Annual Report 2019

Danske Bank Group

Danske Bank

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Foreword

For close to 150 years, Danske Bank has evolved in tandem with the Nordic economies.

We have created opportunities and helped individuals and businesses realise their ambitions – enabling businesses to finance new ventures and providing opportunities for individuals to buy a home of their own or to save for retirement, and we have helped build and innovate the financial infrastructure. In doing so, we have benefited from being part of prosperous societies with successful companies, well-educated work forces and strong institutions in stable, well-governed democracies.

As the largest financial services provider in Denmark and one of the largest financial institutions in the Nordic countries, we have a particular responsibility and an evident self-interest in contributing to continued, sustainable growth and development of the societies we are part of. We have an opportunity and an obligation to respond to common challenges and to help develop viable solutions.

We can respond to the needs and demands of customers and society, contribute to growth and offer viable solutions only if we run a sustainable and profitable business. And we can secure long-term profitability only through careful balancing of all our stakeholders' interests.

In 2019, a more balanced stakeholder approach was adopted with a new leadership jointly committed to create a better bank for all our stakeholders: our customers, our employees, the societies we are part of and our shareholders.

2019 was also the year when we signed the UN Principles on responsible banking as a manifestation of our commitment to integrating social responsibility and sustainability across our business and to contributing further to sustainable development and making a positive contribution to society.

Financial results are essential, but as indicators of commercial success they cannot stand alone. Therefore, as we execute on our plan to become a better bank, we will also measure and report on our progress across a number of areas, including customer satisfaction, employee engagement and societal impact and ESG measures.

Becoming a better bank for all our stakeholders is a journey of a thousand steps – making incremental improvements on a day-to-day basis to turn ambitions into real change.

Thanks to the efforts of our dedicated and hard-working colleagues throughout Danske Bank, it is a journey that has already begun.

Karsten Dybvad
Chairman of the
Board of Directors

Chris Vogelzang
Chief Executive Officer

Danske Bank 2019 at a glance

15.1bn
Net profit

45bn
Total income

Changes in Executive Leadership Team

Significant investments
in improving AML efforts

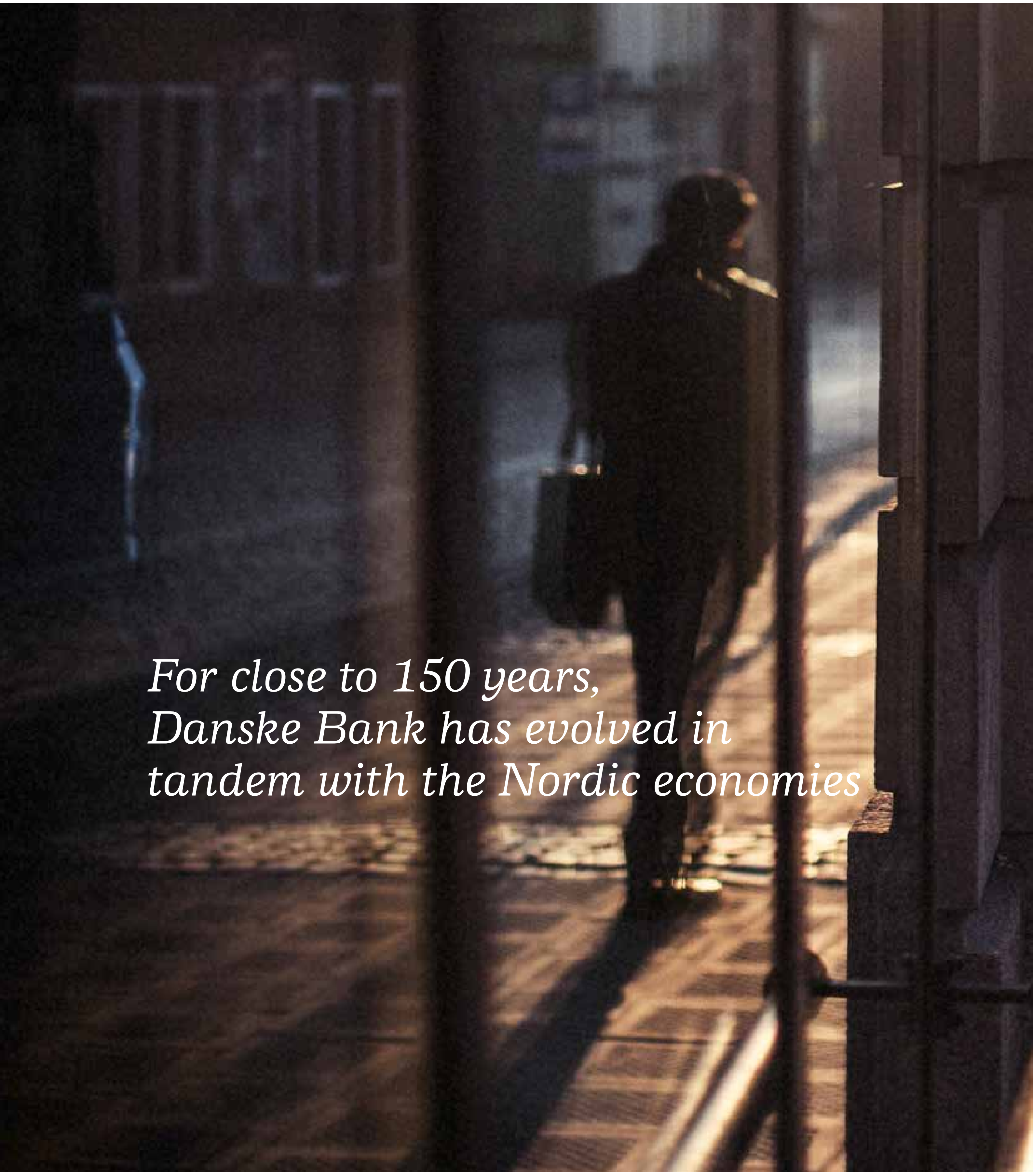
New 2023 ambitions

3%
Lending growth

9.6%
Return on equity

Green mortgage bonds
launched in Denmark

Sale of Danica Sweden & LR Realkredit A/S


For close to 150 years,
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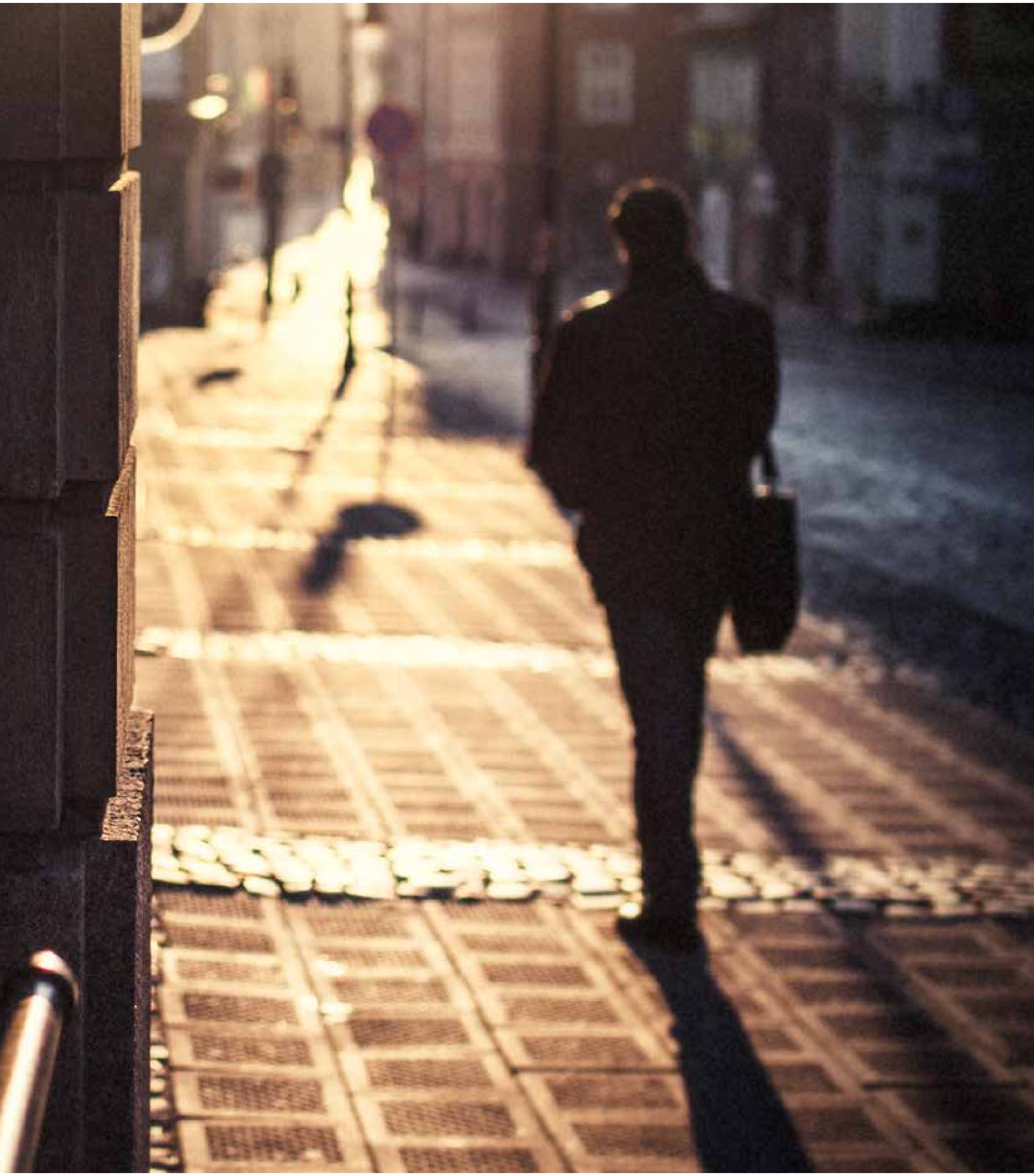


Financial highlights – Danske Bank Group

Income statement
(DKK millions)

	2019	2018	Index 19/18	2017	2016	2015
Net interest income	21,877	23,571	93	23,806	22,028	21,402
Net fee income	15,895	15,402	103	15,664	14,183	15,018
Net trading income	4,985	4,676	107	7,087	8,607	6,848
Other income	2,225	716	-	1,591	3,140	2,343
Total income	44,982	44,365	101	48,149	47,959	45,611
Operating expenses	27,548	25,011	110	22,722	22,642	23,237
Goodwill impairment charges	1,603	-	-	-	-	4,601
Profit before loan impairment charges	15,831	19,354	82	25,427	25,317	17,773
Loan impairment charges	1,516	-650	-	-873	-3	57
Profit before tax, core	14,315	20,004	72	26,300	25,320	17,716
Profit before tax, Non-core	-493	-282	-	-12	37	46
Profit before tax	13,822	19,722	70	26,288	25,357	17,762
Tax*	-1,249	4,548	-	5,388	5,500	4,639
Net profit	**15,072**	**15,174**	**99**	**20,900**	**19,858**	**13,123**
Attributable to additional tier 1 etc.	786	781	101	786	663	607

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

Balance sheet (end of year)
(DKK millions)

