sale. Further information can be found in note G23. At the end of 2020, loans held for sale were included in the table below (a net exposure of DKK 416 million with the adjustment for credit risk of DKK 148 million presented as expected credit loss).

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

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

31 December 2019	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
(DKK millions)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-core banking	6,247	308	320	10	55	157	6,236	253	163	3,284	105	35
Personal customers	976	24	4	3	17	-	973	7	3	25	-	1
Commercial customers	3,327	254	316	7	37	156	3,320	216	160	1,609	78	34
Public Institutions	1,944	30	-	-	-	-	1,944	30	-	1,650	26	-
Non-core conduits etc.	3,340	141	908	-	-	639	3,340	141	268	578	-	-
Total	**9,586**	**449**	**1,228**	**10**	**55**	**796**	**9,576**	**394**	**432**	**3,862**	**104**	**35**

Notes – Danske Bank Group – Risk management

Credit exposure from Non-core lending activities continued

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

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

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

Non-performing loans in Non-core activities broken down by industry (NACE)

	2020				2019			
(DKK millions)	Gross exposure a	Expected credit loss b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Non-core banking	468	223	245	-	204	157	47	1
Non-core conduits etc.	778	686	92	-	908	639	268	-
Total	**1,246**	**908**	**337**	**-**	**1,112**	**796**	**316**	**1**

The average unsecured portion of non-performing loans was 0.1% at the end of 2020 (2019: 0.3%). Real property accounted for 100% of collateral provided (2019: 100%).

Notes – Danske Bank Group – Risk management

Counterparty credit risk

Exposure to counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	2020	2019
Counterparty credit risk		
Derivatives with positive fair value	379.6	294.0
Reverse transactions and other loans at fair value[1]	259.4	343.1
Credit exposure from other trading and investment securities		
Bonds	583.4	472.5
Shares	16.7	13.7
Other unutilised commitments[2]	0.2	0.3
Total	**1,239.3**	**1,123.6**

[1] Reverse transactions and other loans at fair value included as counterparty credit risk are loans at the trading units of Corporates & Institutions. These loans consist of reverse transactions of DKK 256.7 billion (2019: DKK 342.0 billion), of which DKK 50.0 billion relates to credit institutions and central banks (2019: DKK 23.6 billion), and other primarily short-term loans of DKK 2.8 billion ((2019: DKK 1.1 billion), of which DKK 2.4 billion (2019: DKK 0 billion) relates to credit institutions and central banks.

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

Counterparty credit risk (derivatives)

Derivatives are subject to credit risk. Positive and negative fair values of derivatives with the same counterparty are offset in the balance sheet if certain conditions are fulfilled. The Group has entered into master netting or similar agreements that include rights to additional set-off in the event of default by a counterparty. Such agreements reduce the exposure further, but they do not qualify for offsetting under IFRSs. The net current exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 109.6 billion (2019: DKK 76.4 billion) (see note G32). The exposure is broken down by rating category in the table below.

Net current exposure broken down by category (DKK millions)	2020	2019
1	25,228	14,566
2	20,912	14,848
3	36,735	23,540
4	11,837	10,880
5	8,203	9,154
6	4,266	2,007
7	1,529	1,014
8	409	98
9	29	21
10	374	175
11	81	60
Total	**109,601**	**76,361**

The Group uses a range of measures to capture counterparty credit risk, including current exposure, potential future exposure (PFE) and exposure at default (EAD).
Current exposure is a simple measure of counterparty credit risk exposure that takes into account only current mark-to-market values and collateral.

Customer-level counterparty risk is managed by means of PFE lines on a set of maturity buckets. It is measured at the 97.5% percentile for a set of future time horizons. PFE lines are approved by the relevant credit unit and all transactions are assumed to be held to contractual maturity. The Group carries out daily counterparty credit risk measurement and monitoring as well as intraday line utilisation monitoring.

The Danish FSA approved the Group's simulation model for calculating the regulatory capital requirement for counterparty credit risk in 2015. More advanced measures such as EAD, which is a regulatory measure, express potential future losses and are based on internal models for future scenarios of market data. EAD figures are provided in the Additional Pillar III Disclosures (accessible at danskebank.com/investor-relations).

An overview of counterparty credit risk exposures (at counterparty and portfolio levels) is reported to the Executive Leadership Team and other senior management on a monthly basis. The Group uses a simulation-based model to calculate counterparty credit risk exposure for the majority of its portfolio.

The Group makes fair value adjustments to cover the counterparty credit risk on derivatives with positive fair value (CVA) that are recognised in the financial statements. For more information, see note G32.

Notes – Danske Bank Group – Risk management

Bond portfolio

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 December 2020							
Held-for-trading (FVPL)	197,777	1,920	19,285	53,729	5,712	8,591	287,014
Managed at fair value (FVPL)	19,084	929	22,851	1,964	630	2,576	48,034
Held to collect and sell (FVOCI)	15,272	3,469	82,299	8,641	5,899	1,192	116,772
Held to collect (AMC)	31,836	1,671	88,742	7,633	1,746	-	131,628
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,358**	**583,448**
31 December 2019							
Held-for-trading (FVPL)	96,642	1,549	52,694	27,206	3,510	7,511	189,112
Managed at fair value (FVPL)	9,520	631	40,151	3,066	458	561	54,387
Held to collect and sell (FVOCI)	9,737	1,550	83,474	8,589	4,164	445	107,959
Held to collect (AMC)	36,972	854	73,847	7,211	2,021	187	121,092
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

At 31 December 2020, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 222,122 million (2019: DKK 196,918 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk provides more information.

Notes – Danske Bank Group – Risk management

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local govern-ment bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 December 2020							
Denmark	80,654	-	213,177	-	-	2,968	296,800
Sweden	91,397	-	-	71,967	-	3,977	167,341
UK	2,955	-	-	-	1,096	1,489	5,540
Norway	3,681	-	-	-	10,693	1,657	16,031
USA	13,457	1,876	-	-	-	15	15,348
Spain	3,921	-	-	-	1	2	3,925
France	11,693	-	-	-	466	27	12,186
Luxembourg	-	4,404	-	-	-	75	4,479
Finland	7,964	999	-	-	751	1,432	11,147
Ireland	2,187	-	-	-	3	59	2,249
Italy	4,357	-	-	-	-	4	4,361
Portugal	249	-	-	-	-	-	249
Austria	5,347	-	-	-	-	56	5,402
Netherlands	4,987	4	-	-	15	176	5,182
Germany	30,316	-	-	-	711	181	31,208
Belgium	803	299	-	-	1	-	1,102
Other	-	409	-	-	249	239	897
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,358**	**583,448**
31 December 2019							
Denmark	30,552	-	250,166	-	-	827	281,545
Sweden	24,040	1	-	46,072	-	2,415	72,528
UK	5,237	-	-	-	1,546	824	7,608
Norway	5,416	-	-	-	5,774	2,908	14,098
USA	21,213	1,105	-	-	-	12	22,330
Spain	7,396	-	-	-	1	4	7,401
France	10,176	-	-	-	384	22	10,582
Luxembourg	-	2,597	-	-	-	1	2,599
Finland	8,483	635	-	-	829	704	10,651
Ireland	7,978	-	-	-	4	6	7,989
Italy	5,334	-	-	-	-	7	5,341
Portugal	272	-	-	-	-	-	272
Austria	4,041	-	-	-	-	2	4,043
Netherlands	4,718	-	-	-	119	256	5,093
Germany	16,787	-	-	-	1,343	154	18,284
Belgium	1,228	-	-	-	6	5	1,239
Other	-	243	-	-	145	559	947
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

Risk Management 2020 provides additional details about the risk on the Group's bond portfolio. The publication is not covered by the statutory audit.

Notes – Danske Bank Group – Risk management

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 December 2020							
AAA	221,354	7,522	212,971	71,928	13,344	1,387	528,506
AA+	11,293	-	-	-	66	157	11,516
AA	16,457	468	-	39	176	1,819	18,959
AA-	3,102	-	-	-	-	364	3,466
A+	-	-	-	-	-	110	110
A	3,700	-	174	-	378	3,142	7,394
A-	-	-	-	-	-	290	290
BBB+	2,408	-	-	-	-	940	3,348
BBB	1,628	-	32	-	-	1,953	3,613
BBB-	4,027	-	-	-	-	677	4,704
BB+	-	-	-	-	-	393	393
BB	-	-	-	-	-	927	927
BB-	-	-	-	-	-	31	31
Sub-inv. grade or unrated	-	-	-	-	24	168	192
Total	**263,969**	**7,990**	**213,177**	**71,967**	**13,987**	**12,359**	**583,448**
31 December 2019							
AAA	101,484	4,354	250,107	46,070	8,876	597	411,487
AA+	10,941	3	-	-	734	4	11,682
AA	18,235	225	-	3	531	1,133	20,127
AA-	1,224	-	-	-	-	437	1,661
A+	-	-	-	-	-	459	459
A	8,434	-	4	-	5	2,315	10,758
A-	-	-	15	-	-	1,228	1,243
BBB+	6,940	-	-	-	-	408	7,348
BBB	376	-	39	-	-	1,138	1,553
BBB-	5,224	-	-	-	-	321	5,545
BB+	7	-	-	-	-	285	292
BB	-	-	-	-	-	148	148
BB-	-	-	-	-	-	1	1
Sub-inv. grade or unrated	8	-	-	-	7	231	246
Total	**152,872**	**4,583**	**250,166**	**46,072**	**10,152**	**8,705**	**472,550**

Notes – Danske Bank Group – Risk management

Market risk

Market risk is the risk of losses or gains caused by changes in the market values of the Group's financial assets, liabilities and off-balance-sheet items resulting from changes in market prices or rates. Market risk affects the Group's financial statements through the valuation of on-balance-sheet and off-balance-sheet items; some of the Group's financial instruments, assets and liabilities are valued on the basis of market prices, while others are valued on the basis of market prices and valuation models developed by the Group. In addition, net interest income generated through the non-trading portfolio will be affected by the level of interest rates.

The Group's market risk management is intended to ensure proper oversight of all market risks, including both trading-related market risk and non-trading-related market risk as well as market risk in relation to fair value adjustments. The market risk framework is designed to systematically identify, assess, monitor and report market risk.

The Group manages its market risk by means of three separate frameworks for the following areas:

- Trading-related activities at Corporates & Institutions (C&I)
- Fair value adjustments (xVA) at Corporates & Institutions
- Non-trading portfolio at Group Treasury

The Group manages the market risk associated with its trading activities in the financial markets. In particular, the Group hedges the market risk incurred from market-making activities and client flows by taking positions in financial instruments, assets and liabilities that offset this market risk. In addition, the Group uses financial instruments to hedge the fair value adjustments (xVA) in relation to derivatives trading.

Group Treasury manages interest rate risks, and other market risks, associated with the assets and liabilities of the non-trading portfolio. Group Treasury also manages risks associated with the Group's defined benefit pension plans.

The market risk at Danica Pension is managed separately.

Trading-related market risk at Corporates & Institutions

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

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

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

	2020		2019	
(DKK millions)	Average	End of year	Average	End of year
Total	**29**	**28**	**26**	**26**

VaR is calculated at a confidence level of 95% for a 1-day horison.

The Group continued to maintain a low risk in its trading operations in 2020, with average trading-related market risk increasing from DKK 26 million in 2019 to DKK 29 million in 2020. Throughout the period, the risk related chiefly to fixed income products, which gave rise to interest rate risk and bond spread risk. Because of substantial diversification, however, the two main risk factors hedged each other well. Both average interest rate risk and average bond spread risk as well as equity risk increased in 2020 from 2019 levels. In addition, foreign exchange risk was more or less unchanged.

Market risk in relation to fair value adjustments

The Group's fair value adjustments (xVA) cover funding value adjustments (FVA), credit value adjustments (CVA) and debt value adjustments (DVA). The Group applies a market-implied approach that is in line with industry best practice. When managing xVA, the Group focuses on managing economic risk rather than regulatory capital. This means that the Group recognises market risk on all counterparties and not just counterparties in scope for the CVA risk charge. The Group's strategy is to continue developing the xVA model so that it remains in line with best market practice.

For the purposes of reducing P/L volatility caused by xVA, the Group pursues a strategy of hedging the most significant risk in the financial markets in order to maintain income stability and predictability under this framework. In practice, the Group buys a hedge of offsetting interest rate swaps and CDS contracts in the financial markets. The Group hedges open foreign exchange risk under this framework. Due to the non-linear nature of both CVA and FVA, the Group has a significant interest rate vega exposure, which is only partially hedged. The FX vega exposure is limited and not hedged at the moment. The main risk of FVA is the funding spread risk (the funding spread is set by Group Treasury). This part cannot easily be limited and hedged, but the Group nevertheless endeavours to mitigate some of the funding spread risk through own debt issues. In addition, the Group may maintain exposures to sovereign spread risk.

Market risk in relation to the non-trading portfolios at Group Treasury

The Group's exposure to market risk in the non-trading portfolio originates mainly from interest rate risk in the banking book (IRRBB). IRRBB derives from providing the Group's core banking customers with conventional banking products and from the Group's funding and liquidity management activities at Group Treasury. In addition, the Group holds a portfolio of unlisted shares relating mainly to private equity funds and banking-related investments.

Notes – Danske Bank Group – Risk management

Market risk continued

The Group has entered into a Structural FX hedge position to reduce the adverse effects on the CET1 capital ratio from exchange rate changes in SEK, NOK and EUR (for more information see the section below on structual foreign exchange risk). Aside from this, the Group has an ambition of hedging all other FX exposures arising from the banking book balance sheet and Group Treasury activities, and thus having no significant open FX risk positions.

Interest rate risk in the banking book (IRRBB)

Annually, the Board of Directors determines the Group's interest rate risk appetite. This framework is translated into a limit framework used for risk management purposes. The Group ALCO is responsible for monitoring and managing the Group's IRRBB exposure. while the Group Balance Sheet Risk Committee discharges the second-line-of-defence obligations in overseeing the implementation and maintenance of the group-wide framework for managing the non-trading portfolio market risk.