	2019	2018	Index 19/18	2017	2016	2015
Due from credit institutions and central banks	81,941	169,237	48	277,631	200,544	75,221
Repo loans	346,708	316,362	110	228,538	244,474	216,303
Loans	1,821,309	1,769,438	103	1,723,025	1,689,155	1,609,384
Trading portfolio assets	495,313	415,811	119	449,292	509,678	547,019
Investment securities	284,873	276,424	103	324,618	343,337	343,304
Assets under insurance contracts	463,816	377,369	123	296,867	285,398	265,572
Total assets in Non-core	7,519	14,346	52	4,886	19,039	27,645
Other assets	259,571	239,480	108	234,672	192,046	208,431
Total assets	**3,761,050**	**3,578,467**	**105**	**3,539,528**	**3,483,670**	**3,292,878**
Due to credit institutions and central banks	98,828	148,095	67	155,528	155,085	137,068
Repo deposits	232,271	262,181	89	220,371	199,724	177,456
Deposits	962,865	894,495	108	911,852	859,435	816,762
Bonds issued by Realkredit Danmark	795,721	741,092	107	758,375	726,732	694,519
Other issued bonds	350,190	330,477	106	405,080	392,512	363,931
Trading portfolio liabilities	452,190	390,222	116	400,596	478,301	471,131
Liabilities under insurance contracts	504,714	417,279	121	322,726	314,977	285,030
Total liabilities in Non-core	2,501	4,014	62	3,094	2,816	5,520
Other liabilities	159,529	204,243	78	164,531	149,641	140,640
Subordinated debt	31,733	23,092	137	29,120	37,831	39,991
Additional tier 1	14,237	14,299	100	14,339	14,342	11,317
Shareholders' equity	156,271	148,976	105	153,916	152,272	149,513
Total liabilities and equity	**3,761,050**	**3,578,467**	**105**	**3,539,528**	**3,483,670**	**3,292,878**

Ratios and key figures

	2019	2018	Index 19/18	2017	2016	2015
Dividend per share (DKK)	8.5	8.5		10.0	9.0	8.0
Earnings per share (DKK)	16.7	16.5		22.2	20.2	12.8
Return on avg. shareholders' equity (%)	9.6	9.8		13.6	13.1	8.5
Net interest income as % of loans and deposits	0.80	0.88		0.89	0.86	0.88
Cost/income ratio (%)	64.8	56.4		47.2	47.2	61.0
Cost/income ratio before goodwill impairment charges (%)	61.2	56.4		47.2	47.2	50.9
Total capital ratio (%)	22.7	21.3		22.6	21.8	21.0
Common equity tier 1 capital ratio (%)	17.3	17.0		17.6	16.3	16.1
Share price (end of year) (DKK)	107.8	128.9		241.6	214.2	185.2
Book value per share (DKK)	183.1	174.3		172.2	162.8	153.2
Full-time-equivalent staff (end of year)	22,006	20,683	106	19,768	19,303	19,049

The financial highlights represent alternative performance measures that are non-IFRS measures. Note 3 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 65.

Executive summary

"The financial results for 2019 were as expected. Customer activity was at a good level in Denmark especially due to high remortgaging activity. We also saw a good customer development and lending growth across our other core markets. However, low interest rates, margin pressure, higher impairments and increased costs due mainly to investments in compliance and AML-related activities had a negative effect on the result. A number of extraordinary items also had an impact, positive as well as negative, on the results, but all in all, our financial performance remains under pressure," says Chief Executive Officer Chris Vogelzang and continues:

"Our plan to become a better bank for all stakeholders and deliver on our ambitions for 2023 is off to a good start. Key initiatives include a simplification of our product range, accelerated digitalisation efforts in areas that are particularly important to our customers and improved cost discipline across the Group. Furthermore, we have defined clear, quantitative targets for among other things our contribution to the transition towards a greener economy as well as for our own efforts to become a more diverse and inclusive workplace with an even more customer- and compliance-centric culture. These are just the first of many steps we will take in the months and years to come."

Danske Bank posted a net profit of DKK 15.1 billion for 2019, against DKK 15.2 billion for 2018. The return on shareholders' equity in 2019 was 9.6%, against 9.8% in 2018.

The result was affected by a number of non-recurring items, including goodwill impairment charges of DKK 1.6 billion, the sales of Danica Pension Sweden and LR Realkredit A/S with a net gain of DKK 2.1 billion and a net positive tax adjustment of approximately DKK 4.1 billion. The latter was due to Danske Bank's decision not to re-enter the International Joint Taxation scheme and a provision for deferred tax adjustments. Tax on profit for the year was at around the same tax level as for previous years. Profit before goodwill impairments and tax was DKK 15.4 billion, against DKK 19.7 billion in 2018.

In accordance with our dividend policy of paying out between 40% and 60% of reported net profit, we propose a dividend of DKK 8.5 per share, corresponding to 49% of reported net profit.

The year was characterised by difficult financial markets, a further decline in interest rates, a slight worsening of the macroeconomic environment, and persistently strong competition in all markets. However, customer activity was still at a good level, as exemplified by the high Danish remortgaging activity, and our partnership agreements continued to help us grow lending in the Nordic markets. Regulatory and compliance costs continued to increase, and an expected rise in impairments also had a negative effect on the result.

While Danske Bank is fundamentally strong, it is clear that we are facing a number of structural as well as Danske Bank-specific challenges. These include negative interest rates, digitalisation, rising customer expectations, increased costs, a need to get compliance under control, and a need to reduce complexity in the organisation. With this in mind, we published a new 2023 plan on 1 November 2019 with four ambitions that will make Danske Bank a better bank for all our stakeholders.

Our 2023 ambitions are as follows:

- We are on average among the top two on customer satisfaction in everything we do.
- At least 90% of our employees are engaged.
- We operate sustainably, ethically and transparently – and have a positive impact on the societies we are a part of.
- We aim to achieve a return on shareholders' equity of 9-10% and a cost/income ratio in the low 50s by continuously improving the profitability level, leveraging our full potential.

To build a better bank, we need to invest in our ways of working and in our capabilities and technologies, among other things, and we are committed to delivering on our ambitions and making Danske Bank a better bank for all our stakeholders.

Financials

In 2019, lending grew 3%. Lending was strongest in the first half of the year, especially at Banking Nordic. In Denmark, customer activity within remortgaging was strong throughout the year as significant declines in interest rates caused many customers to remortgage to cheaper fixed-rate mortgages.

At Banking DK, lending was up 1% from year-end 2018 but declined slightly in the fourth quarter. High remortgaging activity in the second, third and fourth quarters meant a further shift towards longer-term but lower-margin mortgage products among both retail and commercial customers. This is positive for credit quality but puts a downward pressure on net interest income in the longer term.

Customer satisfaction among retail customers in Denmark increased through the year. However, in 2019, we saw a net outflow of approximately 23,600 NemKonto customers in Denmark, against an outflow of approximately 11,000 in 2018. In the fourth quarter, we saw a net outflow of approximately 4,600 NemKonto customers, and overall, we are seeing an improving trend in our retail customer base. The total number of NemKonto customers is now 1.37 million.

At Banking Nordic, lending increased 5% from the level at the end of 2018, with a 1% increase in the fourth quarter. Especially in Norway, we continued to see a good inflow of customers from our partnership agreements. Lending growth in Norway was 12% in local currency, whereas lending in Sweden was flat in local currency year-on-year. In Finland, lending was up 4% in 2019, driven mainly by commercial lending.

In 2019, net interest income was down 7% from the level in 2018. A positive impact from lending growth was offset by higher funding costs, and rising interest rates in Norway and Sweden led to increased margin pressure in these markets.

In addition, funding costs remained at a more elevated level than in 2018 as a result of our issuance of non-preferred senior debt. The new funding was issued to meet the new MREL requirement set by the Danish Financial Supervisory Authority.

Net fee income was up 3% from 2018 and 3% from the third to the fourth quarter of 2019, due mainly to significant remortgaging activity in Denmark and higher performance fees at Wealth Management in the fourth quarter. Fee income was adversely affected by the amount set aside in the second quarter for compensation of certain Flexinvest Fri customers.

Trading income increased year-on-year as a result of the DKK 0.8 billion gain from the sale of LR Realkredit A/S in the fourth quarter. Excluding this gain, trading income declined 10% from the level in 2018. Quarter-on-quarter, trading income was up 68%, excluding LR Realkredit A/S. This was due to an increase in interest rates and a steepening of the yield curve that had a positive effect on our FI&C operations. The continuation of the high remortgaging activity in Denmark meant that there was also a strong increase in trading income at Banking DK.

Expenses in 2019 were 10% higher than in 2018, despite the recognition in the third quarter of 2018 of the DKK 1.5 billion donation to the combating of financial crime. Excluding the donation, expenses were up 17% year-on-year. This was due mainly to increased costs for compliance and AML-related activities as well as costs for the Estonia case.

Expenses also increased as a result of the compensation paid to certain Flexinvest Fri customers, impairment charges against other intangible assets, an adjustment of the value of a distribution contract as well as transformation costs.

In addition, expenses increased as a result of a provision for operational risk-related losses of DKK 0.4 billion. The provision relates to a data quality issue that affects a limited part of our operations.

We saw impairment charges of DKK 1.5 billion in 2019, of which DKK 0.7 billion were recognised in the fourth quarter. The charges were due mainly to single-name exposures at Corporates & Institutions and a review of our loan portfolio across business units. The loan review affected the impairment level at Banking Nordic in particular. The portfolio review was carried out in connection with an ongoing review by the Danish FSA in connection with a sector review. The macroeconomic outlook deteriorated slightly during the summer, which is also reflected in our impairment models.

The change in the macroeconomic outlook affected impairments in Denmark in particular. In order to retain strong credit quality, we continue to take a more cautious approach in relation to both retail and commercial customers in Denmark. This focus on maintaining a high-quality loan book meant that credit quality remained strong in 2019. As expected, we are, however, above the impairment levels in 2018, when we saw significant reversals.

2019 also saw a number of non-recurring items that affected profit for the year.

On 2 May, we sold Danica Pension Sweden, realising a net gain of approximately DKK 1.3 billion recognised under Other income.

On 24 June, we announced that we will pay compensation to the approximately 87,000 customers who had invested in our Flexinvest Fri product during a period when the fees were too high and the product was unsuitable for some customers. The compensation amounts to an estimated DKK 400 million before tax.

In December, we decided not to enter into a new 10-year period in the International Joint Taxation Scheme (IJT). This caused a one-off positive effect of around DKK 5.2 billion as a provision made for the recapture of tax losses was released.

Moreover, we saw a DKK 1.1 billion negative impact on tax due to a provision for deferred tax adjustments on assets and liabilities measured at amortised cost.

On 30 December, the sale of our stake in LR Realkredit A/S was finalised. This gave us a net gain of approximately DKK 0.8 billion, recognised under Trading income.

In addition, we recognised a goodwill impairment charge of DKK 1.6 billion, due mainly to the expected introduction of higher regulatory capital requirements, and a software impairment charge of DKK 0.4 billion, in total DKK 2.0 billion.

Estonia
The Estonia case continues to be a major focus point for Danske Bank and all our stakeholders. In the Estonia section on page 12, we describe developments in the case in 2019 as well as our work to improve compliance in the Group.

Exit from the Baltics and Russia
Danske Bank is closing down its remaining banking activities in Estonia in accordance with the resolution announced on 19 February 2019 and the precept issued by the Estonian FSA. Danske Bank Estonia Branch has entered into solvent liquidation. This reflects the fact that Danske Bank has essentially exited its banking activities in Estonia, with mainly technical matters outstanding. The management now lies with a liquidation committee.

On 1 November, Danske Bank's Russian branch entered into solvent liquidation. This is in line with our decision to close our Russian activities as communicated on 19 February 2019.

On 23 November, the sale of Danske Bank's remaining portfolio of personal customers in Estonia to AS LHV Pank was finalised.

On 9 January 2020, we announced the sale of a portfolio of personal customers in Lithuania to Siauliu Bankas. The sale is expected to be finalised in the second quarter.

As previously announced, Danske Bank will also be closing down its banking activities in Latvia and Lithuania, but we will continue to operate our shared services centre in Lithuania, which undertakes a number of administrative functions for the Group.

Capital, funding, liquidity and regulation
Our capital position remained strong, with a total capital ratio of 22.7% and a CET1 capital ratio of 17.3%. This is in line with the Group's target of a CET1 capital ratio above 16% in the short term and a total capital ratio of above 20%.

On the basis of fully phased-in requirements, our CET1 capital ratio stood at 17.1% versus our current fully phased-in regulatory CET1 capital requirement of 14.9%.

At 31 December 2019, our liquidity coverage ratio stood at 140%.

In 2019, we issued DKK 100 billion of funding, split between DKK 60 billion in non-preferred senior debt, DKK 26 billion in covered bonds and DKK 2 billion in senior debt, as well as DKK 12 billion in tier 2. For 2020, we expect a funding need of DKK 70-90 billion.

Changes to the Executive Leadership Team
On 28 November Danske Bank appointed Frans Woelders as new Group COO and member of the Executive Leadership Team with overall responsibility for Group services and Group IT. Frans Woelders will take up the position in April 2020.

Outlook for 2020
We expect net profit for 2020 to be in the range of DKK 8-10 billion, equivalent to a 5-6% return on shareholders' equity, as communicated on 1 November 2019.

We expect net interest income to be lower than the level in 2019, as margin pressure and higher funding costs will more than offset continued volume growth.

Net fee income is expected to be slightly lower than in 2019, due to lower remortgaging activity and subject to customer activity and market developments.

Expenses are expected to be in the range of DKK 28-29 billion, driven by acceleration of investments of up to DKK 2 billion and a continued increase in compliance costs.

Loan impairments are expected to be higher.

The outlook is subject to uncertainty and macroeconomic developments.

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

Estonia case

The Estonia case continues to be a major focus area for Danske Bank and all our stakeholders.

The findings of the investigation into the non-resident portfolio at the Estonian branch, published in September 2018, revealed a series of significant deficiencies in governance and control systems at Danske Bank's Estonian branch as well as deficiencies at Group level.

Danske Bank has embarked on a multi-year enhancement programme designed to materially upgrade its systems and controls relating to money laundering and other forms of financial crime more broadly. We have made material progress across a number of these initiatives in the past year. This includes

- significantly increasing the number of employees engaged in preventing financial crime, including hiring senior staff with expertise in these areas from international markets
- improving our KYC controls so that they are more efficient and more effective
- delivering training to all employees to enable them to better identify and manage potential financial crime risks
- investing in more effective IT systems for automated transactions monitoring
- creating a separate Board of Directors' Conduct & Compliance Committee to improve the Board of Directors' oversight of compliance matters

Below are a few examples of initiatives taken. For detailed information, see the Risk Management 2019 report.

Risk and compliance culture: We strengthened our non-financial risk awareness through various mandatory training programmes and team sessions. Additionally, we implemented an improved whistleblower system to make it easier for employees to report their concerns of non-compliance with applicable laws and regulations as well as breaches of internal standards, irregularities and criminal offences.

Strengthening risk and compliance competences: Additional resources were recruited throughout 2019 in both risk and compliance areas to ensure that sufficient skills and expertise are in place. We launched the new Group Non-Financial Risk (GNFR) organisation to ensure alignment with the oversight responsibility laid out in the enterprise risk management (ERM) framework, as well as a new Group Compliance organisation.

Framework and policy: We redesigned frameworks and policies for simplification purposes and for strengthening compliance with internal and external requirements.

Event management and lessons learned: Enhancements to risk management and culture initiatives led to better identification of legacy issues. Such legacy issues were raised and understood in a more thorough manner.

Authorities' investigations

Danske Bank remains in dialogue with various international authorities regarding the matters arising out of its Estonian branch. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the US. Danske Bank is reporting to, responding to inquiries from and cooperating with these authorities, including the U.S. Department of Justice (DOJ), the U.S. Securities and Exchange Commission (SEC), the Estonian Office of the Prosecutor General and the Danish State Prosecutor for Serious Economic and International Crime (SØIK), relating to Danske Bank's Estonian branch.

The overall timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain.

In November 2018, Danske Bank was preliminarily charged by SØIK with violation of Danish anti-money laundering legislation on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016.

In February 2019, Danske Bank was placed under formal investigation by an investigating judge at the Tribunal de Grande Instance de Paris in the context of an ongoing French criminal investigation and on the grounds of money laundering suspicions relating to certain transactions in the terminated portfolio.

Internal investigations

Danske Bank's internal investigation into the terminated non-resident portfolio is currently expected to conclude by the fourth quarter of 2020. This timing is estimated and is subject to change, including as a result of further requests from authorities. The investigation continues to focus on issues arising out of the non-resident portfolio at the Estonian branch and includes reviewing whether similar issues have been present historically at Danske Bank's other Baltic branches.

A further, and important, aspect of Danske Bank's ongoing investigation into historical activities at the Estonian branch relates to sanctions screening. As set out in our interim report for the first nine months of 2019, Danske Bank has enhanced its methodology since publishing the Report on the Non-Resident Portfolio in September 2018 and is screening historical data on relevant historical customers of the Estonian branch, including the terminated non-resident portfolio, as well as associated persons and transaction information for possible sanctions violations. Danske Bank will inform the market if there are material developments that require disclosure.

Civil proceedings
In addition to the investigations by the authorities, a number of lawsuits have been filed against Danske Bank in the US and in Denmark.

On 9 January 2019, an action was filed in New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against Danske Bank. The complaint seeks unspecified damages on behalf of a putative class of purchasers of Danske Bank's American Depositary Receipts between 9 January 2014 and 23 October 2018.

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action led by a newly formed association with the aim of representing former and current shareholders in a liability action relating to the Estonia case.

On 14 March 2019, 168 separate cases were further initiated simultaneously concerning shareholder claims relating to the Estonia case with claims totalling approximately DKK 3.5 billion.

Between 16 and 18 October 2019, a further 64 investors joined the action with claims totalling approximately DKK 2.5 billion. On 24 January 2020, a further 9 investors joined the action, bringing the total number of claims in the proceedings to 241 with a total claim amount of approximately DKK 6.3 billion.

On 27 December 2019, a separate claim was filed by 63 investors against Danske Bank with a total claim amount of approximately DKK 1.3 billion.

These cases relate to alleged violation at Danske Bank's branch in Estonia of the rules on prevention of money laundering and the alleged failure to timely inform the financial markets of such violation.

Danske Bank is defending itself against these claims. The timing of completion of any lawsuits (pending or threatening) and their outcome are uncertain.


We are creating a better bank for all our stakeholders

Strategy execution

Danske Bank is a strong Nordic universal bank, and for almost 150 years, we have played an important role in the communities we serve and in the lives of our customers. We are a fundamentally strong bank with a good customer base, but we are currently challenged by both structural changes in the industry and a number of matters specific to Danske Bank. This affects our strategy going forward.

On the one hand, challenges in the financial industry comprise for example negative interest rates, increasing regulation and changing customer expectations. On the other hand, current challenges specific to Danske Bank are getting compliance and costs under control as well as reducing complexity. To address both, we need to change and improve our efforts to become a better bank for all our stakeholders.

Embarking on this journey, we believe that our strategic direction – to be a Nordic bank that services both personal and business customers, meeting all their financial needs in our core markets – is fundamentally right and provides a solid foundation for expediting the transformation to deliver results.

Hence, in 2019, we pursued our ambition to be the Nordic Integrator and move closer to and become more relevant to our customers, break down internal silos and become even more integrated into the societies we are part of. We have taken an even more active role in making our customers financially confident and in contributing to societal growth and stability.

Better Bank 2023

Continuing on our path to become more integrated into the lives of our customers and the Nordic societies as well as more integrated internally will remain essential and will continue to guide us in our work going forward. Yet to overcome the current challenges and to address the accelerating pace of change in the industry, we have set ourselves four ambitions we are working to achieve by 2023:

- We are on average among the top two on customer satisfaction in everything we do.
- At least 90% of our employees are engaged.
- We operate sustainably, ethically and transparently – and have a positive impact on the societies we are a part of.
- We aim to achieve a return on shareholders' equity of 9-10% and a cost/income ratio in the low 50s by continuously improving the profitability level, leveraging our full potential.

Satisfied customers

Satisfied customers are vital to our commercial success. This is why we need to make banking easy, provide the best customer experience and cater to evolving customer needs. Achieving this will enable us to provide proactive and relevant guidance that helps customers gain an overview and become confident that they will reach their financial goals. To provide our customers with leading offerings and a leading customer experience as well as to boost growth, we have entered into new partnerships. For example with Tryg to offer insurance to our customers, with Minna Technologies to offer subscription management directly in Danske Mobile Banking, and with HSB to offer home savings accounts to its members in Sweden. Our partnerships span many different areas, from open banking and Fintech start-ups to mature and well-established companies. We believe in co-creating with partners to offer better products and services to our customers.

Engaged employees

Our people are our main assets, and we have a skilled workforce as well as a strong talent pool to ensure that we continue to meet changing customer needs and deliver a winning customer experience.

We are working to reinforce employee motivation and engagement by driving broader cultural change, investing in short- and long-term efforts to further empower our employees, and creating an even more open, diverse, and inclusive culture. During 2019, we have implemented several initiatives to strengthen internal integration, resulting in increases in both employee engagement and employer net promotor scores. These activities include, for example, establishing an "Engagement Team" to solve integration pain points across the organisation and engaging the top 500 leaders in "Being an Integrator" culture camps.

Sustainable, ethical and transparent operations

To create a positive impact on the societies we are part of, we continue to incorporate societal impact as a core element of our business model. At the heart of this is our strong commitment to sustainability, to always having the best interest of our customers at heart and to contributing to society by fighting financial crime. A robust level of compliance is the foundation for sustainable relationships with our customers and business partners as well as for our contribution to a stable financial system. Compliance is therefore a key area of focus in our day-to-day work.

We also want to accelerate our commitment to driving positive societal impact, for example by offering green loans and bonds, helping entrepreneurs grow their impact on society and by supporting businesses and individuals in becoming financially confident and secure. In 2019, we created a strong foundation, for example exemplified by the launch of the Danske Bank Green Bond Framework, which enables us to provide green financing solutions to our customers. We are currently ranked number two in the Nordics and number nine globally in terms of helping customers raise capital through the issuing of green bonds.

Last year, we furthermore became a signatory to the UN Principles for Responsible Banking. This was a natural next step to advance our positive societal impact, and enables us to measure our impact even better and share best practice with other banks. As part of this, we will, for example, continue to integrate sustainability perspectives into our investment and credit offerings and processes to help our customers reach their financial goals in a sustainable way. In addition, we work to operate more sustainably, ensuring that we source responsibly and continuously reduce our own footprint. To guide the realisation of our societal impact agenda, we have defined specific targets and performance indicators, which you can read more about in the Societal impact and sustainability section on page 31.

Improved profitability

Our financial performance in 2019 was challenged by both external headwinds, such as increased funding costs and margin pressure, and by the challenges specific to Danske Bank related to compliance, costs and complexity. We are working to regain commercial momentum and aim to invert the downward trend by stabilising underlying costs and investing heavily in initiatives to drive future performance. Our work in 2019 to become the Nordic Integrator will contribute to our commercial momentum going forward. This is exemplified by the successful integration of SEB Pension Denmark into our Life & Pension business, which enhances our capabilities and scale and enables us to invest more in helping our customers stay one step ahead and give them the overview and confidence they want, today and in the future.