The table below shows the Group's total interest rate sensitivity in the banking book (economic value-based measure) measured as the change in the net present value of assets, liabilities and off-balance sheet items in the banking book subject to a parallel interest rate curve shift of +100bp and -100bp. The sensitivity to falling interest rates decreased from a loss of DKK 2,681 million in 2019 to a loss of DKK 1,064 million at the end of 2020, while the sensitivity to rising interest rates decreased from a gain of DKK 4,433 million in 2019 to a gain of DKK 2,269 million at the end of 2020. The decrease was driven primarily by an increase in the average interest rate risk duration of the fixed rate assets while a combination of increases in demand deposits and a change in floor levels and model assumptions for demand deposits led to a moderate increase only in respect of the interest rate risk on liabilities. The net effect was a net decrease in interest rate risk.

Interest rate risk in the banking book under the new limit framework

	2020		2019	
At last business day (DKK millions)	+100bp	-100bp	+100bp	-100bp
Total	**2,269**	**-1,064**	**4,433**	**-2,681**

Earnings-at-Risk (EaR) is a regulatory measure that seeks to stress net interest income under a number of different scenarios using defined parameters. A constant balance-sheet approach is used for creating a base scenario over a 12-month time horizon. A number of different scenarios are then applied for the purpose of assessing the EaR sensitivity. The EaR measure complements the Economic Value interest rate measure, which measures the long-term effect. At the end of December 2020, only two of the scenarios were causing a decline in the net interest income compared to the base case scenario. The worst case scenario was the 'short rates up' scenario, having a negative impact on EaR of DKK 664 million. At the end of 2019, the worst case sceanario was a parallel downward yield curve shift of 1%, which also had a positive impact on the Group's EaR of DKK 6 million compared to the base case scenario.

The Group uses a credit spread risk in the banking book measure based on a 10-day 99% VaR approach. Partly due to the volatility experienced since the outbreak of the coronavirus pandemic but also due to an increase in the volume and duration of the liquidity buffer bond portfolio at fair value through other comprehensive income, this measure increased to DKK 195 million at the end of 2020 (2019: DKK 99 million.

Structural foreign exchange risk

The Group's CET1 capital is denominated in its domestic currency, DKK, while some of its assets and liabilities are denominated in foreign currencies. Although a fully matched foreign currency position will protect Danske Bank against losses from movements in exchange rates, the Group's CET1 capital ratio will fall if the domestic currency depreciates because of the imbalance between the CET1 capital in a particular foreign currency and the CET1 capital required to support the REA denominated in that same currency. This risk is labelled structural foreign exchange risk.

The Group's objective is to manage structural foreign exchange risk in order to reduce the potential effect of fluctuations in exchange rates on the CET1 capital ratio in a manner that avoids income statement volatility, while at the same time acknowledging potential increased volatility in other comprehensive income. The Group pursues a strategy of hedging the foreign exchange sensitivity of the CET1 capital ratio stemming from the allocated capital that reflects credit and operational risk REAs in the three most significant balance sheet currencies (NOK, SEK, and EUR). By nature, structural foreign exchange (hedge) positions are long-term and non-trading positions and they also remain relatively stable over time.

Regulatory capital for market risk

The Group mainly uses the internal model approach (IMA) to measure the risk exposure amount (REA) used for determining the minimum capital requirement for market risk in the trading book. The IMA comprises the Value-at-Risk (VaR) capital charge, the Stressed Value-at-Risk (SVaR) capital charge and the incremental risk charge (IRC). The Group uses the internal VaR model to calculate the VaR and SVaR capital charges, whereas the IRC is calculated on the basis of the incremental risk model. No diversification effects between capital charges are taken into account.

The REA for the Group's minor exposures to commodity risk and collective investment undertakings is calculated according to the standardised approach.

The REA for CVA risk is measured mainly using the internal VaR model based on exposure calculations from the counterparty risk exposure model and allocated CDS spread hedges. The risk exposure amount for CVA risk from the Group's minor exposures to transactions not included in the counterparty credit risk exposure model is calculated according to the standardised approach.

Notes – Danske Bank Group – Risk management

Liquidity risk

Liquidity risk is the risk of losses because funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.

Accepting and managing liquidity risk is an integral part of the Group's business strategy. Realkredit Danmark and Danica Pension each manage their liquidity separately and are not included in the Group's general liquidity reporting. At Realkredit Danmark, the financing of mortgage loans through the issuance of listed mortgage bonds with matching conditions has eliminated liquidity risk in all material respects. Danica Pension's balance sheet contains long-term life insurance liabilities and assets, a large part of which are invested in readily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to Danske Bank A/S. In the following, references to the Group's liquidity thus exclude Realkredit Danmark and Danica Pension with the exception of the Group's liquidity coverage ratio, which includes Realkredit Danmark data.

Markets and funding

The accounting year of 2020 was marked by the corona crisis in many respects, including in the areas of liquidity and funding. With the global spread of contagion, market perceptions changed apruptly in March 2020, throwing financial markets into turmoil. With mounting concerns over the economic impact of the pandemic, many customers felt a need to build up liquidity buffers to cope with a potentially difficult situation. In particular, large corporate customers increased their deposits significantly. Central banks established special facilities to meet the expected liquidity needs. These needs turned out to be less than anticipated, as the measures successfully pre-empted any concerns about inadequate liquidity.

The increased economic uncertainty also contributed to greater credit risk and widening spreads on funding costs. Due to the stability of its funding structure, the Group did not depend on the funding market in the short term. As markets settled down during the summer, debt issuing resumed.

At the end of 2020, the Group's liquidity coverage ratio (LCR) stood at 154 compared to 140% at the end of 2019.

Liquidity risk management

At Group level, liquidity management is based on the monitoring and management of short- and long-term liquidity risks. Liquidity triggers make up a vital part of day-to-day liquidity management because they are used as early warnings of a potential liquidity crisis. The triggers are monitored by various functions across the Group, depending on the type of trigger. Liquidity management is organised according to the framework described in the following sections, although it is not limited to that framework.

Distance to default

The principal aim of the Group's short-term risk management is to ensure that the liquidity reserve is sufficient to absorb the net effects of known future receipts and payments from current transactions. Cash and bond holdings eligible for repo agreements with central banks are considered liquid assets. Potential and expected outflows are monitored on an ongoing basis using different tools, notably the LCR.

For liquidity and funding purposes, foreign currency is an important consideration. With its large market share in Denmark, the Group has a net deposit surplus in DKK (deposits exceed lending. The opposite is the case for SEK and NOK. (other currencies such as USD and GBP roughly balance out). The net deposit surplus in Danish kroner is a valuable, stable funding source for the Group. In addition to limits set by the Board of Directors and the Group All Risk Committee, the Group Balance Sheet Risk Committee sets overnight targets for each key currency.

Distance to default under stress

The Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has sufficient time to respond to a crisis. The stress tests estimate liquidity risk in various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis scenario and a combination of the two.

All stress tests are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. The degree of access to refinancing varies, depending on the scenario in question and the specific funding source. To assess the stability of the funding, the Group considers maturity as well as behavioural assumptions.

Liquidity coverage ratio, aggregated and by currency

The LCR requirement stipulates that financial institutions must have a liquidity reserve in excess of projected net outflows during a severe stress scenario lasting 30 days. By executive order, Danish SIFIs are also subject to currency-specific liquidity requirements. The requirements apply individually and only for currencies that are significant to the individual bank. For Danske Bank, these currencies are USD and EUR. Though also significant, NOK and SEK are not subject to such requirements due to a high degree of interchangeability for DKK, NOK and SEK assets.

Notes – Danske Bank Group – Risk management

Liquidity risk continued

Market reliance

Managing reliance on wholesale deposits and market funding is a key concern for the Group. Such funding may be unstable, especially in the event of general market unrest or issues specific to Danske Bank. Large funding needs can make the Group vulnerable to investor sentiments, market stress and market dysfunctionalities. The size and maturity profile of wholesale funding must therefore be prudent.

Retail deposits, are a very important and stable funding source for the Group. Retail customers do not tend to make withdrawls on the basis of short-term considerations, and most retail deposits are covered by a deposit guarantee scheme, which eliminates credit exposure to the bank.

Stress testing is also used to assess the Group's ability to withstand liquidity outflows when capital markets are inaccessible, i.e. market reliance. The assumed scenarios are different from the ones used to assess distance to default, especially with respect to time horizon. Each month, the minimum reserve required to withstand a 12-month crisis scenario is calculated.

Funding sources

The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies. A diverse range of funding sources provides protection against market disruptions. The following tables break down funding sources by type and currency. It does not include mortgage bonds issued by Realkredit Danmark.

Funding sources by type of liability (%)	2020	2019
Central banks/credit institutions	6	6
Repo transactions	-2	-7
Short-term bonds	1	1
Long-term bonds	9	10
Other covered bonds	13	15
Deposits (business)	39	36
Deposits (personal)	24	28
Subordinated debt	1	2
Shareholders' equity	8	11
Total	**100**	**100**

Comparatives have been restated to include repo transactions at fair value.

Funding sources by currency (%)	2020	2019
DKK	28	31
EUR	31	32
USD	12	14
SEK	13	8
GBP	6	5
Other	10	9
Total	**100**	**100**

Comparatives have been restated to include repo transactions at fair value.

Notes – Danske Bank Group – Risk management

Liquidity risk continued

Liquidity reserve

The minimum size and the composition of the liquidity reserve are determined on the basis of the Group's capacity to meet its obligations in case of a stressed liquidity situation. The LCR regulation determines its minimum size and imposes requirements on its composition.

Danske Bank's liquidity reserve consists of liquid assets available in a stressed situation. Assets received as collateral are included in the reserve, while assets used as collateral - or otherwise encumbered - are excluded. The table below shows the value of the Group's LCR liquidity reserve after the application of the statutory haircuts which may differ from the ones available in the market and the ones used for internal stress testing. Most of the Group's bond holdings are highly liquid because they are repo eligible with central banks and in money markets. Central bank eligibility is vital for intra-day liquidity management and overnight liquidity facilities and also for determining liquidity in markets during stressed periods.

Group liquidity reserve - LCR definition

After haircut

(DKK billions)		2020	2019
Total high-quality liquid assets		**710**	**432**
Level 1a assets	Central bank reserves	345	87
	Central government debt	112	55
	Other level 1a assets	43	42
Level 1b assets	Extremely high-quality covered bonds	196	232
Level 2a assets	High-quality covered bonds	9	12
	Other level 2a assets	5	4
Level 2b assets		0.3	0.1

Notes – Danske Bank Group – Risk management

Insurance risk

The Group's insurance risk consists of the risks originating from its ownership of Danica Pension. This includes market risk, life insurance risks and non-financial risks. The Group aims at maintaining a predictable risk profile. The insurance risk framework is governed by Danica Pension's Board of Directors. On a daily basis, Danica Pension's Risk Management function monitors the risk and asset-liability management (ALM) limits set by its Board of Directors as well as the solvency capital requirements. The Risk Management function also, follows up on investment limits and calculates key risk figures for asset-liability management (ALM) purposes.

The Group's net income from insurance business is derived primarily from

- the risk allowance from conventional life insurance business with guaranteed benefits (with-profit policies)
- unit-linked business
- health and accident business
- return on assets in which the shareholders' equity of Danica Pension is invested

Operating under the Solvency II regulations, Danica Pension provides pensions as well as life and health insurance products in Denmark and Norway. In Denmark, Danica Pension's main product offerings are with-profit policies and unit-linked policies.

Danish with-profits policies have guaranteed benefits based on a technical rate of interest. The policyholders earn interest at a rate set for each year at a discretion of the life insurance company, and the rate can be changed at any time. The difference between the actual (set) interest rate and the return on the policyholders' (collective) assets in a given year is added to the collective bonus potential and can be used as a buffer. The with-profits products are called *Danica Traditionel*. The product is closed for new business and the portfolio is thus in run-off.

Unit-linked policies are policies in which investments are allocated to the policyholders, and they can then decide whether to invest their pension savings themselves or let Danica Pension invest the savings. The offering includes 'life cycle' products that allocate to lower risk assets as the desired retirement date approaches. In unit-linked policies, the policyholders receive the actual return on the investments rather than a fixed interest rate. Some of the unit-linked products give the policyholders the option to have their benefits guaranteed.

The risk allowance is the annual return that Danica Pension may book from its conventional life insurance business (*Danica Traditionel*). The booking of the risk allowance is governed by the Danish FSA's Executive Order on the Contribution Principle. Under these rules, Danica Pension may book a risk allowance of the technical provisions (depending on the individual interest rate group) as long as any difference between the technical basis and the risk allowance can be covered by the bonus potentials or the profit margin.

According to the Danish FSA's Executive Order on the Contribution Principle, policyholders' funds in *Danica Traditionel* must be ring-fenced in groups with generally the same technical rate of interest, insurance risk and expenses. Danica Pension has individual investment and hedging strategies for each group. Furthermore, the collective bonus potential, the risk allowance, etc., are also determined for each group individually.

Danica Pension's risks

As part of its product offerings, Danica Pension provides guaranteed life annuities; insurance against death, disability and accident; and guaranteed benefits at retirement. This exposes the Group to insurance risks such as longevity and disability risks as well as to market risk.

Lapse risk (customers leaving Danica Pension or ceasing to pay premiums) is the most prominent type of insurance risk since Danica Pension's profitability depends highly on the volume of customers and assets under management. Danica Pension has a large offering of life annuities that will pay fixed pension benefits during a policyholder's lifetime, and this makes longevity risk the second most prominent type of underwriting risk for the Group. Most pension products come with life and disability insurance, which entails exposure to mortality and disability risk. Health and accident insurance policies are typically shorter, so slowly materialising risks can be handled by means of repricing or contract termination.

In with-profits policies, the policyholders have guaranteed benefits. The return on invested customer savings is allocated to collective buffer accounts owned by customers. The balance of these accounts is then gradually transferred to the individual accounts in subsequent years by means of a bonus allocation mechanism. Negative investment returns or increases in technical provisions due to lower interest rates or other risks factors reduce the collective buffer accounts. Hence, the market risk on investments is borne by the customers to the extent that negative returns can be covered by the collective buffer accounts. Once the buffer accounts have been depleted, negative investment returns on customer savings will force Danica Pension to step in with funds to ensure that it is possible to provide the benefits guaranteed to the policyholders. Danske Bank A/S has no obligation to provide capital to Danica Pension to help re-establish its solvency position. Danica Pension can issue and has previously issued capital in the form of restricted tier 1 and tier 2 instrumets.