It is our ambition by 2023 to have a return on shareholders' equity of 9-10% and a cost/income ratio in the low 50s. Our dividend policy will remain unchanged along the way, and shareholders can expect a payout ratio of 40-60%. One of the most important aspects in achieving this ambition is the digitalisation of core customer journeys and the scaling up of agile ways of working. We will also strengthen our discipline in terms of pricing and capital allocation, and we will reap the benefits of changes made in 2019, such as the integration of Private Wealth Management into our banking units.

The road ahead

To achieve our targets, we have launched a comprehensive transformation programme across the organisation. This programme will enable us to become a better bank towards 2023 and deliver on the objectives towards customers, employees, society and shareholders. The roadmap consists of two components: Group-wide and business unit-specific initiatives.

Group-wide initiatives drive the acceleration and development of functional capabilities across the organisation and our customer journeys to meet our customers' needs proactively, transparently and reliably.

Compliance is a key priority in this because customers and society expect us to be a stable and predictable institution, worthy of being trusted to safeguard their assets and promote a healthy financial system. We continue to focus on strengthening our conduct and compliance frameworks across AML and investor protection to drive good conduct outcomes for customers, live up to our role in society and reduce the risk of financial loss and reputational damage.

Being an integral part of customers' lives means building trust with customers to ensure they feel recognised and to make banking easy and safe. Accordingly, developing future customer journeys with a simplified, truly digital experience across all our customer touchpoints is one of our main focus areas. The customer experience will be enhanced thanks to our digital platforms, such as Danske Mobile Banking, and at physical meetings with advisers and specialists, for instance by seamlessly providing customers with a holistic overview of their financial situation, filtering out unnecessary complexity. Lead time in welcoming customers or processing credit applications will also be reduced.

A second key component in relation to meeting customers where they are is to offer a simplified range of products with clearly differentiated solutions. Furthermore, we are advancing our internal capabilities and processes to ensure that our solutions are relevant and that we deliver them proactively.

Finally, leveraging more efficient go-to-market approaches, streamlining back-end activities and digitalising processes will also reduce our cost base across business lines and make the foundation of our business leaner and more scalable, thereby reinvigorating growth by, for example, increasing the amount of time spent with customers and opening up further for partnerships to supplement and broaden our offering.

Business unit-specific initiatives focus on the ways in which we service our customers and on the value propositions we are offering. For example, customers can do all their day-to-day banking independently and can purchase simple products digitally on their mobile phone. Building on the strength of our full-range offering as a universal bank, we accelerate our efforts to become even more customer-centric. We want to be the trusted partner for all of our customers, whether they are buying a new home, investing or issuing bonds to raise capital.

Our transformation of customer service models will provide our customers with more flexibility to choose through which channels and with which frequency they want to engage with us, which offerings they want and at which price.

Redesigning our value propositions is a key lever to make sure our customers feel recognised and are satisfied. Consequently, we are developing new products and implementing new services across all segments and in close alignment with our overall ambition to meet customers with a lean, differentiated offering that is accessible through multiple channels and meets their desire to make sustainable choices.

We have set ambitious targets and launched our transformation to become a better bank. By executing diligently on specific initiatives across the Group, we aim to deliver in the short term while at the same time investing in our future success. By 2023, we aspire to be a better bank for all our stakeholders, and between now and then we will continuously provide updates on how our work is progressing.

Financial review

Income statement
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Net interest income	21,877	23,571	93	5,541	5,445	102
Net fee income	15,895	15,402	103	4,214	4,111	103
Net trading income	4,985	4,676	107	2,078	779	267
Other income	2,225	716	-	320	160	200
Total income	44,982	44,365	101	12,153	10,495	116
Operating expenses	27,548	25,011	110	8,342	6,382	131
Goodwill impairment charges	1,603	-	-	1,603	-	-
Profit before loan impairment charges	15,831	19,354	82	2,208	4,113	54
Loan impairment charges	1,516	-650	-	703	343	205
Profit before tax, core	14,315	20,004	72	1,505	3,771	40
Profit before tax, Non-core	-493	-282	-	-244	22	-
Profit before tax	**13,822**	**19,722**	**70**	**1,261**	**3,793**	**33**
Tax*	-1,249	4,548	-	-3,780	782	-
Net profit	**15,072**	**15,174**	**99**	**5,041**	**3,011**	**167**
Attributable to additional tier 1 etc.	786	781	101	199	197	101

Tax included income of net DKK 4.1 billion from reversal of a deferred tax liability for International Joint Taxation and increased provision for deferred tax on assets and liabilities measured at amortised cost.

In 2019, Danske Bank Group delivered a profit before tax from core activities of DKK 14.3 billion, a decrease of DKK 5.7 billion, or 28%, from the level in 2018. The decrease was due primarily to an increase in operating expenses of 10%, or DKK 2.5 billion, relating mainly to higher costs for compliance and AML-related activities. Also contributing to the decrease in profit before tax was an increase of DKK 2.2 billion in loan impairments, which went from a net reversal to a net charge, a decrease in net interest income of DKK 1.7 billion caused mainly by higher funding costs, and goodwill impairment charges of DKK 1.6 billion at Corporates & Institutions and Wealth Management. The gains on the sales of Danica Pension Sweden and LR Realkredit A/S of DKK 2.1 billion partly offset the negative effects.

Tax amounted to a net positive charge of DKK 1.2 billion, resulting in a net profit of DKK 15.1 billion, a decrease of 1% from the level in 2018. The positive tax charge was due primarily to the reversal of a deferred tax liability for recapture of tax losses under the International Joint Taxation scheme that expired in 2019.

Profit before tax in the IFRS income statement amounted to DKK 13.8 billion, a decrease of 28% from the level in 2018.

Income
Total income amounted to DKK 45.0 billion, an increase of 1% from the level in 2018.

Net interest income totalled DKK 21.9 billion, a decrease of 7%. Net interest income was adversely affected by a significant decrease in lending margins due to developments in market rates in Sweden and Norway. An increase in funding costs, primarily as a result of the issuing of non-preferred senior bonds for MREL compliance, also had a negative effect. Improved deposit margins, primarily in Sweden, and positive developments in lending and deposit volumes, mainly in Norway and Sweden, had a partly offsetting effect.

Net fee income amounted to DKK 15.9 billion, an increase of 3% from the level in 2018. The increase was due mainly to income from SEB Pension Danmark activities and higher remortgaging activity at Banking DK, which, however, was partly offset by the compensation payable in relation to the Flexinvest Fri product.

Net trading income totalled DKK 5.0 billion, an increase of 7% from the level in 2018. The increase was due primarily to the sale of LR Realkredit A/S and higher remortgaging activity at Banking DK. At Corporates & Institutions, net trading fell as a result of one-off income in 2018 related to sales of assets taken over and negative value adjustments of the derivatives portfolio (xVA) in 2019. At Wealth Management, net trading income was adversely affected by a regulatory change to the discount curve for life insurance provisions.

Other income amounted to DKK 2.2 billion, against DKK 0.7 billion in 2018. The increase in other income was due mainly to the gain on the sale of Danica Pension Sweden.

Expenses
Operating expenses amounted to DKK 27.5 billion, an increase of 10% from the level in 2018. Adjusted for the expense for the DKK 1.5 billion donation in 2018, operating expenses increased 17%. The increase was primarily the result of higher costs for compliance and AML-related activities, costs for the Estonia case and transformation costs. Impairment of software, the provision for the compensation payable in relation to the Flexinvest Fri product and the ordinary operating expenses of SEB Pension Danmark also had a negative impact. In Finland, higher VAT charges on costs due to new VAT rules as well as an adjustment of the expected value of a distribution contract also contributed to the increase in operating expenses.

In addition, expenses increased as a result of a provision of DKK 0.4 billion made for operational risk-related losses. The provision relates to a data quality issue that affects a limited part of our operations. Further analysis is still ongoing to determine the exact extent of the issue.

Goodwill impairments
Goodwill impairments of DKK 1.6 billion were recognised in 2019. A goodwill impairment charge of DKK 0.8 billion relating to the acquisition of SEB Pension Danmark was recognised as the upcoming Solvency II regulation is expected to increase capital requirements. A goodwill impairment charge of DKK 0.8 billion was recognised at FI&C and Capital Markets due to updated assumptions of lower future structural income at FI&C and expectations of higher allocated capital as a result of the implementation of higher regulatory capital requirements.

Loan impairments
Loan impairments in core activities amounted to DKK 1.5 billion in 2019, against a net reversal of DKK 0.7 billion in 2018. The increase in loan impairments was driven mainly by increased impairments against a few single-name exposures at Corporates & Institutions and Banking Nordic and lower reversals on non-performing loans in Denmark. Of the loan impairments made in 2019, DKK 0.4 billion were recognised following a review of the loan portfolio. This was carried out in connection with an ongoing review by the Danish FSA in connection with a sector review and affected primarily Banking Nordic. In addition, loan impairments were adversely affected by adjustments made to take into account the increased downside risk in the macroeconomic outlook for the Nordic countries. Although the risk of a downside to the outlook increased, credit quality remained solid, supported by stable macroeconomic conditions and stable collateral values in most markets.

Corporates & Institutions saw loan impairments against some single-name exposures, mainly in the shipping, oil & gas and retailing industries. Banking Nordic saw increased impairments, mainly against single-name exposures in the construction industry. At Banking DK, lower reversals in 2019 were caused mostly by lower reversals on legacy non-performing loans than in 2018, an increase in impairments caused by model adjustments for retail customers in the first quarter of 2019 and adjustments due to the increased risk of a downside to the macroeconomic outlook in the third quarter of 2019. An improved outlook for agricultural customers supported reversals at Banking DK. In general, the Banking DK and Banking Nordic portfolios saw solid credit quality, with few new non-performing loans.

Loan impairment charges

	2019		2018	
(DKK millions)	Charges	% of net credit exposure*	Charges	% of net credit exposure*
Banking DK	-342	-0.04	-798	-0.09
Banking Nordic	510	0.08	-161	-0.03
C&I	1,348	0.57	278	0.07
Northern Ireland	5	0.01	26	0.06
Other Activities	-5	-0.07	5	0.31
Total	**1,516**	**0.08**	**-650**	**-0.03**

** Relating to lending activities in core segments.*

Tax

Tax on profit for the period amounted to a net positive charge of DKK 1.2 billion, which includes the positive effect of DKK 5.2 billion associated with Danske Bank exiting the International Joint Taxation scheme in 2019, and a DKK 1.1 billion negative effect due to a provision for deferred tax adjustments on assets and liabilities measured at amortised cost.

Tax on profit for the year was at around the same tax level as for previous years. Adjusted for the specific changes in deferred tax, tax on profit for the year amounted to 22% of profit before tax, against 24% of profit before tax for 2018. The decrease in the effective tax rate was due primarily to the gains on the sale of Danica Pension Sweden and LR Realkredit A/S being non-taxable income. The decrease was partly offset by non-deductible goodwill impairments. In 2018, the effective tax rate was higher as the DKK 1.5 billion donation was non-deductible.

Q4 2019 vs Q3 2019

In the fourth quarter, the Group posted a profit before tax of DKK 1.3 billion, against DKK 3.8 billion in the third quarter. Net profit amounted to DKK 5.0 billion, against DKK 3.0 billion in the third quarter of 2019. The increase was due to a net positive deferred tax adjustment.

Net interest income amounted to DKK 5.5 billion, a 2% increase from the level in the third quarter of 2019. Net interest income benefited primarily from increased deposit margins, higher lending volumes and foreign exchange movements. The positive effects were partly offset by a decrease in lending margins.

Net fee income amounted to DKK 4.2 billion and increased 3% from the level in the third quarter of 2019. 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 2019 had a positive effect on net fee income. However, the positive effect was smaller than usual because of the high level of fees from the Danica Pension Tidspension product in the third quarter of 2019.

Net trading income amounted to DKK 2.1 billion, an increase of DKK 1.3 billion from the third quarter of 2019. This was due primarily to the sale of LR Realkredit A/S and an increase in net trading income from the fixed income business at FI&C.

Operating expenses amounted to DKK 8.3 billion, an increase of 31% from the level in the third quarter. The increase was due primarily to an impairment of software, transformation costs, an adjustment of the expected value of a distribution contract and a provision of DKK 0.4 billion for operational risk-related losses.

Goodwill impairments of DKK 1.6 billion were recognised in the fourth quarter of 2019 as a result of the assumption that new and higher regulatory capital requirements will be introduced.

Loan impairments amounted to DKK 0.7 billion, against DKK 0.3 billion in the third quarter of 2019. Loan impairments were adversely affected by charges of DKK 0,4 billion, primarily at Banking Nordic, recognised following a review that was carried out in connection with an ongoing review by the Danish FSA in connection with a sector review. Banking DK saw reversals driven by a stronger outlook for agricultural customers and positive outcomes on single–name exposures. Banking Nordic and Corporates & Institutions saw charges driven by single-name exposures mainly in the construction & building materials, capital goods, shipping, and oil & gas industries.

Balance sheet

Lending (end of period)
(DKK billions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Banking DK	943.7	938.1	101	943.7	948.9	99
Banking Nordic	635.0	604.7	105	635.0	626.4	101
Corporates & Institutions	209.1	198.3	105	209.1	210.3	99
Wealth Management	0.1	0.3	33	0.1	0.1	100
Northern Ireland	54.3	49.8	109	54.3	52.6	103
Other Activities incl. eliminations	-3.0	-3.8	-	-3.0	-3.2	-
Allowance account, lending	18.0	17.9	101	18.0	17.5	103
Total lending	**1,821.3**	**1,769.4**	**103**	**1,821.3**	**1,817.6**	**100**

Deposits (end of period)
(DKK billions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Banking DK	358.0	330.1	108	358.0	348.2	103
Banking Nordic	270.5	245.9	110	270.5	258.1	105
Corporates & Institutions	270.7	260.8	104	270.7	261.6	103
Wealth Management	0.2	0.1	200	0.2	0.2	100
Northern Ireland	70.9	62.6	113	70.9	66.9	106
Other Activities incl. eliminations	-7.4	-4.9	-	-7.4	-8.7	-
Total deposits	**962.9**	**894.5**	**108**	**962.9**	**926.3**	**104**

Covered bonds
(DKK billions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Bonds issued by Realkredit Danmark	795.7	741.1	107	795.7	813.9	98
Own holdings of bonds*	9.7	57.8	17	9.7	-2.9	-
Total Realkredit Danmark bonds*	**805.4**	**798.9**	**101**	**805.4**	**811.0**	**99**
Other covered bonds issued	176.5	182.6	97	176.5	181.0	98
Own holdings of bonds	61.9	57.5	108	61.9	60.1	103
Total other covered bonds	**238.4**	**240.1**	**99**	**238.4**	**241.1**	**99**
Total deposits and issued mortgage bonds etc.	**2,006.7**	**1,933.5**	**104**	**2,006.7**	**1,978.4**	**101**
Lending as % of deposits and issued mortgage bonds etc.	90.8	91.5		90.8	91.9	101

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

Lending

At the end of 2019, total lending was up 3% from the level at the end of 2018. Lending increased in almost all geographies and across most markets.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 72.8 billion. Lending to retail customers accounted for DKK 28.2 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased 0.4 percentage points to 26.2%. In Sweden, our market share decreased 0.1 percentage points. In Norway, our market share increased 0.6 percentage points. In Finland, our market share of lending was stable at 9.5%.

Lending equalled 90.8% of the total amount of deposits, mortgage bonds and other covered bonds, against 91.5% at the end of 2018.

Market shares of lending

(%)	31 December 2019	31 December 2018
Denmark incl. RD (excl. repo)	26.2	26.6
Finland**	9.5	9.5
Sweden (excl. repo)*	5.6	5.7
Norway**	6.3	5.7

Source: Market shares are based on data from central banks at the time of reporting.
**The method for calculating the market share in Sweden has been updated. Comparative information has been restated.*
*** The market shares for Finland, Sweden and Norway are based on data as at 30 November 2019.*

Deposits

At the end of 2019, total deposits were up 8% from the level at the end of 2018. Our market share in Denmark increased 1.3 percentage points to 29.0. Our market share in Norway increased 0.3 percentage points. Our market share in Sweden increased 0.4 percentage points. Our market share in Finland decreased 0.9 percentage points. The Group maintained its strong funding position.

Market shares of deposits

(%)	31 December 2019	31 December 2018
Denmark (excl. repo)	29.0	27.7
Finland**	10.4	11.3
Sweden (excl. repo)*	4.4	4.0
Norway**	6.7	6.4

Source: Market shares are based on data from central banks at the time of reporting.
** The method for calculating the market share in Sweden has been updated. Comparative information has been restated.*
*** The market shares for Finland, Sweden and Norway are based on data as at 30 November 2019.*

Credit exposure

Credit exposure from lending activities in core segments increased to DKK 2,444 billion, against DKK 2,392 billion at the end of 2018, driven primarily by an increase in loans and loan commitments at Banking Nordic, Norway. Demand deposits with central banks and due from credit institutions and central banks decreased DKK 27 billion from the level at the end of 2018.

Risk Management 2019, section 3, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remained solid in light of stable macroeconomic conditions, although the risk of a downside to the macroeconomic outlook for the Nordic countries increased. Total net non-performing loans (NPL) increased DKK 4.5 billion from the end of 2018, with the increase being driven by a few single-name exposures to the capital goods, shipping, oil & gas, construction and building materials, and retailing industries at Corporates & Institutions. The fact that these single-name exposures had relatively low expected credit losses in view of the gross exposure contributed to reducing the NPL coverage ratio from 85% to 76%.

The risk management notes on pp. 176-209 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments

(DKK millions)	31 December 2019	31 December 2018
Gross NPL	34,713	29,923
NPL allowance account	13,367	13,020
Net NPL	**21,346**	**16,903**
Collateral (after haircut)	**17,479**	**15,296**
NPL coverage ratio (%)	77.6	85.0
NPL coverage ratio of which is in default (%)	73.6	96.2
NPL as a percentage of total gross exposure (%)	1.4	1.2

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

At DKK 20.5 billion, or 1.1% of lending and guarantees, accumulated impairments remained at the level at 31 December 2018.

Allowance account by business units

(DKK millions)	31 December 2019 Accum. impairm. charges*	31 December 2019 % of net credit exposure*	31 December 2018 Accum. impairm. charges*	31 December 2018 % of net credit exposure*
Banking DK	11,662	1.21	12,593	1.32
Banking Nordic	4,333	0.68	4,149	0.67
C&I	3,718	1.61	2,806	1.26
Northern Ireland	730	1.37	792	1.53
Other	8	0.01	12	0.02
Total	**20,451**	**1.08**	**20,353**	**1.10**

** Relating to lending activities in core segments.*

Trading and investment activities
Credit exposure from trading and investment activities amounted to DKK 1,124 billion at the end of 2019, against DKK 1,012 billion at the end of 2018. The increase was due primarily to increased positive market values for derivatives and 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 76.4 billion, against DKK 68.6 billion at the end of 2018.

The value of the bond portfolio was DKK 473 billion. Of the total bond portfolio, 74% was recognised at fair value and 26% at amortised cost.

Bond portfolio

(%)	31 December 2019	31 December 2018
Government bonds and bonds guaranteed by central or local governments	32	39
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	53	47
Swedish covered bonds	10	9
Other covered bonds	2	2
Corporate bonds	2	2
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	26	32

The financial highlights on page 8 provide information about the balance sheet.

Trading portfolio assets and trading portfolio liabilities increased from net assets of DKK 25.6 billion at the end of 2018 to net assets of DKK 43.1 billion at the end of 2019. The increase in net assets was due mainly to an increase in the bond portfolio.

Other balance sheet items
Due from credit institutions and central banks decreased DKK 87.3 billion from the end of 2018. The decrease was due partly to general liquidity management, as some excess liquidity held with the ECB is now placed in a current account instead of in a deposit facility. This caused a decrease in Due from credit institutions and central banks and an increase in Cash in hand and demand deposits with central banks, which is presented as part of Other assets.

Other assets is the sum of several small line items. Other assets increased DKK 20.1 billion, or 8%, from the end of 2018 due to increases in cash in hand and demand deposits, as outlined above, and in assets under pooled schemes and unit-linked investment contracts. These increases were, however, partly offset by the sale in the second quarter of 2019 of Danica Pension Sweden, which was presented as part of Other assets at the end of 2018. Other liabilities decreased DKK 44.7 billion, or 22%, from the end of 2018. The decrease was due mainly to the sale in the second quarter of 2019 of Danica Pension Sweden, which was presented as part of Other liabilities at the end of 2018. However, the decrease was partly offset by an increase in deposits under pooled schemes and unit-linked investment contracts. The DKK 1.5 billion donation is presented as part of Other liabilities.

Assets under insurance contracts, including financial instruments, and Liabilities under insurance contracts increased DKK 86.4 billion and DKK 87.4 billion, respectively, from the end of 2018, primarily as a result of the positive developments in 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 2019, the total capital ratio was 22.7%, and the CET1 capital ratio was 17.3%, against 21.3% and 17.0%, respectively, at the end of 2018. The movement in the capital ratios in 2019 was driven by an accumulated net profit for 2019, which was partly countered by an increase in the total risk exposure amount (REA) and a higher capital deduction related to Danica Pension's solvency requirement. The deduction increased mainly as a result of regulatory changes, lower interest rates and completion of the integration of SEB Pension Danmark into Danica Pension. The total capital ratio was supported by net issues of tier 2 capital amounting to about DKK 8.5 billion.

During 2019, the total REA increased by approximately DKK 19 billion, due mainly to increased credit exposure, the implementation of IFRS 16, leading to changed recognition of rights-of-use assets, and increased volatility in the financial markets as well as specifically large movements in interest rates, driving the REA for market risk upwards.

At the end of December 2019, the Group's leverage ratio was 4.7% under the transitional rules and 4.6% under the fully phased-in rules.

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 2019, the Group's solvency need ratio was 12.7%, an increase of 0.9 percentage points from the level at the end of 2018. As a result of general product governance risk following the Flexinvest Fri investigation and an inspection of our IT governance structure, the solvency need ratio increased by 0.5 percentage points during 2019.

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

A combined buffer requirement applies in addition to the solvency need ratio. At the end of 2019, the Group's combined capital buffer requirement was 6.7%.

Announced increases to the national countercyclical buffer rate in Denmark will increase the Group's combined buffer requirement by 0.5 percentage points in 2020. Consequently, the fully phased-in countercyclical buffer requirement will be 7.2%, bringing the fully phased-in CET1 requirement to 14.9%. This is a 0.9-percentage-point increase from the level at the end of 2018, which is driven by the announced increases in the Danish countercyclical buffer rate from 1.0% to 2.0% in 2020 as well as the increase in the solvency need ratio in 2019.