In unit-linked policies, the policyholders bear the investment risk. However, losses may reduce the assets under management and thus deplete future asset management fees in the long term. If a guarantee is attached to a policy, Danica Pension bears the risk for this guarantee.

Risks related to Danish with-profits products

The main source of risk at Danica Pension is the Danish with-profits pension product. This product offers policyholders an annuity or a lump sum of a guaranteed minimum amount in nominal terms, which means that they participate in a collective investment pool. High returns may lead to higher benefits than those guaranteed. The present value of the guaranteed benefits depends on the level of the discount curve, which is defined under Solvency II and based on market rates. If the value of the assets falls below the present value of the liabilities, Danica Pension will have to cover the shortfall. Managing the with-profits product thus involves a combination of managing the risks on behalf of the policyholders and managing the risk that Danica Pension will have to cover losses.

Notes – Danske Bank Group – Risk management

Insurance risk continued

Danica Pension uses interest rate hedging to manage interest rate risk and maintain customer buffers. The interest rate used for discounting the technical provisions is the Solvency II discount curve. It is based primarily on the EUR swap rate and also takes into account yields on Danish mortgage bonds, credit bonds and government bonds. It is not possible for Danica Pension to invest in instruments that completely hedge the discount curve, and therefore some basis risk remains. The level of the long end of the discount curve, for which no reliable market data are available, is determined by the European Insurance and Occupational Pensions Authority (EIOPA). Derivatives used for hedging may give rise to counterparty credit risk, but this is mitigated by requiring counterparties to provide full collateral and by using many different counterparties with high ratings. Furthermore, Danica Pension uses central clearing.

The guaranteed life annuities included in the with-profits product give rise to longevity risk. This risk is generally not hedged since it is a natural element of the business model, but rather managed through prudent pricing and reserving.

Longevity risk is modelled in the solvency capital requirement calculation and reporting processes by use of a partial internal model approved by the the Danish FSA. This model is based on the Danish FSA's life expectancy benchmark and longevity observations of Danica Pension's policyholders.

Risk related to the unit-linked products

Approximately 80% of unit-linked policies have no financial guarantees. In these policies, the policyholders bear the investment risk. In the rest of the unit-linked policies, which consist mainly of *Danica Balance* policies, the policyholders have investment guarantees. The risk on these guarantees is managed by de-risking of the asset allocation at the individual policy level. This individual hedging strategy aims to ensure that sufficient funds are available to cover the guarantees even after a substantial decline in asset prices. Danica Pension's activities in Norway accounted for 4% of its total provisions at the end of 2020. In this market, Danica Pension offers mainly unit-linked products without guarantees, which gives rise to relatively limited risk from a Group perspective.

Risk monitoring and reporting

Danica Pension's Board of Directors has set overall risk limits on the potential loss in a number of stress scenarios. Danica Pension's Risk Management function monitors these limits on a daily basis. Any breaches are reported by the CRO to the ALM committee and senior management. Danica Pension's Board of Directors receives quarterly reports on the risk and solvency position, including stress and sensitivity figures. Stress and sensitivities figures are also reported to Danske Bank A/S via Group Risk Management (the Wealth Management CRO organisation) and CFO Area (Capital Management).

Danica Pension's a solvency coverage ratio (SCR) was 191% at 31 December 2020 (2019: 190%). The table below shows the effect on different risk factors that results in an SCR of 125%. The interest rate risk stress is capped at 2%.

Sensivity analysis SCR

	2020		2019	
	Stress (%)	SCR ratio (%)	Stress (%)	SCR ratio (%)
Interest rate risk	-1.35	125	2.00	134
Equity risk	58	125	50	125
Property risk	64	125	53	125
Credit spread risk				
- Danish mortgage bonds	15	125	12	125
- Non-Danish government bonds	24	125	21	125
- Other bonds	39	125	26	125

The Danish market for pension products continues to be competitive, with little prospect of increases in total market volume. The market is dominated by a small number of large commercial and mutual pension insurance companies with similar product offerings. The low-yield market environment does not directly influence the short-term financial stability of Danica Pension because the interest rate risk on all liabilities is hedged, and there are no material differences in the interest rate sensitivities for accounting and solvency purposes. The main difficulty lies in a slower build-up of assets under management and customer buffers, which may adversely affect income in the long run.

Notes – Danske Bank Group – Risk management

Insurance risk continued

The tables below provides information on the bond portfolio held in connection with with-profit and unit-linked products.

Bond portfolio (insurance business) broken down by geographical area

2020	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	11,780	-	69,799	-	-	28,750	110,329
Sweden	-	-	-	1,519	15	2,694	4,228
UK	8	-	-	-	-	2,652	2,660
Norway	198	3	-	-	113	3,531	3,845
USA	11,920	1,269	-	-	-	11,125	24,314
Spain	3,388	-	-	-	-	820	4,208
France	4,014	-	-	-	-	3,587	7,601
Luxembourg	-	448	-	-	-	2,509	2,957
Canada	-	-	-	-	-	493	493
Finland	282	13	-	-	-	201	496
Ireland	891	-	-	-	-	3,250	4,141
Italy	11,457	-	-	-	-	1,108	12,565
Portugal	2	-	-	-	-	67	69
Austria	-	-	-	-	-	312	312
Netherlands	909	-	-	-	-	4,804	5,713
Germany	15,091	-	-	-	-	3,402	18,493
Other	9,199	691	-	-	-	9,808	19,698
Total	**69,139**	**2,424**	**69,799**	**1,519**	**128**	**79,113**	**222,122**

2019	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	10,075	-	76,470	-	-	12,463	99,008
Sweden	901	-	-	7,273	-	2,439	10,613
UK	6	-	-	-	-	2,466	2,472
Norway	-	11	-	-	128	1,732	1,871
USA	12,715	449	-	-	-	9,621	22,785
Spain	1,936	-	-	-	-	659	2,595
France	1,391	-	-	-	-	2,354	3,745
Luxembourg	-	47	-	-	-	2,157	2,204
Canada	-	-	-	-	-	400	400
Finland	373	12	-	-	-	165	550
Ireland	1,456	-	-	-	-	3,520	4,976
Italy	7,501	-	-	-	-	819	8,320
Portugal	2	-	-	-	-	65	67
Austria	1	-	-	-	-	151	152
Netherlands	448	-	-	-	-	3,041	3,489
Germany	7,399	-	-	-	-	3,459	10,858
Other	10,673	383	-	-	5	11,752	22,813
Total	**54,877**	**902**	**76,470**	**7,273**	**133**	**57,263**	**196,918**

Notes – Danske Bank Group – Risk management

Insurance risk continued

Bond portfolio (insurance business) broken down by external ratings

2020	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	39,899	2,058	60,244	1,511	23	2,517	106,252
AA+	289	-	-	-	-	488	777
AA	7,026	-	-	-	-	828	7,854
AA-	953	-	-	-	-	1,291	2,244
A+	180	-	8,712	-	-	22,052	30,944
A	3,519	-	12	8	3	2,646	6,188
A-	710	36	-	-	15	3,243	4,004
BBB+	94	-	-	-	-	2,315	2,409
BBB	13,058	93	-	-	-	2,654	15,805
BBB-	711	22	-	-	-	2,030	2,763
Sub-inv. grade or unrated	2,700	215	831	-	87	39,049	42,882
Total	**69,139**	**2,424**	**69,799**	**1,519**	**128**	**79,113**	**222,122**

2019	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	35,008	467	63,982	7,255	95	3,997	110,804
AA+	2,790	33	-	-	-	245	3,068
AA	437	77	-	-	-	191	705
AA-	2,280	-	-	-	4	562	2,846
A+	248	-	-	12	-	8,513	8,773
A	211	-	8,751	-	-	2,314	11,276
A-	687	39	2,412	-	-	2,138	5,276
BBB+	93	-	-	-	-	1,735	1,828
BBB	9,156	95	-	-	-	1,520	10,771
BBB-	917	6	-	-	-	1,629	2,552
Sub-inv. grade or unrated	3,050	185	1,325	6	34	34,419	39,019
Total	**54,877**	**902**	**76,470**	**7,273**	**133**	**57,263**	**196,918**

Danica Pension has set a separate investment strategy for assets in which its shareholders' equity is invested.

Notes – Danske Bank Group – Risk management

Non-financial risk

Non-financial risk is the risk of financial losses or gains, regulatory impact, reputational impact or customer impact resulting from inadequate or failed internal processes, people or systems or from external events, including legal and compliance risks. According to the Group's risk taxonomy as set out in its enterprise risk management (ERM) framework, non-financial risk consists of six risk categories: model risk, operational risk, technology risk, financial crime risk, regulatory compliance risk and financial control and strategic risk. In addition, reputational risk and conduct risk are present across the taxonomy and may arise as any or all other risk types materialise.

Implementation of the non-financial risk management framework is linked to building and maintaining a strong risk and compliance culture across the Group. The Group has a suite of mandatory training courses for alle employees (including the Executive Leadership Team). The internal website "DoRight" allows employees to share their concerns and is supported by a group-wide whistlblower system. The Executive Leadership Team uses a set of key performance indicators (KPIs) to measure the risk and compliance culture.

The Group's approach to non-financial risk management is set out in a number of governing documents. The Group Non-Financial Risk Policy is the overarching policy and lays down the principles and responsibilities for managing non-financial risks across the three lines of defence. Supplementary policies are in place and reviewed annually to ensure alignment with regulatory developments. The non-financial risk tolerances were enhanced and defined at a more granular level in alignment with the ERM taxonomy in 2020 with scheduled implementation in the first half of 2021.

In order to provide a strong governance structure and effectively cover specific non-financial risk categories, the Group All Risk Committee has a number of non-financial risk sub-committees, including the Operational Risk Committee (ORCO), the Conduct & Reputational Committee (CRP) and the Model Risk Management Committee (MRMC). Furthermore, non-financial risks are overseen by two of the Board of Directors' committees: the Risk Committee and the Conduct & Compliance Committee.

Risk assessment

The Group´s standard approach to risk assessment of its non-financial risks and controls is in line with industry standards and comprises the following steps: non-financial risk and control identification, inherent risk assessment, assessment of controls, residual risk assessment and definition of mitigating actions. The Group also conducts scenario analyses to understand exposure to low-frequency high-severity events. Results from risk assessments and stress tests are used as input for the Group's Internal Capital Adequacy Assessment Process (ICAAP).

In 2020, the Group continued to make progress on its 2023 Better Bank ambitions towards customers, employees, shareholders and society. Risks related to the Better Bank transformation are identified, assessed and managed in accordance with the Group's standards on an ongoing basis. The performed risk assessments ensure that changes are embedded into the risk management process and that appropriate mitigating actions are identified and implemented. Business units are in charge of implementing and executing on the strategy and taking corrective action in relation to deviations and risks relating to strategy operationalisation. The implementation approach is tested against the Group's risk appetite to ensure alignment.

Event management

Event management aims to ensure timely and appropriate handling of detected events in order to minimise the potential impact on the Group and its stakeholders and to prevent reoccurrence. Furthermore, event management allows timely, accurate and complete information for both internal and external reporting, including timely notification to relevant supervisory authorities. Non-financial risk events are registered, categorised and handled according to reporting thresholds, and risk assessment and root-cause analysis are performed to effectively address underlying risks and provide mitigation plans. The Group strives to learn from materialised events and observed near-misses to continually improve its operational risk management framework.

There is a substantial focus on strengthening the control environment across the Group through a number of programmes to address a combination of Danish FSA orders and observed control weaknesses and to adhere to regulatory requirements. In 2020, a new central unit was established with the task of overseeing the remediation of identified legacy issues and ensuring a transparent and timely communication to customers and other stakeholders.

As in 2019, the majority of loss events in 2020 fell into two broad categories: Execution, delivery and process management and Clients, products and business practices. There were losses relating to legacy systems and limitations in manual processes as well as product and services-related events, Significant non-financial risk events across the Group are monitored and reported to the Executive leadership Team, the Board of Directors, the Danish FSA and, where applicable, to relevant local FSAs.

Operational resilience

Operational resilience is a key area of focus for the Group, including incorporation into the decision-making process. The Group defines operational resilience as the ability to prepare for, effectively respond to, and learn from disruptive events and adapt to changing conditions in order to continue providing critical services to customers and society in the presence of operational stress. Furthermore, the Group considers operational resilience as broader-than-traditional business continuity planning and disaster recovery abilities.

The crisis management structure has proven to be robust and flexible enough to handle the dynamic nature of the ongoing coronavirus pandemic by ensuring rapid collection of information, reporting, analysis, decision-making and implementation processes. The Group is applying the lessons learned from the corona crisis for the purpose of strengthening its operational resilience.

Notes – Danske Bank Group – Risk management

Non-financial risk continued

Cyber security

The volume and sophistication of cyber-related attacks continue to grow. Information security (including cybersecurity) is identified as a top risk concern across global and Nordic peers, and this trend is expected to continue. This type of attack remains an effective method for criminals to monetise illicit access into an organisation, resulting in data leaks when an organisation is unwilling to pay. The Board of Directors and the Executive Leadership Team acknowledge the materiality of the risk posed by cyber-related attacks, and continue to invest in maturing the Group's ability to prevent, detect, respond to and recover from cyber-related attacks. In response to the increasing threat of cyber-related attacks, the Group has mobilised a multi-year transformation sponsored by the Executive Leadership Team to continue to mature the Group's ability to mitigate the risks posed by these threats. The management of cyber-related risks is covered within the Group's overall risk management framework, as they may prevent the bank from achieving its objectives. Governance structures and methodologies to oversee, prioritise and undertake risk mitigation activity related to cyber-related attacks are in place to ensure that the focus remains on this area.

Financial crime

The Group's business units and functions constitute the first line of defence and are responsible for identifying financial crime risks and for having appropriate processes and controls in place to ensure that risks are identified, assessed, managed and reported appropriately. The Financial Crime Compliance function at Group Compliance constitutes the second line of defence and is responsible for designing frameworks and policies and for providing independent oversight and challenges to ensure that financial crime risks are managed effectively.