Capital ratios and requirements

(% of total REA)	2019	Fully phased-in*
Capital ratios		
CET 1 capital ratio	17.3	17.1
Total capital ratio	22.7	22.5
Capital requirements (incl. buffers)**		
CET 1 requirement	14.4	14.9
- portion from countercyclical buffer	1.2	1.7
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Total capital requirement	**19.4**	**19.9**
Excess capital		
CET 1 capital	2.9	2.2
Total capital	3.3	2.6

** 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 2019.*

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

Minimum requirement for own funds and eligible liabilities
The minimum requirement for own funds and eligible liabilities (MREL) came into effect on 1 July 2019. The requirement is set as two times the total capital requirement, but includes the institution-specific countercyclical buffer only once. At the end of 2019, the

requirement was 37.6% of REA adjusted for Realkredit Danmark. The MREL ratio was 40.0%.

Danish mortgage credit institutions are exempt from the MREL. Instead, they are subject to a debt buffer requirement of 2% of their loans. The capital and debt buffer requirements applying to Realkredit Danmark are thus deducted from the eligible liabilities and own funds used for meeting the MREL.

Compared to Danske Bank's peers, the transition to the full MREL for Danske Bank has been relatively short. In combination with a relatively high Danish MREL, Danske Bank issued non-preferred senior debt of DKK 60.2 billion in 2019, bringing the total amount of non-preferred senior debt to DKK 86.1 billion.

Capital targets
As a consequence of the increase in capital requirements and general uncertainty about future regulation, the Board of Directors decided to change the Group's CET1 capital target in 2019.

The CET1 capital ratio target was set at above 16% in the short term to ensure a sufficiently prudent buffer 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 8.5 per share, corresponding to 49% of reported net profit.

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

Credit ratings
S&P Global Ratings (S&P) and Moody's Investors Service (Moody's) took rating actions in the fourth quarter of 2019.

On 23 October 2019, S&P revised the outlook on Danske Bank and Danica Pension to stable from negative, while affirming the 'A/A-1' long- and short-term issuer credit rating. The stable outlook reflects the Group's solid capitalisation, driven by S&P's reassessment of leverage in the Danish market and the sizeable loss-absorbing buffer established by Danske Bank through the issuance of non-preferred senior debt. This in itself would have resulted in an upgrade of the issuer credit rating. However, S&P continues to see risks associated with the ongoing investigations relating to the Estonia case, and this has resulted in a one-notch negative adjustment to the issuer credit rating.

On 10 December 2019, Moody's downgraded the senior debt rating of Danske Bank to 'A3/P-2' from 'A2/P-1' and revised the outlook to stable from negative. At the same time, Moody's downgraded the rating of non-preferred senior debt to 'Baa3' from 'Baa2', while affiming the 'A2'/negative/'P-1' deposit ratings. The negative rating action reflects lower-than-expected earnings as a result of the Estonia case, net interest margins under pressure and a significant fall in trading income.

Fitch Ratings took no rating action in respect of Danske Bank in 2019. Danske Bank continues to have an 'A' issuer rating from Fitch, and the outlook remains negative because of the uncertainty relating to the ultimate effect of the Estonia case on Danske Bank's capitalisation, franchise and funding profile.

Danske Bank's ratings, 31 December 2019

	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	A-
AT1		BB+	BB+

Mortgage bonds and covered bonds (RO and SDRO) issued by Realkredit Danmark are rated 'AAA' (stable outlook) by S&P and Scope Ratings. Fitch gives bonds issued from Realkredit Danmark's capital centre S a rating of 'AAA' (stable outlook) and bonds issued from capital centre T a rating of 'AA+' (stable outlook).

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.

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

Danske Bank has chosen to focus on six providers selected on the basis of their importance to our investors:

ESG rating agency

	Score at 31 December 2019	Score at 31 December 2018
CDP Worldwide, UK	C	C
Imug, Germany	Positive (B)	Positive (B)
ISS ESG, USA	C Prime	C Prime
MSCI ESG Ratings, USA	B	B
Sustainalytics, USA	Medium Risk	Medium Risk
Vigeo Eiris, France	Not public to Danske Bank	Not public to Danske Bank

ESG ratings are updated annually, and interim updates are limited. Unlike the credit rating agencies, ESG rating agencies do not engage in dialogue with issuers between annual updates. The scores did not change in 2019.

Unlike ratings published by credit rating agencies, ESG ratings are unsolicited and in principle based on public information. Disclosure of ESG ratings is discretionary and does not take place on a public basis.

Funding and liquidity
During 2019, the Group issued non-preferred senior bonds of DKK 59.9 billion, senior debt of DKK 2.2 billion, covered bonds of DKK 25.8 billion and tier 2 capital of DKK 11.9 billion, bringing total long-term wholesale funding to DKK 99.8 billion.

The funding plan for 2020 is DKK 70-90 billion and we remain dedicated to our strategy of securing more funding directly in our main lending currencies, including NOK and SEK.

We plan for regular issues in the EUR benchmark format in both covered bonds and non-preferred senior bonds as well as issues in the domestic USD market for non-preferred senior bonds in the Rule 144A format. We do not plan for benchmark issues in the preferred senior format. The benchmark issues are expected to be supplemented with private placements of bonds.

We will, from time to time, 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.

The significant funding activity in 2019 caused funding costs to rise. This was primarily the result of our issuance of non-preferred senior bonds, whereas the issues of such funding and the related costs were lower in 2018 than in 2019. However, funding conditions improved over the course of the year.

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 2019, our liquidity coverage ratio stood at 140%, with an LCR reserve of 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 2019, the total nominal value of outstanding long-term funding, excluding equity-accounted additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 370 billion, against DKK 326 billion at the end of 2018.

Danske Bank excluding Realkredit Danmark

(DKK billions)	31 December 2019	31 December 2018
Covered bonds	176.5	182.6
Preferred senior bonds	75.3	93.9
Non-preferred senior bonds	86.9	26.4
Subordinated debt	31.6	23.1
Total	**370.2**	**326.0**

Investor Relations

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 2019, 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 revised standards for REA calculations (Basel IV). The process for its implementation in the EU has recently started and a legislative proposal from the European Commission is expected in the second quarter of 2020.

In December 2019, the EU covered bonds package was formally adopted. The package outlines requirements for bonds to be recognised as covered bonds under EU law. This includes a requirement for a cover pool liquidity buffer and stipulates eligible cover pool assets. Further, the package introduces a new requirement of a minimum level of cover pool overcollaterisation. The Group expects the new rules to have a limited effect on the Group.

At the beginning of 2019, Danske Bank 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 method behind EURIBOR has been amended to comply with the EU Benchmarks Regulation. Danske Bank expects that EURIBOR will continue in the foreseeable future and sees no immediate need for contractual changes. The future of the Scandinavian interest rate benchmarks is yet to be fully determined, but the general perception is that the Scandinavian benchmarks will continue in the years to come. LIBOR is expected to be discontinued after 2021. However, it is possible that LIBOR rates could continue to be published after 2021. It is a top priority for Danske Bank to conduct the transition in a timely and orderly manner that is transparent and fair to our customers.

Investor Relations at Danske Bank contributes to the Group's pursuit of its strategic goals by ensuring that stakeholders receive correct and adequate information according to best practice in proactive investor communications and consultation.

Investor Relations communicates information from and about the capital markets to Danske Bank's Executive Leadership Team and supports the Executive Leadership Team in keeping the Board of Directors well-informed.

To maintain and build stakeholder relations, Danske Bank holds roadshows after the release of our financial reports as well as roadshows on major transactions and other topics for debt investors.

Together with executive management, Investor Relations has an ongoing dialogue with analysts, shareholders, debt investors and prospective investors that includes presenting and discussing current topics relevant to Danske Bank at seminars and conferences.

Through regular shareholder identification studies, Investor Relations proactively targets institutional investors in order to achieve a stable and diversified investor base and to support high liquidity in and fair pricing of Danske Bank shares. Investor Relations also aims to ensure that there is a broad level of coverage by relevant analysts.

In 2019, investor events were held in the Nordic countries, other European countries, Asia and the US, with more than 800 investors attending.

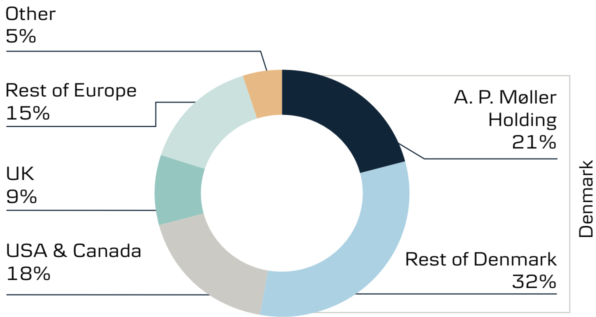
Danske Bank shares
Danske Bank shares are listed on Nasdaq Copenhagen and are included in a number of Danish and international equity indices, such as the OMX Copenhagen 25 CAP Index (OMXC25CAP). At the end of 2019, Danske Bank shares had an index weighting of 5%.

Danske Bank's share price declined from DKK 128.9 at 31 December 2018 to DKK 107.8 at 31 December 2019, a decrease of 16%. In comparison, the OMXC25CAP Index increased 26%, while the Europe 600 Banks Index increased 9%.

Danske Bank shares
(DKK)

	2019	2018
Share capital (millions)	8,622	8,960
Share price (end of year)	107.8	128.9
Total market capitalisation (end of year) (billions)	92.0	110.2
Earnings per share	16.7	16.5
Dividend per share	8.5	8.5
Book value per share	183.1	174.3
Share price/book value per share	0.6	0.7

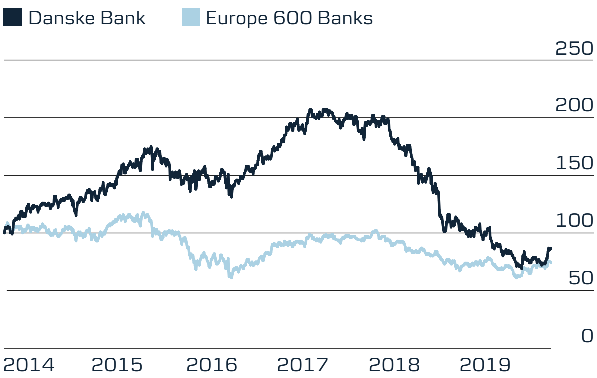
Danske Bank shareholders 2019



At the end of 2019, 26 equity analysts covered Danske Bank.

The average daily trading volume of Danske Bank shares was 2.4 million. The Danske Bank share was the fifth most actively traded share on Nasdaq Copenhagen during 2019.

Danske Bank shares
Index 2014 = 100



Shareholders
At the end of 2019, Danske Bank had about 284,000 shareholders. The 10 largest shareholders together owned about 41% of the share capital.

We estimate that shareholders outside Denmark, mainly in the US and the UK, hold around 47% of the share capital.

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 21.3% of the share capital.

We operate sustainably, ethically and transparently

Societal impact and sustainability

At Danske Bank, we aim to become a better bank for our stakeholders: customers, employees, society and our shareholders. As a large financial institution and an important part of society, we recognise our role and responsibility in providing financial infrastructure for a prosperous, stable and sustainable economy.

To achieve our ambitions and to meet the expectations of our stakeholders, it is fundamental that we align our goals with those of society while ensuring that we run a solid business. We comply with applicable legislation, market standards and international principles for responsible conduct covering human rights (including labour rights) and the environment. Additionally, we use our assets and competencies to drive sustainable progress to ensure that we have a positive impact on the societies we are part of.

Defining the agenda: Principles for Responsible Banking

There are ever-increasing expectations and desire for businesses to integrate sustainability into their core business, and it is key that Danske Bank continues to be both agile and ambitious. The UN Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change remain the most significant global initiatives driving the sustainability agenda, and society's emphasis on these frameworks is growing.

In the financial sector, three initiatives in particular are shaping the agenda: 1) The European Commission action plan on sustainable finance, which will entail major changes for the banking sector; 2) the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which provide a framework for companies to measure and disclose climate change risks and opportunities; and 3) the UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking, which help banks align their business strategy with society's goals and provide a framework for responsible banking.

In 2018, Danske Bank signed up to the TCFD initiative, and in September 2019 we endorsed the Principles for Responsible Banking. Besides being a natural next step towards becoming a better bank, this is a continuation of our commitment to integrate sustainability into our business as manifested in our Nordic Integrator Strategy and our Societal Impact & Sustainability Strategy, both of which were launched in 2018.

Strategic achievements in 2019

Ensuring a responsible and sustainable business and workplace that live up to societal expectations and our international commitments is the foundation of our Societal Impact & Sustainability Strategy. Building upon this foundation, we have three strategic themes where we address specific SDGs by applying our skills and expertise to drive a positive impact.

TCFD reporting – climate-related risks and opportunities

In our Sustainability Report 2019, we report on the TCFD in relation to governance, strategy, risk management, and metrics and targets. In 2019, we started working on our first climate-related scenario analyses, and we are participating in working groups organised by UNEP FI to test and further develop methodologies. Additionally, we have worked with assessments of climate-related risks as part of our credit analysis for large corporate customers, and we have also begun developing methodologies to identify climate-related risks and opportunities as part of our investment decision-making processes.

We are in the early stages of a multi-year journey and will use our initial insights to further strengthen our processes for managing climate-related financial risks and opportunities. Our commitment to integrating climate considerations across our business is integral to our fulfilment of the Principles for Responsible Banking.

Societal impact

In 2019, we worked to advance our three strategic themes and societal impact goals.

Societal Impact & Sustainability Strategy

Strategic themes	Climate & environment	Innovation & entrepreneurship	Financial confidence & security
Goals for 2025	Helping society transition towards a net-zero carbon economy through green financing.	Helping 1,000 entrepreneurs grow their positive impact in society.	Helping five million people and businesses to become financially confident and secure in today's digital age.
2019 performance	DKK 7 billion Green loans granted to customers DKK 4.5 billion Green bonds issued DKK 104 billion Green bonds arranged for customers	214 Data accumulated from baseline 2018	3,952,248 Data accumulated from baseline 2018

In particular, we see significant impact potential by offering green financing solutions and by encouraging our customers and portfolio companies to take climate action. In 2019, we launched Danske Bank's Green Bond Framework, which serves as a cornerstone for the advancement of our green bond issuance and development of green loan offerings. Based on the framework, we in 2019 issued our first green bond and launched green mortgage loans in Denmark, Norway, Finland and Sweden.

Significant societal impact can be generated by helping entrepreneurs to drive employment and economic growth. In 2019, we continued to develop our free, cross-Nordic, digital matchmaking platform tailored to social entrepreneurs who address one or more of the SDGs. Furthermore, we are working to generate positive societal impact within the areas of financial confidence and IT security. Also in 2019, we continued to develop new tools and educational programmes to help families and businesses navigate in today's digital age.

Sustainable business

During 2019, we worked to strengthen our foundation by integrating sustainability into our core business. Besides building long-term responsible customer relationships by maintaining a continued strong focus on compliance and on the prevention of financial crime, this also includes integrating environmental, social and governance (ESG) factors into our investment, lending and procurement decisions.

Clear policies, a high level of risk-awareness and mandatory training for all employees are key to building and maintaining a strong culture of compliance. In 2019, 96% of our employees completed the eLearning modules on risk and compliance. We strive to foster a healthy feedback culture in which employees can feel free to voice any concerns they may have and are able to report their concerns anonymously through our whistleblower system. In 2019, the number of whistleblower reports increased by more than 20% from 2018.

In recent years, Danske Bank has made substantial investments to improve systems and competencies to fight money laundering and other types of financial crime. In 2019, we saw an increase in the number of reports submitted to the authorities regarding suspicious matters, and main areas of focus during the year included strengthening our compliance leadership team and providing comprehensive employee training.

Sustainable finance is another area where we in recent years have accelerated our efforts. In 2019, a key focus was on improving the ESG data foundation to support better-informed decisions and training to assist our relationship and portfolio managers in assessing and integrating ESG perspectives into their decision-making.

Implementing ESG across our investment processes is an ongoing task, and we do not believe in a one-size-fits-all approach. Our portfolio managers are tailoring their ESG integration to fit the unique features and characteristics of each investment strategy and asset class. In 2019, more than 600 investment advisers and client managers were trained in ESG, and it is our ambition that 100% of our investment teams will have integrated ESG into their investment processes by the end of 2020. With respect to credit, we seek to integrate ESG considerations into the assessment of financial key figures. In 2019, a total of 712 relationship managers and credit officers across the Group were trained in ESG. When working with ESG at a customer level, our focus is to help our customers understand their ESG risks and to reduce or mitigate those risks.

Responsible sourcing and collaboration with our suppliers form part of our value-chain approach to embedding ESG considerations throughout our business. In 2019, a total of 93% of tenders were in scope through the responsible sourcing process.

Sustainable workplace
A central element of our corporate responsibility is to ensure a sustainable workplace for our employees and a responsible management of our environmental footprint.

How well we manage to foster a sustainable workplace and a collaborative inclusive culture where people feel engaged and free to speak up is reflected in our employee engagement score. In 2019, we saw a slight increase in this score from 84 in 2018 to 86 in 2019.

We recognise the importance of gender balance, and we are pleased to have a 50% share of women in our workforce. However, the balance differs across the organisation, which is why we focus on raising awareness to reduce gender bias in recruitment as well as on increasing the share of women in leadership positions. In 2019, we introduced principles for recruitment to senior leadership roles to help achieve our gender diversity targets.

Through our environmental management, we are also working systematically to limit the negative environmental impact of our business operations. For example, we have been carbon neutral since 2009, achieved by purchasing certified renewable electricity and offsetting our residual via verified carbon credits. In 2019, energy consumption in our premises accounted for 32% of the Group's total carbon emissions, and we achieved a reduction in our energy consumption per FTE and in our CO_2 emissions per FTE compared to 2018.

ESG ratings
ESG (Environmental, Social and Governance) ratings cover a range of analytical activities that address a business's societal impact.

Danske Bank has chosen to focus on six providers selected on the basis of their importance to our investors. This is described further in the Capital and liquidity management section on page 27.

The way forward – new metrics and targets
With our new Executive Leadership Team in place, we are accelerating our determination to progress on societal impact and sustainability even further.

In view of our commitment to the Principles for Responsible Banking and to Danske Bank's promises and 2023 ambitions to become a better bank, we will in 2020 calibrate our Societal Impact and Sustainability Strategy with seven focus areas: Sustainable investing, Sustainable financing, Governance, Diversity & Inclusion, Environmental footprint, Entrepreneurship, and Financial literacy.

As an initial part of this strategic review, we introduce new supporting KPIs and targets related to these seven focus areas, with the aim of setting climate related targets aligned with the Paris Agreement on Climate Change. These KPIs will help us measure progress and raising the bar for ourselves to embrace sustainability in everything we do. Going forward, we will also adjust our existing metrics and our strategic 2025 goals.

Focus area	KPI	Status 2019	2023 target
Sustainable investing	Billions invested in the green transition through Danica Pension (DKK billion)	10	30
Sustainable financing	Volume of sustainable financing (green loans and arranged bonds) (DKK billion)	46.1	Well above DKK 100 billion
Governance	Employees trained in risk and compliance and passed all tests (%)	96	Over 95
Diversity & inclusion	Share of women in senior leadership positions (%)	23	35%
Environmental footprint	Own CO_2 emissions (tonnes)	15,230	13,705 (-75% vs. 2010* 10% vs. 2019)
Entrepreneurship	Number of start-ups & scale-ups supported with growth & impact tools, services and expertise	3,851	10,000
Financial literacy	Number of people supported with financial literacy tools and expertise	719,763	2 million

**Baseline is 54,823 tonnes of CO_2 emissions in 2010.*

More information
Our independently assured Sustainability Report 2019 serves as our Communication on Progress to the UN Global Compact 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., available at danskebank.com/societal-impact.

Organisation and management

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

In 2019, the annual general meeting was held on 18 March.

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 twelve members, eight 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.

At the annual general meeting held on 18 March 2019, Ingrid Bonde, Hilde Tonne and Rolv Erik Ryssdal did not seek re-election. The general meeting elected Bente Avnung Landsnes, Christian Sagild and Gerrit Zalm as new members of the Board of Directors.

Pages 244-249 provide information on the individual members of the Board of Directors, including their directorships. Note 37 on page 170 provides information on the number of Danske Bank shares held by the members of the Board of Directors, and note 36 on page 164 provides information on the remuneration of the members of the Board of Directors.

Work of the Board of Directors in 2019
In 2019, the Board of Directors held 26 meetings, of which 9 were extraordinary meetings. As to committee meetings (ordinary and extraordinary), the Audit Committee held 7 meetings, the Risk Committee held 8 meetings, the Nomination Committee held 6 meetings and the Remuneration Committee held 6 meetings.

In 2019, the Board of Directors established a new permanent committee to deal with matters related to conduct, compliance and culture named the Conduct & Compliance Committee. In 2019, the Conduct & Compliance Committee held 9 meetings (ordinary and extraordinary).

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

	BoD	Committees				
		Audit	CCC	Nomination	Remuneration	Risk
Karsten Dybvad	25/26	3[a]	9/9	6/6	6/6	6/8
Jan Thorsgaard Nielsen	26/26	7/7	9/9	2[a]		2[a]
Lars-Erik Brenøe	26/26			6/6	4/4	
Kirsten Ebbe Brich	26/26		9/9			
Charlotte Hoffmann	26/26				6/6	
Carol Sergeant	26/26	2[a]	9/9	2/2 + 1[a]		8/8
Rolv Erik Ryssdal	7/7				2/2	
Hilde Tonne	7/7				2/2	
Ingrid Bonde	6/7	2/2				2/2
Jens Due Olsen	24/26	7/7	1[a]			2/2
Bente Bang	26/26					
Thorbjørn Lundholm Dahl	26/26					
Bente Avnung Landsnes	20/20	5/5			4/4	
Gerrit Zalm	17/20			4/4		6/6
Christian Sagild	20/20	5/5				5/6

[a] *Participated in meetings as non-committee members.*

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 2019 evaluation were generally positive, however, some areas for improvement became apparent from the results, and the Board of Directors will work on these in 2020.

Executive Leadership Team
As of 5 September 2019, the name of the Executive Board was changed to the Executive Leadership Team.

The Executive Leadership Team consists of Chris Vogelzang, Chief Executive Officer and interim Chief Operating Officer; Jacob Aarup-Andersen, Interim Chief Financial Officer and Head of Banking DK (from 1 February 2020), Berit Behring, Head of Wealth Management; Carsten Rasch Egeriis, Chief Risk Officer; Jakob Groot, Head of Corporates & Institutions; Glenn Söderholm, Head of Banking Nordic (and interim Head of Banking DK from 29 June 2019 to 31 January 2020); and Philippe Vollot, Chief Compliance Officer.