The Group is undertaking a multi-year enhancement programme to materially upgrade its financial crime framework. The Group has embarked on a comprehensive transformation, covering all aspects of an effective control environment. The programme covers areas such as transaction monitoring, sanctions screening, Know-Your-Customer processes, suspicious activity investigation and reporting, employee training, etc. The aim of the enhancement programme is to ensure that the Group has a financial crime control framework which (i) meets the regulatory requirements in the jurisdictions in which the Group operates and (ii) manages the Group's inherent risk in line with Group risk appetite, and this will be achieved by leveraging international market practice. The enhancement programme is tracked through formal governance and monthly status updates are provided to the Group's Executive Leadership team and the Danish FSA. Regular updates are also provided to the Group's Conduct & Compliance Committee (CCC) and the Board of Directors.

Combatting financial crime effectively requires strong industry collaboration in order to ensure the security and soundness of the entire financial system. In 2020, the Group was an active participant in industry initiatives across the Nordics, which aim to make the public and private sector, collectively, more effective in reaching the common goal.

Regulatory compliance

Group Compliance provides primary and independent second line oversight of regulatory compliance risk, including risks in relation to market integrity, fair treatment of customers, data protection and is developing its oversight capabilities for IT risks. Group Compliance assesses the framework in place across other second-line-of-defence units and independent oversight/control functions for the purpose reviewing their methods and procedures to ensure adherence to applicable laws, rules and regulations. The Group has a key focus on compliance gaps indentified in its control environment and on ensuring that risks are proactively managed on an ongoing basis, including risks arising from regulatory change.

Conduct risk

The supporting risk management framework is being developed and implemented through the Conduct Programme, established in 2020 as a key strategic initiative in the Group's Better Bank transformation programme. The framework will be developed by Compliance, but it will be tailored and implemented by the business in the first line of defence. A new conduct risk policy, instructions and risk tolerance statements are being developed for implementation in 2021. The key areas that will dominate implementation alongside the framework development in 2021 have been identified as (1) treatment of vulnerable customers, (2) improving transparency around products and services and (3) fairness and consistency of the pricing framework.

Notes – Danske Bank Group

(DKK millions)	2020	2019	2018	2017	2016
Highlights					
Net interest and fee income	39,004	38,749	39,496	40,885	41,976
Value adjustments	22,340	34,034	-10,332	19,134	12,947
Staff costs and administrative expenses	26,289	24,700	23,821	22,192	21,742
Loan impairment charges	7,089	1,729	-387	-1,582	-168
Income from associates and group undertakings	-93	386	451	566	1,009
Net profit	4,589	15,072	14,862	20,900	19,858
Loans	2,047,930	2,150,059	2,043,580	1,899,975	1,907,569
Total equity	168,679	170,508	163,276	168,256	166,615
Total assets	4,109,231	3,761,050	3,578,467	3,539,528	3,483,670

Ratios and key figures					
Total capital ratio (%)	23.0	22.7	21.3	22.6	21.8
Tier 1 capital ratio (%)	20.5	20.4	20.1	20.1	19.1
Return on equity before tax (%)	3.7	8.3	11.7	15.7	15.5
Return on equity after tax (%)	2.7	9.0	9.0	12.5	12.1
Income/cost ratio (%)	115.8	140.3	169.9	208.2	203.7
Interest rate risk (%)	1.9	2.9	2.7	2.3	2.4
Foreign exchange position (%)	23.4	4.0	1.8	0.4	2.5
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	149.1	181.5	185.9	173.7	193.3
Liquidity coverage ratio (%)	153.5	140.1	120.6	171.0	158.3
Sum of large exposures as % of CET1 capital	128.6	138.1	115.1	12.6	11.4
Impairment ratio (%)	0.3	0.1	-0.0	-0.1	-
Growth in loans (%)	0.7	2.4	3.2	1.1	4.4
Loans as % of equity	12.1	12.6	12.5	11.3	11.4
Return on assets (%)	0.1	0.4	0.4	0.6	0.6
Earnings per share (Nominal value DKK 100)*	4.7	16.7	16.2	22.2	20.2
Book value per share (DKK)	197.6	199.7	191.0	188.2	178.1
Proposed dividend per share (DKK)	2.0	8.5	8.5	10.0	9.0
Share price end of period/earnings per share (DKK)	21.3	6.4	8.0	10.9	10.6
Share price end of period/book value per share (DKK)	0.51	0.54	0.67	1.28	1.20

* According to the guidelines for the Supervisory Diamond, changes have been made to the limit values and calculation method in 2018. Comparative figures for 2017 and 2016 are not restated.

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

The ratios and key figures are calculated in accordance with the requirements stipulated in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc., and on the basis of IFRS figures except where otherwise indicated.

Notes – Danske Bank Group

Definitions of ratios and key figures

Ratios and key figures	Definition
Earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year. Net profit is stated after the deduction of interest on equity-accounted additional tier 1 capital.
Diluted earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year, including the dilutive effect of share options and conditional shares granted as share-based payments. Net profit is stated after the deduction of interest on equity-accounted additional tier 1 capital.
Return on equity (%)	Net profit for the year divided by average equity (average equity as end of current and prior year), including equity-accounted additional tier 1 capital. For the definition used in the management report see page“Definition of alterntive Performance Measures”.
Income/cost ratio (%)	Total income divided by expenses, including goodwill impairment charges.
Common equity tier 1 (CET1) capital	Primarily paid-up share capital and retained earnings. CET1 capital is defined in the Capital Requirements Regulation (CRR).
Additional tier 1 capital	Capital instruments that form part of tier 1 capital. Additional tier 1 capital is defined in CRR.
Tier 1 capital	Common equity tier 1 capital plus additional tier 1 capital, less certain deductions, such as intangible assets. The deductions are defined in CRR.
Tier 2 capital	Subordinated loan capital subject to certain restrictions that falls under the requirements for such instruments in CRR.
Total capital	Tier 1 capital plus tier 2 capital, less certain deductions as defined in CRR.
Risk exposure amount	Total risk exposure amount and off-balance-sheet items that involve credit risk, market risk and operational risk as calculated in accordance with the Capital Requirements Regulation (CRR).
Common equity tier 1 capital ratio	Common equity tier 1 capital divided by the total risk exposure amount.
Tier 1 capital ratio	Tier 1 capital divided by the total risk exposure amount.
Total capital ratio	Total capital divided by the total risk exposure amount.
Dividend per share (DKK)	Proposed dividend on the net profit for the year divided by the number of shares issued at the end of the year.
Share price at 31 December	Closing price of Danske Bank shares at the end of the year.
Book value per share (DKK)	Total equity at 31 December divided by the number of shares outstanding at the end of the year. For the definition used in the management report see page “Definition of alternative Performance Measures”.
Number of full-time-equivalent staff at 31 December	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year. The figure does not include the staff of businesses held for sale.
Lending growth	Growth in lending from the beginning to the end of the year, excluding repo transactions.
Loans plus impairment charges as % of deposits	Loans at fair value and loans at amortised cost (gross of expected credit losses) divided by deposits including deposits under pooled schemes.
Return on assets	Net profit for the year divided by average assets (average assets as total assets end of current and prior year)

Financial statements – Danske Bank A/S

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc. as amended by Executive Order No. 707 of 1 June 2016, Executive Order No. 1043 of 5 September 2017 and Executive Order No. 1441 of 3 December 2018.

Note G2(a) provides further information on changes in accounting policies implemented as at 1 January 2020. Except for these changes, Danske Bank A/S has not changed its significant accounting policies from those applied in the Annual Report 2019.

The accounting policies applied are identical to the Group's IFRS accounting principles, see note G1(a)-(c), with the following exception:

- Domicile property (except right-of-use assets) is measured (revalued) at its estimated fair value through Other comprehensive income.

The estimated fair value of domicile property is determined in accordance with the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Holdings in subsidiaries are measured on the basis of the equity method. Net profit from these undertakings is recognised under Income from associates and group undertakings.

The format of the Parent Company's financial statements is not identical to the format of the consolidated financial statements in accordance with IFRS.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the Parent Company's financial statements presented in accordance with Danish FSA rules.

	Net profit 2020	Net profit 2019	Equity 2020	Equity 2019
Consolidated financial statement (IFRS)	4,589	15,072	168,679	170,508
Domicile properties	-92	-4	176	265
Tax effect	14	-	-17	-31
Consolidated financial statements (Danish FSA rules)	**4,511**	**15,068**	**168,836**	**170,741**

Note G38 lists the Group's significant holdings and undertakings.

In 2020, 'Domicile properties' includes an adjustment in net profit related to investment properties previously held by Danica Pension and included as Assets under insurance contracts in the financial statements for Danske Bank Group. As Danske Bank occupied more than 10% of the properties, they were accounted for as domicile property in Danske Bank Group and Danske Bank A/S. In the consolidated financial statements for Danske Bank Group, domicile property is measured using the cost method, and a gain on the sale of those properties of DKK 76 million, net of tax, was recognised in the income statement. Under the revaluation method used in the financial statements for Danske Bank A/S, there was no gain on the sale.

Income statement – Danske Bank A/S

Note	(DKK millions)	2020	2019
P2	Interest income	26,673	29,590
P3	Interest expense	11,792	16,566
	Net interest income	14,881	13,024
	Dividends from shares etc.	212	500
P4	Fee and commission income	13,128	13,292
	Fees and commissions paid	2,036	2,160
	Net interest and fee income	26,185	24,656
P5	Value adjustments	1,739	2,623
	Other operating income	1,365	1,278
P6	Staff costs and administrative expenses	21,465	20,368
P7	Amortisation, depreciation and impairment charges	3,733	4,464
	Loan impairment charges etc.	6,319	1,480
	Income from associates and group undertakings	6,620	9,525
	Profit before tax	4,392	11,770
P9	Tax	-119	-3,298
	Net profit	**4,511**	**15,068**
	Proposed profit allocation		
	Equity method reserve	760	3,422
	Dividends for the year*	1,724	7,329
	Additional tier 1 capital holders	551	786
	Retained earnings	1,476	3,531
	Total	**4,511**	**15,068**

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

Statement of comprehensive income – Danske Bank A/S

Note	(DKK millions)	2020	2019
	Net profit	4,511	15,068
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit pension plans	304	228
P9	Tax	-38	-21
	Items that will not be reclassified to profit or loss	**266**	**207**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	-1,902	697
	Hedging of units outside Denmark	1,224	-324
	Reclassified to the income statement on disposal of units outside Denmark	-	-
	Unrealised value adjustments of bonds at fair value (OCI)	264	9
	Realised value adjustments of bonds at fair value (OCI)	-12	3
P9	Tax	-70	47
	Items that are or may be reclassified subsequently to profit or loss	**-496**	**432**
	Total other comprehensive income	**-230**	**639**
	Total comprehensive income	**4,281**	**15,707**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	3,730	14,921
	Additional Tier 1 capital holders	551	786
	Total comprehensive income	**4,281**	**15,707**

Balance sheet – Danske Bank A/S

Note	(DKK millions)	2020	2019
	Assets		
	Cash in hand and demand deposits with central banks	283,570	77,548
P10	Due from credit institutions and central banks	119,014	108,698
P11	Loans and other amounts due at fair value	209,122	319,469
P11	Loans and other amounts due at amortised costs	840,579	866,361
	Bonds at fair value	438,530	327,326
P13	Bonds at amortised cost	94,248	86,531
	Shares etc.	16,689	13,632
	Holdings in associates	204	328
	Holdings in group undertakings	92,291	90,877
P14	Assets under pooled schemes	53,337	53,885
	Intangible assets	5,836	6,072
	Land and buildings	4,183	4,912
P15	Investment property	185	217
P15	Domicile property	3,998	4,696
P16	Other tangible assets	4,636	4,882
	Current tax assets	4,504	2,737
P17	Deferred tax assets	984	472
P18	Assets held for sale	523	1,128
P19	Other assets	405,091	315,951
	Prepayments	1,495	1,063
	Total assets	**2,574,837**	**2,281,873**
	Liabilities and equity		
	Amounts due		
P20	Due to credit institutions and central banks	238,089	181,660
P21	Deposits and other amounts due	1,253,900	1,071,274
	Deposits under pooled schemes	53,380	54,251
P22	Issued bonds at fair value	8,183	6,780
P22	Issued bonds at amortised cost	267,753	270,242
	Current tax liabilities	22	154
P23	Other liabilities	551,917	495,054
	Deferred income	532	628
	Total amounts due	**2,373,776**	**2,080,044**
	Provisions for liabilities		
	Provisions and pensions and similar obligations	300	277
P17	Provisions for deferred tax	20	286
	Provisions for losses on guarantees	3,014	2,406
	Other provisions for liabilities	511	336
	Total provisions for liabilities	**3,845**	**3,305**
P24	Subordinated debt	28,379	27,784
	Equity		
	Share capital	8,622	8,622
	Accumulated value adjustments	-686	-260
	Equity method reserve	27,522	26,762
	Retained earnings	123,146	114,052
	Proposed dividends*	1,724	7,329
	Shareholders of Danske Bank A/S (the Parent Company)	160,328	156,504
	Additional tier 1 etc.	8,508	14,237
	Total equity	**168,836**	**170,741**
	Total liabilities and equity	**2,574,837**	**2,281,873**

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

Statement of capital – Danske Bank A/S

Changes in equity

(DKK millions)	Share capital	Accumulated value adjustments*	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2019	8,960	-640	23,340	109,650	7,616	148,925	14,299	163,225
Net profit	-	-	3,422	10,860	-	14,282	786	15,068
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	228	-	228	-	228
Translation of units outside Denmark	-	697	-	-	-	697	-	697
Hedging of units outside Denmark	-	-324	-	-	-	-324	-	-324
Unrealised value adjustments	-	9	-	-	-	9	-	9
Realised value adjustments	-	3	-	-	-	3	-	3
Tax	-	-6	-	32	-	26	-	26
Total other comprehensive income	**-**	**379**	**-**	**260**	**-**	**639**	**-**	**639**
Total comprehensive income	**-**	**379**	**3,422**	**11,120**	**-**	**14,921**	**786**	**15,707**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-787	-787
Dividends paid	-	-	-	377	-7,616	-7,239	-	-7,239
Proposed dividends	-	-	-	-7,329	7,329	-	-	-
Share capital reduction	-338	-	-	338	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-19,768	-	-19,768	-62	-19,830
Sale of own shares and additional tier 1 capital	-	-	-	19,552	-	19,552	-	19,552
Share based payments	-	-	-	90	-	90	-	90
Tax	-	-	-	23	-	23	-	23
Total equity as at 31 December 2019	**8,622**	**-260**	**26,762**	**114,052**	**7,329**	**156,504**	**14,237**	**170,741**
Net profit	-	-	760	3,201	-	3,961	551	4,511
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	304	-	304	-	304
Translation of units outside Denmark	-	-1,902	-	-	-	-1,902	-	-1,902
Hedging of units outside Denmark	-	1,224	-	-	-	1,224	-	1,224
Unrealised value adjustments	-	264	-	-	-	264	-	264
Realised value adjustments	-	-12	-	-	-	-12	-	-12
Tax	-	-	-	-108	-	-108	-	-108
Total other comprehensive income	**-**	**-426**	**-**	**196**	**-**	**-230**	**-**	**-230**
Total comprehensive income	**-**	**-426**	**760**	**3,397**	**-**	**3,730**	**551**	**4,281**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-625	-625
Proposed dividends	-	-	-	-1,724	1,724	-	-	-
Proposed dividends reversed**	-	-	-	7,329	-7,329	-	-	-
Redemption of additional tier 1 capital	-	-	-	-4	-	-4	-5,596	-5,600
Acquisition of own shares and additional tier 1 capital	-	-	-	-29,252	-	-29,252	-59	-29,311
Sale of own shares and additional tier 1 capital	-	-	-	29,228	-	29,228	-	29,228
Share based payments	-	-	-	108	-	108	-	108
Tax	-	-	-	12	-	12	-	12
Total equity as at 31 December 2020	**8,622**	**-686**	**27,522**	**123,146**	**1,724**	**160,328**	**8,508**	**168,836**

*Accumulated value adjustments includes foreign currency transaction reserve, reserve for bonds at fair value through other comprehensive income (FVOCI) and valuation reserve.

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

Statement of capital – Danske Bank A/S

Holding of own shares - Danske Bank A/S	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding as at 1 January 2019	38,285,463	383	4.09	
Reduction of share capital 2019	33,769,000	338	3.92	6,930
Acquired in 2019	184,743,547	1,847	21.43	19,459
Sold in 2019	185,326,560	1,853	21.49	19,402
Holding as at 31 December 2019	**3,933,450**	**39**	**0.46**	
Acquired in 2020	318,668,618	3,187	36.96	29,012
Sold in 2020	318,681,706	3,187	36.96	29,021
Holding as at 31 December 2020	**4,034,791**	**40**	**0.47**	

Acquisitions in 2020 and 2019 comprised shares acquired for the trading portfolio and shares acquired on behalf of customers.

Danske Bank shares held by subsidiaries	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding as at 1 January 2019	2,872,770	29	0.32	370
Acquired in 2019	2,946,924	29	0.34	309
Reduction through sale of subsidiary	160,231	2	0.02	19
Sold in 2019	1,113,207	11	0.13	131
Holding as at 31 December 2019	**4,546,256**	**45**	**0.53**	**473**
Acquired in 2020	2,488,896	25	0.29	240
Sold in 2020	2,534,698	25	0.29	207
Holding as at 31 December 2020	**4,500,454**	**45**	**0.52**	**453**

Acquisitions in 2020 and 2019 comprised shares acquired on behalf of customers.

Statement of capital – Danske Bank A/S

Total capital and total capital ratio

(DKK millions)	2020	2019
Total equity	168,836	170,741
Additional tier 1 capital instruments included in total equity	-8,415	-14,070
Accrued interest on additional tier 1 capital instruments	-93	-167
Tax on accrued interest on additional tier 1 capital instruments	-	37
Common equity tier 1 capital instruments	160,329	156,541
Adjustment to eligible capital instruments	-75	-344
IFRS 9 reversal due to transitional rules	2,374	1,116
Prudent valuation	-672	-912
Prudential filters	-147	-178
Expected/Proposed dividends	-1,724	-7,329
Intangible assets of banking operations	-5,092	-6,072
Deferred tax on intangible assets	147	429
Deferred tax assets that rely on future profitability, excluding temporary differences	-9	-12
Defined benefit pension plan assets	-729	-526
Statutory deduction for insurance subsidiaries	-8,992	-8,439
Other statutory deductions	-	-197
Common equity tier 1 capital	**145,410**	**134,077**
Additional tier 1 capital instruments	17,282	23,944
Tier 1 capital	**162,692**	**158,022**
Tier 2 capital instruments	19,108	17,598
Total capital	**181,800**	**175,620**
Total risk exposure amount	**691,532**	**666,011**
Common equity tier 1 capital ratio (%)	21.0%	20.1%
Tier 1 capital ratio (%)	23.5%	23.7%
Total capital ratio (%)	26.3%	26.4%

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

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

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

The Internal Capital Adequacy Assessment report provides more details about Danske Bank's solvency need. The report is available at danskebank.com/investorrelations/reports. The Internal Capital Adequacy Assessment report is not covered by the independent auditors' review.

Notes – Danske Bank A/S

P1. Net interest and fee income and value adjustments broken down by business segment

(DKK millions)	2020	2019
Banking DK	8,307	8,547
Banking Nordic	7,992	8,176
C&I	10,367	8,444
Wealth Management	1,956	1,817
Other Activities	-698	294
Total	**27,924**	**27,279**
Geographical segmentation		
Denmark	12,084	11,267
Finland	3,671	3,682
Ireland	161	172
Norway	4,936	5,466
UK	351	283
Sweden	6,406	6,013
Baltics	64	184
Germany	160	116
Poland	91	95
Total	**27,924**	**27,279**

Geographical segmentation is based on the location in which the individual transaction is recorded. The figures for Denmark include financing costs related to investments in activities outside Denmark. Comparative figures have been restated due to organisational changes etc.

P2. Interest income

(DKK millions)	2020	2019
Reverse transactions with credit institutions and central banks	-152	-192
Other transactions with credit institutions and central banks	463	-154
Reverse loans	-752	-904
Loans and other amounts due	16,627	19,028
Bonds	1,000	990
Derivatives, total	4,693	5,642
Currency contracts	1,338	4,038
Interest rate contracts	3,562	1,475
Equity contracts	-207	130
Other interest income	60	164
Total	**21,940**	**24,575**

Negative interest income amounts to DKK 1,913 million (2019: DKK 2,498 million) and relates primarily to repo transactions. In the table above, negative interest income is offset against interest income. In the Income statement, negative interest income is presented as interest expenses and negative interest expenses as interest income.

P3. Interest expense

(DKK millions)	2020	2019
Repo transactions with credit institutions and central banks	-263	184
Other transactions with credit institutions and central banks	839	1,421
Repo deposits	-208	155
Deposits and other amounts due	471	2,674
Issued bonds	4,746	5,641
Subordinated debt	1,139	1,033
Other interest expenses	333	442
Total	**7,059**	**11,551**

Negative interest expenses amount to DKK 2,820 million (2019: DKK 2,517 million) and relates primarily to deposits and repo transactions. In the table above, negative interest expenses are offset against interest expenses. In the Income statement, negative interest expenses are presented as interest income and negative interest income as interest expenses.

Notes – Danske Bank A/S

P4. Fee and commission income

(DKK millions)	2020	2019
Securities trading and custody account fees	6,680	6,087
Payment services fees	2,182	2,320
Origination fees	1,898	2,270
Guarantee commissions	821	899
Other fees and commissions	1,548	1,717
Total	**13,128**	**13,292**

Origination fees includes mainly fee income from the establishment of Danish mortgage loans (received from Realkredit Danmark), and fee income for coordinating and arranging syndicated loan transactions, as well as issuing bonds on behalf of customers.

P5. Value adjustments

(DKK millions)	2020	2019
Loans at fair value	486	205
Bonds	829	1,092
Shares etc.	-1	915
Currency	588	1,653
Derivatives	1,458	648
Assets under pooled schemes	7	15
Other liabilities	-1,628	-1,906
Total	**1,739**	**2,623**

P6. Staff costs and administrative expenses

(DKK millions)	2020	2019
Remuneration of the Executive Leadership Team and the Board of Directors		
Executive Leadership Team	110	101
Board of Directors	12	12
Total	**122**	**113**

The remuneration of the Executive Leadership Team includes remuneration for membership of the board of directors of one or more of the Group's subsidiaries. Such remuneration is deducted from the contractual remuneration. See note G36 for Remuneration of material risk takers of Danske Bank Group and Danske Bank A/S.

Staff costs

(DKK millions)	2020	2019
Salaries	11,053	10,230
Pensions	1,186	1,140
Financial services employer tax and social security costs	1,676	1,625
Total	**13,915**	**12,995**
Other administrative expenses	**7,428**	**7,260**
Total staff costs and administrative expenses	**21,465**	**20,368**
Number of full-time-equivalent staff (avg.)	**18,039**	**17,564**

Note G36 contains additional information about the remuneration of the Board of Directors, the Executive Leadership Team, and other material risk takers.

P7. Amortisation, depreciation and impairment charges

This item includes impairment charges for 2020 relating to goodwill of DKK 0 billion (2019: DKK 1.6 billion) and software of DKK 0,4 billion (2019: DKK 0.4 billion). Note G19 contains additional information.

Notes – Danske Bank A/S

P8. Audit fees

(DKK millions)	2020	2019
Audit firms appointed by the general meeting		
Fees for statutory audit of the parent company financial statements	11	11
Fees for other assurance engagements	5	6
Fees for tax advisory services	-	1
Fees for other services	4	2
Total	**21**	**20**

P9. Tax

(DKK millions)	2020	2019
Calculated tax charge for the year*	132	694
Deferred tax**	-332	-4,101
Adjustment of prior-year tax charges	81	109
Total	**-119**	**-3,298**
Effective tax rate	(%)	(%)
Danish tax rate	22.0	22.0
Non-taxable income and non-deductible expenses, excluding income from associates and group undertakings	8.1	1.0
Difference between tax rates of units outside Denmark and Danish tax rate	-1.4	0.2
Adjustment of prior-year tax charges	1.8	0.9
Exit from International Joint Taxation	-	-40.7
Provision for deferred tax on assets and liabilities measured at amortised cost	-	9.3
Effective tax rate	30.5	-7.3
Portion included under Income from associates and group undertakings	-33.2	-20.7
Total	**-2.7**	**-28.0**
Tax on other comprehensive income		
Remeasurement of defined benefit plans	38	-21
Hedging of units outside Denmark	70	47
Total	**108**	**26**

* 2019 included estimated taxation of recapture balance from International Joint Taxation of DKK 576 million.

** 2019 included release of deferred tax liability from International Joint Taxation of DKK 5,806 million and a provision for deferred tax of DKK 1,096 million related to financial instruments measured at amortised cost.

Notes – Danske Bank A/S

P10. Due from credit institutions and central banks

(DKK millions)	2020	2019
On demand	7,164	20,106
Up to 3 months	73,599	54,142
From 3 months to 1 year	696	8,843
From 1 to 5 years	35,038	23,652
Over 5 years	2,517	1,956
Total	**119,014**	**108,698**
Due from credit institutions	81,329	79,319
Term deposits with central banks	37,686	29,379
Total	**119,014**	**108,698**
Reverse transactions included in above item	**50,420**	**24,949**

DKK 52,847 million (2019: DKK 23,665 million) of Due from credit institutions and central banks are recognised at fair value through profit or loss. For further information see note G14.

P11. Loans and other amounts due

(DKK millions)	2020	2019
On demand	55,086	77,056
Up to 3 months	282,997	385,855
From 3 months to 1 year	139,991	144,685
From 1 to 5 years	326,835	318,462
Over 5 years	244,792	259,772
Total	**1,049,701**	**1,185,830**
Reverse transactions included in above item	**320,806**	**326,820**

Loans and other amounts due includes Loans and other amounts due at amortised cost and Loans and other amounts due at fair value.

Loans and guarantees broken down by sector and industry (%)

	2020	2019
Public sector	3.0	3.8
Business customers		
Agriculture, hunting, forestry and fisheries	2.8	2.3
Manufacturing industries and extraction of raw materials	9.1	8.0
Energy and utilities	2.9	1.6
Building and construction	1.6	1.5
Trade	3.6	3.5
Transport, hotels and restaurants	3.9	3.7
Information and communication	1.2	1.1
Finance and insurance	24.0	28.2
Property administration	15.1	12.5
Other	3.8	3.9
Total Business customers	68.1	66.3
Personal customers	28.9	29.9
Total	**100.0**	**100.0**

The relative distribution between industries includes loans at amortised cost, loans at fair value and guarantees. The comparative information has been restated to include reverse transactions measured at fair value through profit or loss.

Notes – Danske Bank A/S

P12. Impairment charges for loans and guarantees

	Due to credit institutions and central banks			Loans and other amounts due at AMC			Loan commitments and guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
ECL allowance account as at 1 January 2019	12	1	2	363	3,628	10,966	518	961	551	17,003
Transferred to stage 1 during the period	-	-	-	456	-423	-33	136	-131	-5	-
Transferred to stage 2 during the period	-	-	-	-45	560	-515	-8	87	-79	-
Transferred to stage 3 during the period	-	-	-	-3	-308	311	-2	-104	106	-
ECL on new assets	4	4	-	141	653	2,164	57	215	231	3,467
ECL on assets derecognised	-7	-2	-	-155	-781	-2,276	-44	-224	-271	-3,761
Impact of net remeasurement of ECL (incl. changes in models)	-	-1	-	-357	457	1,147	-92	141	19	1,314
Write offs debited to the allowance account	-	-	-	-	-	-669	-	-	-	-669
Foreign exchange adjustments	-	-	-	-1	9	52	1	4	11	77
Other changes	-	-	-	-23	-48	-64	-	-1	-13	-149
ECL allowance account as at 31 December 2019	**9**	**2**	**2**	**376**	**3,747**	**11,083**	**565**	**949**	**550**	**17,283**
Transferred to stage 1 during the period	-1	1	-	500	-480	-21	138	-136	-2	-
Transferred to stage 2 during the period	-	-	-	-54	336	-282	-9	234	-225	-
Transferred to stage 3 during the period	-	-	-	-7	-778	785	-1	-48	49	-
ECL on new assets	3	2	-	244	1,172	1,966	130	384	142	4,044
ECL on assets derecognised	-3	-3	-	-138	-870	-2,875	-59	-154	-299	-4,401
Impact of net remeasurement of ECL (incl. changes in models)	1	1	-	-98	1,447	1,727	-193	409	314	3,606
Write offs debited to the allowance account	-	-	-	-	11	-968	-	-	-	-957
Foreign exchange adjustments	-1	-1	-	-10	5	-421	-4	-1	-14	-449
Other changes	-2	2	-	-34	-63	-316	-29	-121	529	-35
ECL allowance account as at 31 December 2020	**7**	**3**	**2**	**778**	**4,528**	**10,678**	**537**	**1,514**	**1,043**	**19,092**

For further information on the decomposition of the allowance account on facilities in stages 1-3 and originated credit-impaired facilities, see the section on credit risk for Danske Bank Group in the risk management notes in the consolidated financial statements of Danske Bank Group.

P13. Bonds at fair value and Bonds at amortised cost

Bonds at fair value

Bonds at fair value consists of bonds at fair value through profit or loss of DKK 328,982 million (2019: DKK 225,774 million) and bonds at fair value through other comprehensive income of DKK 109,548 million (2019: DKK 101,552 million).

Bonds at amortised cost

(DKK millions)	2020	2019
Fair value of held-to-collect bonds	96,220	87,861
Carrying amount of held-to-collect bonds	94,248	86,531

Notes – Danske Bank A/S

P14. Assets under pooled schemes

(DKK millions)	2020	2019
Bonds at fair value	18,363	18,327
Shares	17,977	15,471
Unit trust certificates	17,278	20,275
Cash deposits etc.	-239	178
Total assets before elimination	53,380	54,251
Own shares	165	124
Other internal balances	-122	242
Total	**53,337**	**53,885**

P15. Investment and domicile property

Domicile property includes property owned by Danske Bank A/S and leased properties (Righ-of-use assets). Investment property consists solely of owned properties.

Domicile property (DKK millions)	2020	2019
Domicile property (owned properties)	1	2
Right-of-use-assets (leased properties)	3,998	4,694
Total	**3,998**	**4,696**

The reconciliation of the carrying amount of domicile property, owned by Danske Bank, and investment property is presented below.

Fair value of investment property and domicile property, owned

	2020		2019	
(DKK millions)	Investment property	Domicile property	Investment property	Domicile property
Fair value/revaluation at 1 January	217	2	219	76
Currency translation	-12	-	3	-
Additions, including property improvement expenditure	4	-	1	-
Disposals	20	1	6	75
Depreciation charges	3	-	-	-
Value adjustment recognised through other comprehensive income	-	-	-	-
Value adjustment recognised through profit or loss	-	-	-	-
Other changes including properties moved to Assets held for sale	-1	-	-	-
Fair value/revaluation at 31 December	**185**	**1**	**217**	**2**
Required rate of return for calculation of fair value/revaluation (% p.a.)	**5,0 - 6,0**	**5,0 - 8,0**	**5,0 - 6,0**	**5,0 - 8,0**

Fair value and revaluations are assessed by the Group's valuers.

P16. Other tangible assets

Other tangible assets includes assets owned by Danske Bank and leased assets (Right-of-use assets).

(DKK millions)	2020	2019
Other tangible assets (owned assets)	3,755	3,898
Right-of-use-assets	881	984
Other tangible assets, total	**4,636**	**4,882**

Reconciliation of the carrying amout of Other tangible assets, owned by Danske Bank, is presented below.

Notes – Danske Bank A/S

P16. Other tangible assets continued

Other tangible assets, owned

(DKK millions)	2020	2019
Cost at 1 January	9,040	8,724
Foreign currency translation	-53	8
Additions, including leasehold improvements	1,453	1,563
Disposals	1,340	1,256
Cost at 31 December	**9,099**	**9,040**
Depreciation and impairment charges at 1 January	5,142	4,806
Foreign currency translation	-22	2
Depreciation charges	1,101	1,143
Depreciation and impairment charges for assets sold	877	809
Depreciation and impairment charges at 31 December	**5,345**	**5,142**
Carrying amount at 31 December	**3,755**	**3,898**

P17. Change in deferred tax

2020 (DKK millions)	At 1 January	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	At 31 December
Intangible assets	-34	4	-69		-99
Tangible assets	631	-12	-438		181
Securities	-9	1	8		-
Provisions for obligations	-192	6	192	9	15
Tax loss carry forwards	-12	-	-278		-290
Other	-570	2	-100	-103	-771
Total	**-186**	**1**	**-685**	**-94**	**-964**
2019 (DKK millions)					
Intangible assets	84	-1	-117	-	-34
Tangible assets	472	3	143	13	631
Securities	-25	-	16	-	-9
Provisions for obligations	-31	-1	-138	-22	-192
Tax loss carry forwards	-115	-	103	-	-12
Recapture of tax loss	5,806	-	-5,806	-	-
Other	-583	-	32	-19	-570
Total	**5,608**	**1**	**-5,767**	**-28**	**-186**

Unrecognised tax loss carryforwards amounted to DKK 2.7 billion at the end of 2020 (31 December 2019: DKK 2.8 billion).

Deferred tax (DKK millions)	2020	2019
Deferred tax assets	984	472
Provisions for deferred tax	20	286
Deferred tax, net	**-964**	**-186**

P18. Assets held for sale and liabilities in disposal groups held for sale

Assets held for sale includes loans of DKK 416 million (2019: DKK 938 million) and tangible assets amounting to DKK 107 million classified as held for sale (2019: DKK 190 million).

Notes – Danske Bank A/S

P19. Other assets

Other assets (DKK millions)	2020	2019
Positive fair value of derivatives	395,211	304,925
Other assets	9,880	11,026
Total	**405,091**	**315,951**

P20. Due to credit institutions and central banks

(DKK millions)	2020	2019
On demand	34,010	31,487
Up to 3 months	159,481	118,872
From 3 months to 1 year	10,749	24,876
From 1 to 5 years	33,848	6,425
Over 5 years	1	1
Total	**238,089**	**181,660**
Reverse transactions included in above item	**113,171**	**83,803**

DKK 99,618 million (2019: DKK 84,013 million) of Due to credit institutions and central banks are designated at fair value through profit or loss. For further information see note G20.

P21. Deposits and other amounts due

(DKK millions)	2020	2019
On demand	978,689	782,307
Term deposits	48,263	41,612
Time deposits	71,623	55,254
Repo deposits	138,462	176,193
Special deposits	16,863	15,908
Total	**1,253,900**	**1,071,274**
On demand	978,726	782,307
Up to 3 months	240,847	261,302
From 3 months to 1 year	15,447	10,243
From 1 to 5 years	9,509	8,650
Over 5 years	9,372	8,772
Total	**1,253,900**	**1,071,274**

DKK 150,844 million (2019: DKK 184,755 million) of depostis are designated at fair value through profit or loss. For further information see note G20.

P22. Issued bonds

(DKK millions)	2020	2019
On demand	-	-
Up to 3 months	34,360	32,042
From 3 months to 1 year	41,886	38,491
From 1 to 5 years	173,527	182,714
Over 5 years	26,162	23,776
Total	**275,936**	**277,023**

Issued bonds include the line items Issued bonds at fair value and Issued bonds at amortised cost. Issued bonds at fair value consist of certificates of deposits designated at fair value through profit or loss. For further information see note G22.

P23. Other liabilities

(DKK millions)	2020	2019
Negative fair value of derivatives	385,849	311,712
Other liabilities	166,068	183,342
Total	**551,917**	**495,054**

Other liabilities includes an obligation to repurchase securities amounting to DKK 132 million (2019: DKK 152 million).

Notes – Danske Bank A/S

P24. Subordinated debt

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid capital, which, in the event of Danske Bank's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Hybrid capital ranks below subordinated loan capital. Early redemption of subordinated debt must be approved by the Danish FSA.

Subordinated debt is included in the capital base in accordance with section 128 of the Danish Financial Business Act.

Currency	Nominal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2020 (DKK millions)	2019 (DKK millions)
Subordinated debt, excluding liability accounted additional tier 1 capital							
Redeemed loans 2020							2,181
EUR	500	2.75	2014	19.05.2026	100	3,720	3,735
EUR	750	2.5	2019	21.06.2029	100	5,579	5,602
SEK	1,000	var	2019	14.11.2029	100	740	716
EUR	750	1.375	2019	12.02.2030	100	5,579	5,602
EUR	500	1.5	2020	02.09.2030	100	3,720	
Subordinated debt, excluding liability accounted additional tier 1 capital						**19,338**	**17,836**
Liability accounted additional tier 1 capital							
USD	750	6	2017	Perpetual	100	4,539	5,007
USD	750	7.0	2018	Perpetual	100	4,539	5,007
Liability accounted additional tier 1 capital						**9,079**	**10,014**
Nominal subordinated debt						28,417	27,850
Fair value hedging of interest rate risk and discount						180	-29
Discount						-152	-
Own holding of subordinated debt						-66	-37
Total subordinated debt						**28,379**	**27,784**
Portion included in total capital as additional tier 1 or tier 2 capital instruments						**28,417**	**27,473**
Interest on subordinated debt and related items							
Interest						1,099	1,033
Origination and redemption costs						15	49
Extraordinary repayments						2,180	3,517

In addition, total capital includes DKK 8.6 billion (2019: DKK 14.1 billion) of additional tier 1 capital accounted for as equity.

Note G22 contains additional information about subordinated debt and contractual terms, and note G25 on additional tier 1 capital accounted for as equity.

Notes – Danske Bank A/S

P25. Assets deposited as collateral

At the end of 2020, Danske Bank A/S had deposited DKK 28,341 million worth of securities as collateral with Danish and international clearing centres and other institutions (2019: DKK 19,594 million). In addition, the Group had deposited DKK 8,333 million worth of own bonds (2019: DKK 0 million). The amount has been eliminated in the balance sheet.

In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain in the balance sheet, and the amounts received are recognised as deposits. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

Assets sold in repo transactions (DKK millions)	2020	2019
Bonds at fair value	254,788	308,009
Total	**254,788**	**308,009**

In addition, the Group had deposited DKK 20,320 million worth of own bonds as collateral for repo transactions and securities lending (2019: DKK 44,627 million). The amount has been eliminated in the balance sheet.

At the end of 2020, Danske Bank A/S had provided DKK 82,999 million worth of cash and securities as collateral for derivatives transactions (2019: DKK 84,959 million).

Danske Bank A/S had registered DKK 206,608 million worth of loans and advances and DKK 0 million worth of other assets as collateral for covered bonds at the end of 2020 (2019: DKK 183,180 million and DKK 4,935 million, respectively).

Notes – Danske Bank A/S

P26. Contingent liabilities

The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments that are not recognised in the balance sheet.

(a) Guarantees and other liabilities (DKK millions)	2020	2019
Guarantees		
Financial guarantees	8,209	6,283
Mortgage finance guarantees	50,118	53,984
Registration and remortgaging guarantees	19,638	67,663
Other guarantees	64,533	63,649
Total	**142,497**	**191,580**
Other liabilities		
Loan commitments shorter than 1 year	232,637	161,063
Loan commitments longer than 1 year	190,691	168,100
Other obligations	1,733	1,993
Total	**425,061**	**331,156**

(b) Regulatory and legal procedings
Estonia matter

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

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

In November 2018, Danske Bank was preliminary charged by the Danish State Prosecutor for Serious Economic and International Crime ("SØIK") with violating the Danish AML Act on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016. In October 2020, SØIK added violation of Section 71 of the Danish Financial Business Act for governance and control failures in the period from 1 February 2006 to the end of 2017 to the preliminary charges.

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

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

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

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

On 9 January 2019, an action was filed in the United States District Court for the Southern District of New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against the Bank and certain of its officers and former officers and/or directors. The complaint alleges that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 by, among other things, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters. The complaint seeks unspecified damages on behalf of a putative class of purchasers of the Bank's American Depositary Receipts between 9 January 2014 and 29 April 2019. On 24 August 2020, the Court granted the motion and dismissed all claims against the Bank on three independent grounds. On 23 September 2020, the plaintiffs filed an appeal of this ruling to the Second Circuit. The Bank intends to oppose that appeal, and a decision is expected in the second half of 2021.The Bank intends to defend itself against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

Notes – Danske Bank A/S

P26. Contingent liabilities continued

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action lead by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 21 January 2021, the court dismissed the case because it did not fulfil the criteria for being approved as a class action. The Bank expects that the association will seek to appeal the dismissal. The appeal, if any, would not be decided until late 2021 at the earliest. In March 2019 (153), October 2019 (60), January 2020 (9), and March 2020 (38) and in September 2020 (55), in total 315 separate cases were initiated against the Bank with a total claim amount of approximately DKK 7.5 billion. On 27 December 2019 (63) and on 4 September 2020 (30), two separate claims were filed by 93 investors against Danske Bank with a total claim amount of approximately DKK 1.7 billion. On 2 September 2020, 20 separate claims were filed by 20 investors against Danske Bank with a total claim amount of approximately DKK 1.1 billion. On 18 September 2020, one case was filed by 201 investors with a total claim value of approximately DKK 2.1 billion. On 18 September 2020, one case was filed against the Bank (and the Bank's former CEO, Thomas F. Borgen) by two investors with a total claim amount of DKK 10 million. These court actions relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and/or alleged failure to timely inform the market of such violations (and in one claim, also market manipulation). 209 of the 315 cases filed in the period from March 2019 to September 2020 have been referred to the Eastern High Court. The remaining 106 cases are currently stayed before the Copenhagen City Court. The Bank intends to defend itself against these claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

On 20 February 2020, Danske Bank received a procedural notification in a case initiated against Thomas F. Borgen by 74 institutional investors, and funded by the litigation funder Deminor Recovery Services. The total claim amount is approximately DKK 2.7 billion. Under Danish law, the purpose of a procedural notification is to make a formal reservation of rights to bring a potential claim against the notified party in the future.

Other

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

(c) Further explanation

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

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

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

Note G27 contains additional information about contingent liabilities.

Notes – Danske Bank A/S

P27. Related parties

(DKK millions)	Parties with significant influence		Associates		Group undertakings		Board of Directors		Executive Leadership Team	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Loans and loan commitments	3,360	5,884	738	1,353	108,528	115,146	7	3	10	9
Securities and derivatives	538	653	204	328	161,694	147,849	-	-	-	-
Deposits	9,017	6,465	69	38	38,995	37,698	44	74	11	25
Derivatives	475	210	-	-	56,922	44,382	-	-	-	-
Issued bonds	-	-	-	-	-		-	-	-	-
Pension obligation										
Guarantees issued	227	288	1	-	440	53,802	30	12	-	-
Guarantees and collateral received	187	363	253	492	64,189	61,718	7	3	4	5
Interest income	51	114	10	20	2,091	1,752	-	-	-	-
Interest expense	39	117	-	-	-71	40	-	-	-	-
Fee income	14	10	1	2	42	66	-	-	-	-
Dividend income	4	6	-	-	4,705	5,703	-	-	-	-
Other income	4	7	-	-	2	2	-	-	-	-
Loan impairment charges	-	-	1	1	-	-	-	-	-	-
Trade in Danske Bank shares										
Acquisitions	-	-	-	-	-	-	2	4	4	2
Sales	-	-	-	-	-	-	-	-	-	-

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller Holding Group, Copenhagen, hold 21.3% of the share capital. The consolidated financial statements specify significant group holdings and holdings in associates under Group holdings and undertakings. The Board of Directors and Executive Leadership Team columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Leadership Team and their dependants, and facilities with businesses in which these parties have a controlling or significant influence.

In 2020, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Leadership Team were 0.9% (2019: 1.0%) and 1.0% (2019: 1.2%), respectively. Notes G36 and G37 of the consolidated financial statements specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank A/S are also considered related parties. In 2020, transactions with these funds comprised loans and advances in the amount of DKK 1 million (2019: DKK 1 million), deposits in the amount of DKK 71 million (2019: DKK 83 million), derivatives with a positive fair value of DKK 0 million (2019: DKK 0 million), derivatives with a negative fair value of DKK 301 million (2019: DKK 263 million), interest expenses of DKK 2 million (2019: DKK 3 million) and pension contributions of DKK 25 million (2019: DKK 14 million).

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing of surplus liquidity and provision of short- and long-term financing are the primary services provided by Danske Bank A/S. In addition, Danske Bank A/S and group undertakings receive interest on holdings, if any, of listed bonds issued by Realkredit Danmark A/S. Note G16 of the consolidated financial statements specifies the Group's holdings of own mortgage bonds.

Danske Bank A/S handles a number of administrative functions, such as IT operations and development, HR management, procurement and marketing activities for group undertakings. Danske Bank A/S received a total fee of DKK 1,725 million for services provided in 2020 (2019: DKK 1,499 million).

The figures above do not include debt to related parties in the form of issued notes or bonds. Such notes or bonds are bearer securities, which means that Danske Bank does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Transactions with related parties are settled on an arm's-length basis, whereas transactions with group undertakings are settled on a cost-reimbursement basis.

Notes – Danske Bank A/S

P28. Hedging of risk

(DKK millions)	2020 Carrying amount	2020 Amortised/ notional value	2019 Carrying amount	2019 Amortised/ notional value
Assets				
Due from credit institutions	308	302	569	570
Loans	25,529	23,513	35,155	33,621
Total	**25,837**	**23,814**	**35,725**	**34,191**
Financial instruments hedging interest rate risk				
Derivatives	-2,921	31,499	-2,944	38,127
Liabilities				
Deposits	1,994	1,994	2,248	2,247
Due to credit institutions	5,073	5,065	21,825	21,790
Issued bonds	227,566	219,978	271,424	265,427
Subordinated debt	18,598	18,417	17,978	17,836
Total	**253,230**	**245,454**	**313,475**	**307,300**
Financial instruments hedging interest rate risk				
Derivatives	13,105	323,595	9,643	375,582

Note G12 includes additional information about hedge accounting.

P29. Group holdings and undertakings

Note G38 and G39 lists the Group's major holdings and undertakings as well as associates.

Notes – Danske Bank A/S

	2020	2019	2018	2017	2016
Highlights					
Net interest and fee income	26,185	24,656	25,810	24,684	26,170
Value adjustments	1,739	2,623	3,516	5,109	2,238
Staff costs and administrative expenses	21,465	20,368	19,610	15,987	15,420
Loan impairment charges etc.	6,319	1,480	-547	-1,447	-145
Income from associates and group undertakings	6,620	9,525	7,752	9,278	9,244
Net profit	4,511	15,068	14,864	20,829	19,581
Loans	1,049,701	1,185,830	1,104,834	1,001,711	940,381
Total equity	168,836	170,741	163,513	168,491	166,885
Total assets	2,574,837	2,281,873	2,177,552	2,293,624	2,168,239

Ratios and key figures	2020	2019	2018	2017	2016
Total capital ratio (%)	26.3	26.4	24.7	25.9	27.5
Tier 1 capital ratio (%)	23.5	23.7	23.3	23.0	24.2
Return on equity before tax (%)	2.6	7.0	10.4	14.2	13.8
Return on equity after tax (%)	2.7	9.0	9.0	12.4	11.9
Income/cost ratio (%)	113.9	144.7	180.5	242.9	232.0
Interest rate risk (%)	2.5	3.4	3.4	3.2	3.6
Foreign exchange position (%)	23.0	3.8	1.7	0.5	2.0
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	81.5	106.7	106.8	97.1	117.8
Liquidity coverage ratio (90 ^{days}) (%)	144.1	119.8	109.9	154.3	133.5
Sum of large exposures as % of CET1 capital[1]	119.2	125.1	101.8	12.5	11.4
Impairment ratio (%)	0.5	0.1	-0.0	-0.1	-
Growth in loans (%)[2]	-2.4	2.8	2.0	11.4	7.7
Loans as % of equity	6.2	6.9	6.8	5.9	5.6
Return on assets (%)	0.2	0.7	0.7	0.9	0.9
Earnings per share	4.6	16.7	16.2	22.1	19.9
Book value per share (DKK)	196.7	198.9	190.6	188.0	178.1
Proposed dividend per share (DKK)[3]	2.0	8.5	8.5	10.0	9.0
Share price end of period/earnings per share (DKK)[4]	21.7	6.4	8.0	10.9	10.8
Share price end of period/book value per share (DKK)	0.51	0.54	0.68	1.30	1.20

[1] According to the guidelines for the Supervisory Diamond, changes have been made to the limit valutes and calculation method in 2018. Comparative figures for 2017 and 2016 are not restated.

[2] As of 31 December 2017, Danske Bank plc in Helsinki has been merged with Danske Bank A/S contributing to the increase in Growth in loans in 2017.

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

[4] After the deduction of interest on equity accounted additional tier 1 capital.

The ratios are defined by the Danish FSA in, for example, the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Statement by the management

The Board of Directors and the Executive Leadership Team (the management) have considered and approved the annual report of the Danske Bank Group for 2020.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of listed financial institutions.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2020. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 4 February 2021

Executive Leadership Team

Chris Vogelzang
CEO

Berit Behring

Karsten Breum

Carsten Rasch Egeriis

Stephan Engels

Glenn Söderholm

Philippe Vollot

Frans Woelders

Board of Directors

Karsten Dybvad
Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Carol Sergeant
Vice Chairman

Martin Blessing

Lars-Erik Brenøe

Raija-Leena Hankonen

Bente Avnung Landsnes

Christian Sagild

Gerrit Zalm

Bente Bang
Elected by the employees

Kirsten Ebbe Brich
Elected by the employees

Thorbjørn Lundholm Dahl
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Independent auditor’s report

To the shareholders of Danske Bank A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of Danske Bank A/S for the financial year 1 January 2020 to 31 December 2020, pages 74-237, which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group’s financial position at 31 December 2020, and of its financial performance and cash flows for the financial year 1 January 2020 to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent’s financial position at 31 December 2020, and of its financial performance for the financial year 1 January 2020 to 31 December 2020 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Danske Bank A/S for the first time on 18 March 2015 for the financial year 2015. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 6 years up to and including the financial year 2020.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters | How the matters were addressed in our audit

Regulatory investigations and litigation relating to anti-money laundering ("AML")

Key audit matters

The regulatory investigations and litigation in respect of the non-resident portfolio in the Estonian Branch, and any potential regulatory action as a result of the need to improve the quality and the efficiency of the AML controls in general, are deemed to be a key audit matter as the recognition and measurement of provisions and the measurement and disclosure of contingent liabilities require significant judgements by Management.

The significant judgements include considering whether to record a provision for future potential fines or settlements in respect of the non-resident portfolio in the Estonian Branch by assessing whether the criteria for recognition of an liability is met at 31 December 2020 by determining whether:

- it is more likely than not that an economic outflow will occur in relation to the investigations and litigation; and
- the amount of the payment (or other economic outflow) can be reliably estimated.

The timing of the completion of the investigations, the outcome and the subsequent discussions with the authorities continue to be uncertain. At present, Management consider that it is not yet possible to reliably estimate the timing or amount of any potential settlement or fines, which could be material.

Management has provided further information about anti-money laundering including regulatory investigations and litigation in note G27 to the consolidated financial statements.

How the matters were addressed in our audit

We have considered: Management's assessment as to whether the criteria for recognition of an liability is met, including a provision for future potential fines or settlements, the disclosure of contingent liabilities; and the assumptions made.

Our audit procedures included:

- Testing of key controls over the identification, recording and disclosure of exposures to AML breaches of anti-money laundering regulation arising from the non-resident portfolio in the Estonian Branch including Management's review of the appropriateness of the provision and disclosure when assessed against IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- Making enquiries of members of the Executive Board, the Board of Directors, the Head of Legal and the Head of Compliance.
- Inspecting and assessing correspondence from the regulatory authorities.
- Inspecting and assessing legal claims made against the Group.
- Making enquiries of the Group's third party legal advisers and examining correspondence between the legal advisers and the Group.
- Attending relevant meetings with the Bank including those conducted with the Group's third party legal advisers.
- Inspecting and analysing Management's responses made to regulatory authorities on the progress of the Group's AML programme.
- Inspecting and analysing reports by the Group's control functions on the adequacy of the current state of the Group's AML controls.
- Inspecting and analysing reports on the progress of the Group's AML programme.

Impairment charges for loans and provisions for guarantees

Key audit matters

Loans for the Group amounted to DKK 2,047,930 million at 31 December 2020 (DKK 2,150,059 million at 31 December 2019), and the total allowance account for the Group amounted to DKK 23,342 million at 31 December 2020 (DKK 21,313 million at 31 December 2019).

Measurement of loan impairment charges for loans and provisions for guarantees is deemed a key audit matter as the determination of assumptions for expected credit losses is highly subjective due to the level of judgement applied by Management.

The most significant judgements are:

- Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.
- Timely identification of exposures with significant increase in credit risk and credit impaired exposures.
- Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures.
- Post-model adjustments for particular high-risk portfolios, which are not appropriately captured in the expected credit loss model.
- Effects of corona crisis in relation to the significant judgements listed above.

Management has provided further information about the loan impairment charges and provisions for guarantees in notes G1(b), G11, G15, G16 and Risk management to the consolidated financial statements.

How the matters were addressed in our audit

Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and provisions for guarantees and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.

Our examination included the following elements:

- Testing of key controls over assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.
- Obtaining and substantively testing evidence to support the assumptions used in the expected credit loss models concerning methods applied to derive loss given default.
- Testing of key controls over timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.
- Obtaining and substantively testing evidence of timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.
- Testing of key controls over models and manual processes for valuation of collateral and assumptions of future cash flows.
- Obtaining and substantively testing evidence to support appropriate determination of assumptions for loan impairment charges and provisions for guarantees including valuation of collateral and assumptions of future cash flows on manually assessed credit impaired exposures.
- Testing of key controls over post-model adjustments applied to manage non-linearity that are not included in the modelled expected credit losses
- Obtaining and substantively testing evidence of post-model adjustments for high-risk portfolios with particular focus on the methodology applied, evidence of assumptions-setting processes and the consistency thereof by:
  - Assessing the key developments since last year against industry standards and historical data.
  - Assessing the appropriateness of the different identified post-model adjustments compared with the embedded macro forecasts applied in the expected credit loss models.
  - Challenging the methodologies applied by using our industry knowledge and experience.
- Challenging the inclusion of corona crisis effects on the above.

Key audit matters	How the matters were addressed in our audit
Measurement of liabilities under insurance contracts	
Liabilities under insurance contracts for the Group amounted to DKK 591,930 million at 31 December 2020 (DKK 535,891 million at 31 December 2019). Measurement of liabilities under insurance contracts is deemed a key audit matter as the determination of assumptions for the measurement of insurance contract liabilities requires Management to apply judgements about future events. Changes in assumptions and the methodology applied may have a material impact on the measurement of liabilities under insurance contracts. The most significant judgements are: • Determining disability rates, mortality rates and surrender probabilities. • Assumptions related to regulatory and reporting requirements, including risk and interest. Management has provided further information about liabilities under insurance contracts in notes G1(b) and G18 to the consolidated financial statements.	Based on our risk assessment, we have examined the valuation of liabilities under insurance contracts and evaluated the methodology applied and the assumptions made. Our examination included the following elements, where we also made use of our internationally qualified actuaries: • Testing of key controls over the actuarial models, data collection and analysis and the assumptions-setting processes. • Evaluating the disability and mortality rates and surrender probabilities used in the calculation against historical data and market practice. • Assessing the key changes in the assumptions against regulatory and reporting requirements and industry standards. • Analysing developments, particularly within risk, interest and cost results by using our industry knowledge and experience.
Fair value measurement of derivatives	

Derivatives classified as assets for the Group amounted to DKK 379,566 million at 31 December 2020 (DKK 293,980 million at 31 December 2019) and derivatives classified as liabilities for the Group amounted to DKK 366,985 million at 31 December 2020 (DKK 299,695 million at 31 December 2019) for the Group.
 	
Of derivative assets and liabilities held by the Group those with non-observable inputs held at 31 December 2020 amounted to DKK 3,547 million (DKK 5,070 million at 31 December 2019) and DKK 3,684 million (DKK 4,853 million at 31 December 2019), respectively.
 	
Measurement of derivatives with non-observable inputs is deemed a key audit matter, as they require Management to apply significant judgements in:
• Determining the assumptions to be used to calculate and validate the market values.
• Identifying the most relevant market data for the models.
 	
Changes in the models may have a significant impact on the measurement of derivatives.
 	
Management has provided further information about fair value measurement of derivatives in notes G1(b), G12 and G33 to the consolidated financial statements.
	Based on our risk assessment, we have examined the valuation carried out by Management and evaluated the methodology applied and the assumptions made.
	
	Our examination included the following elements:
	• Testing of the independent pricing controls over derivatives with non-observable inputs.
	• Using our own internationally qualified valuation experts, re-calculating the carrying amounts on a sample basis by using independent data for derivatives with limited observable market data.
	• Challenging the relevant market data used to calculate and validate the fair value of derivatives with non-observable inputs by:
	  • Using our industry knowledge and experience to challenge the assumptions.
	  • Assessing key assumptions against industry standards and historical data.

Statement on the Management's report
Management is responsible for the Management's report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the Management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the Management's report and, in doing so, consider whether the Management's report is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's report provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's report is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's report.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, as well as for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 4 February 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Erik Holst Jørgensen
State-Authorised
Public Accountant
MNE no 9943

Jens Ringbæk
State-Authorised
Public Accountant
MNE no 27735

Management and directorships – Board of Directors

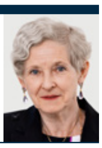
Karsten Dybvad
Chairman
Elected by the General Meeting

Born on 5 November 1956
Nationality: Danish
Gender: Male
Joined the Board on 7 December 2018
Most recently re-elected in 2020
Appointed Chairman on 7 December 2018
Term expires in 2021
Independent

Chairman of the Conduct and Compliance Committee and the Remuneration Committee and member of the Nomination Committee

Competencies:
- Broad experience with community and authority relationships, financial and regulatory competencies with extensive knowledge about the framework conditions of financial institutions
- Broad experience with board work both as member and chairman in various lines of business

Directorships and other offices:
None



Carol Sergeant
Vice Chairman
Elected by the General Meeting

Born on 7 August 1952
Nationality: British
Gender: Female
Joined the Board on 18 March 2013
Most recently re-elected in 2020
Term expires in 2021
Independent

Chairman of the Risk Committee and member of the Conduct and Compliance Committee

Competencies:
- Senior management and board experience in the public, private and charity sectors
- Broad and in-depth knowledge of financial services business, credit and risk management and regulatory issues in the UK and Europe
- Significant change management experience

Directorships and other offices:
Private-sector directorships:
Belmont Green Finance Limited (director)
Threadneedle Solutions Ltd. (company director)

Entities which do not pursue predominantly commercial objectives:
Lloyds Register Foundation (trustee and member of the audit and investment committee)
The Governing Council of the Centre for the Study of Financial Innovation (CSFI) (trustee)

Jan Thorsgaard Nielsen
Vice Chairman
Elected by the General Meeting

Chief Investment Officer, A.P. Møller Holding A/S

Born on 6 June 1974
Nationality: Danish
Gender: Male
Joined the Board on 7 December 2018
Most recently re-elected in 2020
Term expires in 2021
Non-independent

Chairman of the Audit Committee and member of the Conduct and Compliance Committee

Competencies:
- Several years of experience from the global financial sector and broad experience with board work in different lines of business
- Major experience with business development and change management with a strong profile within building talent

Directorships and other offices:
Private-sector directorships:
APMH Invest A/S (chairman or member of the board of directors of 12 affiliated undertakings)
LEGO A/S (member of the board of directors)
Thorsgaard Holding ApS (executive officer)

Martin Blessing
Elected by the General Meeting

Born on 6 July 1963
Nationality: German
Gender: Male
Joined the Board on 9 June 2020
Term expires in 2021
Independent

Member of the Risk Committee

Competencies:
- Universal banking experience as senior executive and CEO of major, primarily ECB-regulated banks
- Solid, all-around experience from leading positions in private banking, corporate banking, direct banking, IT and wealth management
- Strong customer and digital focus and considerable experience with digital transformation
- Extensive experience with P&L leadership
- Board experience from large and diverse companies and bank subsidiaries
- Experience in operating within a complex regulatory framework

Directorships and other offices:
None

Lars-Erik Brenøe
Elected by the General Meeting

Executive Vice President, Head of Chairman's Office, A.P. Møller-Mærsk A/S

Born on 22 March 1961
Nationality: Danish
Gender: Male
Joined the Board on 17 March 2016
Most recently re-elected in 2020
Term expires in 2021
Non-independent

Chairman of the Nomination Committee and member of the Remuneration Committee

Competencies:
- Broad and in-depth experience with board work and corporate governance
- Financially literate
- Knowledge of relevant legal/regulatory issues
- Knowledge of stakeholder management
- Experience with international business and the markets/regions in which Danske Bank operates

Directorships and other offices:
Private-sector directorships:
The A.P. Møller and Chastine Mc-Kinney Møller Foundation (member of the boards of directors or the executive boards of four affiliated undertakings)
Maersk Broker K/S (chairman or vice chairman of the boards of directors of six affiliated undertakings)
Navigare Capital Partners A/S (chairman)
LINDØ port of Odense A/S (member of the board of directors)

Entities which do not pursue predominantly commercial objectives:
The Danish Committee on Foundation Governance (vice chairman)
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond (The A.P. Moller Family Foundation) (member of the board of directors)
The Confederation of Danish Industry (DI) (member of the central board)

Raija-Leena Hankonen
Elected by the General Meeting

Born on 29 August 1960
Nationality: Finnish
Gender: Female
Joined the Board on 9 June 2020
Term expires in 2021
Independent

Member of the Audit Committee and the Remuneration Committee

Competencies:
- Universal banking experience as leading auditor of major, primarily ECB-regulated banks
- Long experience with regulatory implications for ECB-regulated banks and with financial regulation for businesses in general
- Considerable knowledge of financial reporting, risk management and corporate governance in the financial services sector and at listed companies
- Thorough understanding of the financial services sector and experience in financial services, in particular core banking
- Board experience from major organisations including experience with audit committee work

Directorships and other offices:
Private-sector directorships:
Posti Group Oyj (member of the board of directors and chairman of the audit committee)
Brigadeiro Holding Oy (executive officer)

Entities which do not pursue predominantly commercial objectives:
Jalmari and Rauha Ahokas Medical Foundation (chairman)
Savonlinna Opera Festival (member of the board of directors)
Helsinki Deaconess Foundation sr (member of the board of directors)

Bente Avnung Landsnes
Elected by the General Meeting

Born on 8 August 1957
Nationality: Norwegian
Gender: Female
Joined the Board on 18 March 2019
Most recently re-elected in 2020
Term expires in 2021
Independent

Member of the Audit Committee and the Nomination Committee

Competencies:
- Long track record in financial services, including core banking, settlement, risk management and capital markets
- In-depth experience with change and reputation management, financial reporting, investor relations, corporate governance, operations, infrastructure, regulation issues, risk management and digital transformation
- Experience with licensed financial operations and regulatory implementation as well as significant experience from managing an exchange and securities services group and from various board roles

Directorships and other offices:
Private-sector directorships:
NORBIT ASA (deputy chairman)
Infront ASA (member of the board of directors)

Christian Sagild
Elected by the General Meeting

Born on 11 December 1959
Nationality: Danish
Gender: Male
Joined the Board on 18 March 2019
Most recently re-elected in 2020
Term expires in 2021
Independent

Member of the Audit Committee and the Risk Committee

Competencies:
- Significant experience from managing public companies. Primary experience is from the insurance sector, but also insights and skills from various board roles in public companies in other sectors
- Experience in operating with complex regulatory frameworks
- Very solid experience in managing external stakeholders and in reputation management in general
- Many years of experience with general financial analysis and reporting across complicated income and balance statements of publicly listed companies

Directorships and other offices:
Private-sector directorships:
Nordic Solar Energy A/S and Nordic Solar Global A/S (chairman)
AMBU A/S (member of the board of directors)
Royal Unibrew A/S (member of the board of directors)
Sagild ApS (executive officer)

Gerrit Zalm
Elected by the General Meeting

Born on 6 May 1952
Nationality: Dutch
Gender: Male
Joined the Board on 18 March 2019
Most recently re-elected in 2020
Term expires in 2021
Independent

Member of the Nomination Committee and the Risk Committee

Competencies:
- Broad professional background originally anchored in economics and later politics
- Broad and holistic perspective on the financial services sector and its role in society and strong advocate of tighter regulations and less self-supervision
- Significant experience across the audit and risk committees' areas both within and outside banking and a significant senior leadership and board exposure track record
- Unique blend of regulator and banking executive experience and considerable experience in dealing with stakeholder and reputation management

Directorships and other offices:
Private-sector directorships:
Royal Dutch Shell (non-executive director)
Y-Group (member of the advisory board)
MALZ BV (director)

Entities which do not pursue predominantly commercial objectives:
Central Bureau of Statistics, the Netherlands (chairman of the advisory board)
Foundation Schuldenlab.nl (chairman)
Stichting VU MC Fonds (supervisory council member)
Trustees of the National Academy for Finance and Economics (chairman)
Wigo4it, cooperative effort of the social assistance organisations of the four largest cities in the Netherlands (chairman of the advisory council)
NRG Foundation (chairman of the supervisory board)

Bente Bang
Elected by the employees

Vice Chairman of Finansforbundet i Danske Bank

Born on 22 January 1963
Nationality: Danish
Gender: Female
Joined the Board on 15 March 2018
Term expires in 2022

Competencies:
- In-depth understanding of banking
- Specialist within the field of pensions
- Trained adviser with strong customer-oriented focus
- Experienced in communicating financial solutions to customers and employees

Directorships and other offices:
Bikubens Personaleforening (chairman)

Kirsten Ebbe Brich
Elected by the employees

Chairman of Finansforbundet i Danske Bank

Born on 15 July 1973
Nationality: Danish
Gender: Female
Joined the Board on 18 March 2014
Most recently re-elected in 2018
Term expires in 2022

Member of the Conduct and Compliance Committee

Competencies:
- Extensive experience with collective bargaining agreements and political management
- Broad knowledge of sector and labour market relationships
- Extensive experience with change management and processes
- Experience within and knowledge of digitalisation and IT

Directorships and other offices:
Danske Kreds' Jubilæumsfond (chairman)
Danske Unions (transnational association of local Danske Bank Group staff unions) (member of the board of directors)
Danske Banks Pensionskasse for Førtidspensionister (member of the board of directors)
Danske Banks Velfærdsfond af 1993 (member of the board of directors)
Finansforbundet (The Financial Services Union in Denmark) (member of the executive committee)

Thorbjørn Lundholm Dahl
Elected by the employees

Head of AML transformation office, Compliance

Born on 4 May 1978
Nationality: Danish
Gender: Male
Joined the Board on 15 March 2018
Term expires in 2022

Competencies:
- Implementation of new regulation across market areas
- Capital planning and liquidity management
- Strategy, business development and cross-functional projects

Directorships and other offices:
None

Charlotte Hoffmann
Elected by the employees

Personal Adviser

Born on 8 October 1966
Nationality: Danish
Gender: Female
Joined the Board on 14 March 2006
Most recently re-elected in 2018
Term expires in 2022

Member of the Remuneration Committee

Competencies:
- Advising personal customers on housing
- Customer satisfaction, customer development, customer focus and all-round advisory services

Directorships and other offices:
None

Management and directorships – Executive Leadership Team

Chris Vogelzang
Chief Executive Officer

Born on 28 November 1962
Nationality: Dutch
Gender: Male
Joined the ELT on 1 June 2019

Directorships and other offices:
Danske Banks Fond (chairman)
Rijkmuseum Amsterdam (member of the supervisory board)
Wolters Kluwer NV (member of the supervisory board and the audit committee)

Berit Behring
Head of Large Corporates & Institutions
(Previously Head of Wealth Management and Interim Head of Corporates & Institutions)

Born on 18 October 1966
Nationality: Swedish
Gender: Female
Joined the ELT on 5 September 2019

Directorships and other offices:
Danica Pension, Livsforsikringsaktieselskab (chairman)
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (chairman)
Danske Bank, Belfast (Northern Bank Limited), Northern Ireland (member of the board of directors)

Stephan Engels
Chief Financial Officer

Born on 9 March 1962
Nationality: German
Gender: Male
Joined the ELT on 1 April 2020

Directorships and other offices:
Danske Bank, Belfast (Northern Bank Limited)
Northern Ireland (member of the board of directors)

Carsten Rasch Egeriis
Chief Risk Officer

Born on 18 June 1976
Nationality: Danish
Gender: Male
Joined the ELT on 1 August 2017

Directorships and other offices:
Realkredit Danmark A/S (chairman)
Finans Danmark (chairman)
FRI af 16. September 2015 A/S (chairman)
Bikubens Pensionsfond (chairman)
Kreditforeningen Danmarks Pensionsafviklingskasse (chairman)

Karsten Breum
Chief People Officer

Born on 23 November 1972
Nationality: Danish
Gender: Male
Joined the ELT on 25 August 2020

Directorships and other offices:
Finanssektorens Arbejdsgiverforening (FA) (The employer association for the finance sector) (vice chairman)
Digital Dogme (member of the board of directors)
Finanskompetencepuljen (member of the board of directors)

Glenn Söderholm
Head of Personal & Business Customers (Previously Head of Banking Nordic and Interim Head of Banking DK)

Born on 26 July 1964
Nationality: Swedish
Gender: Male
Joined the ELT on 1 November 2013

Directorships and other offices:
Danske Hypotek AB (chairman)
Danske Leasing A/S (chairman)
Danske Mortgage Bank PLC (chairman)
Danske Invest Management A/S (chairman)
MobilePay A/S & MobilePay Denmark A/S (chairman)
NASDAQ Nordic Ltd. Suomi Finland (member of the board of directors)
P27 AB (member of the board of directors)
Finans Danmark (personal substitute to the chairman of the board of directors)

Philippe Vollot
Chief Compliance Officer

Born on 5 February 1967
Nationality: French
Gender: Male
Joined the ELT on 26 November 2018

Directorships and other offices:
Association of Certified Anti-Money Laundering Specialists (ACAMS) (member of the advisory board)
French Foreign Trade Advisor, Denmark Committee (member)

Frans Woelders
Chief Operating Officer

Born on 5 August 1965
Nationality: Dutch
Gender: Male
Joined the ELT on 18 March 2020

Directorships and other offices:
None

Supplementary information

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

Contacts	
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Links	
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.

Other Danske Bank Group publications, available at danskebank.com/reports:

Sustainability Report 2020

Risk Management 2020

omslag

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