Stephan Engels has been appointed Chief Financial Officer and new member of the Executive Leadership Team. Stephan Engels will take up his position in April 2020.

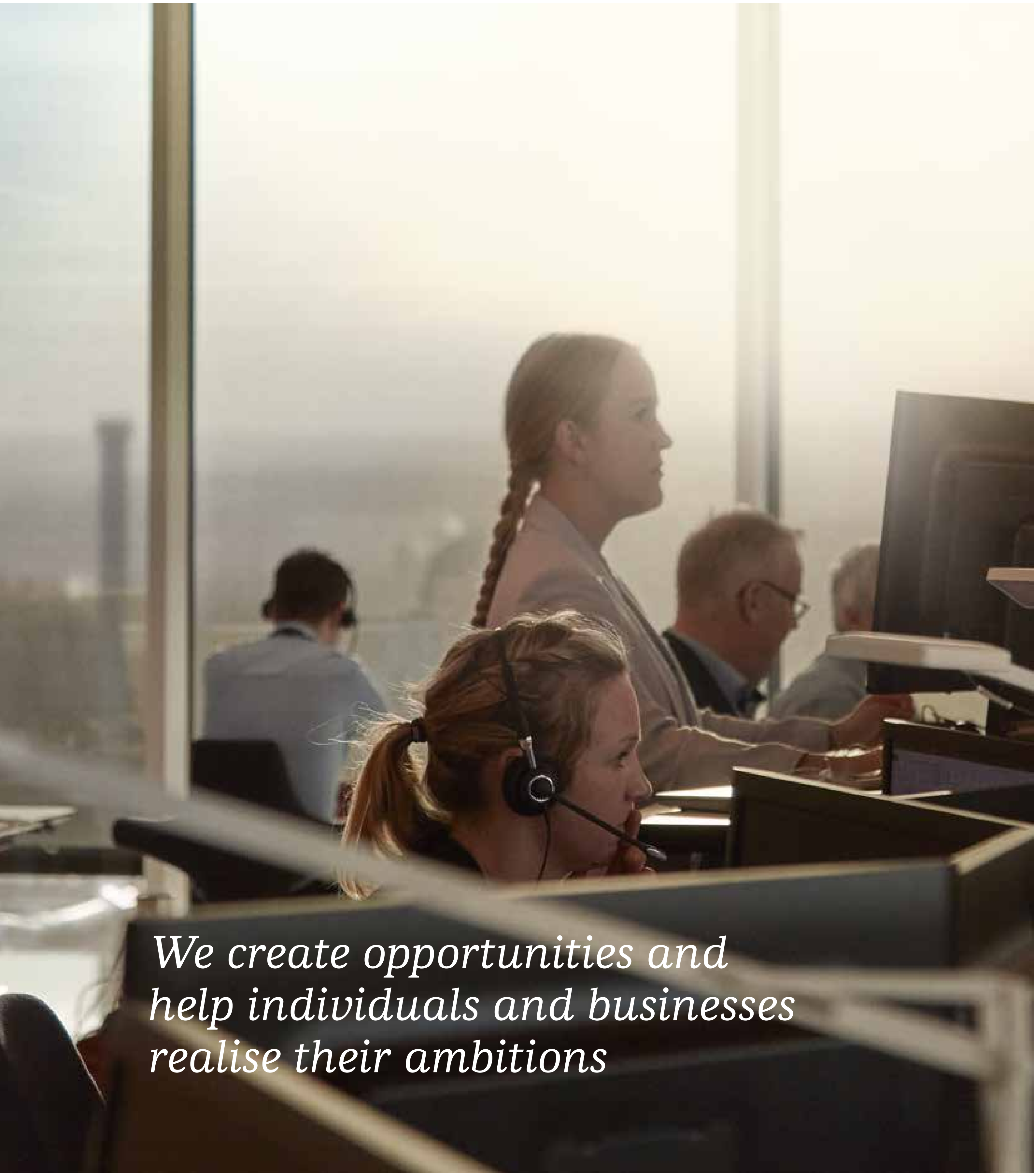
Frans Woelders has been appointed Chief Operating Officer and new member of the Executive Leadership Team. Frans Woelders will also take up his position in April 2020.

On 8 February 2019, Henriette Fenger Ellekrog, member of the then Executive Board and Head of Group HR, resigned. On 29 June 2019, Jesper Nielsen, member of the then Executive Board and Head of Banking DK, left his executive position with Danske Bank. With effect from 5 September 2019, Christian Baltzer, member of the then Executive Board and Chief Financial Officer; Jim Ditmore, member of the then Executive Board and Head of Group Services & Group IT; and Frederik Gjessing Vinten, member of the then Executive Board and Head of Group Development, left their executive positions with Danske Bank.

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 to 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. 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 applies to the institutions that were members of the Danish Bankers Association. The Corporate Governance Code is available on finansdanmark.dk. The member institutions must comply with the recommendations or explain why they do not comply. 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 2019.


We create opportunities and help individuals and businesses realise their ambitions

Banking DK

In 2019, Banking DK posted a profit before tax of DKK 6.5 billion, a decrease of 20% from 2018. The year was characterised by strong competition and increases in regulatory costs and compliance investments, which adversely affected the result. As expected, we also saw lower impairment reversals in 2019. However, these effects were partly offset by significant remortgaging activity fuelled by historically low interest rates, increasing volume growth and higher business activity.

Banking DK
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Net interest income	9,111	9,622	95	2,231	2,251	99
Net fee income	4,397	4,363	101	1,209	1,235	98
Net trading income	1,176	948	124	318	288	110
Other income	227	237	96	53	59	90
Total income	14,912	15,170	98	3,812	3,834	99
Operating expenses	8,736	7,831	112	2,523	2,070	122
Profit before loan impairment charges	6,176	7,339	84	1,289	1,764	73
Loan impairment charges	-342	-798	-	-261	-109	-
Profit before tax	**6,518**	**8,137**	**80**	**1,549**	**1,873**	**83**
Loans, excluding reverse transactions before impairments	943,723	938,118	101	943,723	948,948	99
Allowance account, loans	10,235	11,168	92	10,235	10,650	96
Deposits, excluding repo deposits	357,967	330,124	108	357,967	348,191	103
Covered bonds issued*	804,130	794,219	101	804,130	808,378	99
Allowance account, guarantees	1,425	1,424	100	1,425	1,465	97
Allocated capital (average)	36,430	36,822	99	36,287	36,460	100
Net interest income as % p.a. of loans and deposits	0.72	0.77		0.70	0.71	
Profit before tax as % p.a. of allocated capital (avg.)	17.9	22.1		17.1	20.5	
Cost/income ratio (%)	58.6	51.6		66.2	54.0	
Full-time-equivalent staff	4,588	4,225	109	4,588	4,501	102

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Previously, only bonds issued by Realkredit Danmark were allocated to the business units. Comparative information has been restated.*
Fact Book Q4 2019 provides financial highlights at customer type level for Banking DK. Fact Book Q4 2019 is available at danskebank.com/ir.

2019 vs 2018

The year was characterised by strong competition and lower risk appetite on our part following the slowdown in the housing market, but also by high remortgaging activity caused by historically low interest rates, increasing volume growth and higher business activity.

Lending growth primarily reflected demand from our large real estate customers for subsidised housing and commercial property financing. Our home loan portfolio also grew over the year. The demand for FlexLife® and Danske Bolig Fri® loans continued to confirm our strong home finance value proposition to all homeowners. Remortgaging activity was evident across all segments but especially prevalent in our commercial and large real estate segments. Deposits grew significantly during the year.

We maintained our strong presence in the commercial market, while our share of the retail market declined. The decline reflects a net decrease in the number of customers with a NemKonto account of 23,600 over the year. The outflow diminished in the course of the year, and we continue the close dialogue with our customers to offer them the best experience every time they are in contact with us.

Net interest income decreased 5% from the level in 2018. The low interest rate environment in Denmark put pressure on deposit margins and encouraged customers to switch to loan and mortgage products with lower margins. Furthermore, net interest income was adversely affected by strong competition and increasing funding costs to meet the new MREL requirement set by the Danish FSA.

Income benefited from the extraordinarily high remortgaging activity, which added some DKK 700 million to total income relative to the figure for 2018. Around half of this amount was fee income.

Fee income was on par with the level in 2018 due to the compensation of approximately DKK 150 million payable to certain Flexinvest Fri customers as well as reduced customer appetite for actively managed investment products in general.

Operating expenses rose 12% owing to increasing costs for regulatory requirements and compliance, primarily for investments in anti-money laundering activities, such as monitoring and controls, staff training and IT.

Loan impairment charges amounted to a net reversal of DKK 342 million in 2019. Reversals related primarily to our agricultural portfolios.

Credit quality

Credit quality generally remained stable. The market was supported by the low interest rate level and benign macroeconomic conditions, but there were also some early indications of a slowdown.

Credit quality at Realkredit Danmark remained strong and stable during 2019 supported by the favourable state of the Danish economy.

The average loan-to-value (LTV) ratio decreased 0.6 percentage points during the period.

Loan-to-value ratio, home loans

	31 December 2019		31 December 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail	60.6	508	61.2	510
Total	**60.6**	**508**	**61.2**	**510**

Credit exposure

Credit exposure increased to DKK 1,054 billion, driven mainly by our commercial portfolio.

	Net credit exposure		Impairments (%)
(DKK millions)	31 December 2019	31 December 2018	31 December 2019
Retail	567,125	564,573	0.01%
Commercial	486,987	457,779	-0.10%
Total	**1,054,111**	**1,022,352**	**-0.04%**

Q4 2019 vs Q3 2019

Profit before tax decreased 17% to DKK 1.5 billion, owing to increasing regulatory and compliance costs.

Lending volume fell 1% in the period due to negative market value adjustments. Excluding market value adjustments, lending was stable. Deposits increased 3%.

Operating expenses increased 22%. This reflects a continued focus on regulatory requirements and compliance.

The fourth quarter of 2019 saw a net impairment reversal of DKK 261 million, against a net reversal of DKK 109 million in the third quarter of 2019. We see continued impairment reversals, driven primarily by our agricultural portfolio, but also in the metals and mining portfolios. In the agricultural portfolio, the reversal trend is broadly based, while the metals and mining reversals relate to single-name exposures.

Business initiatives
At Banking DK, 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. We recognise the special societal responsibility we have as the largest bank in Denmark, and we work diligently on supporting sustainable development and contributing to the society that we are part of.

Developing our real estate platform
Property financing and advice are key to our customers' lives and businesses, and they constitute a fundamental part of our value proposition. In 2019, we continued to develop our offering:

Realkredit Danmark launched green mortgage bonds (RD Cibor6® Green) as the first issuer on the Danish market. The bonds, which form part of our Green Bond Framework, are available to customers to finance climate-friendly commercial property and they offer climate-conscious investors a new way to expand their green portfolios.

For homeowners, we introduced an integrated digital home universe. The new universe features, for example, a tool for customers to search for potential homes and match them with their financial situation and budget. The tool forms an integral part of our advisory process and is a seamless way for customers to have adviser support throughout the search and buying process.

For customers looking for a competitive alternative to mortgage loans, we offer our bank home loan Danske Bolig Fri®. In 2019, we added a fixed-repayments option to make the popular loan even more flexible for customers.

Boosting our business with strong partnerships
Our new partnership with Nordic insurer Tryg Forsikring began strongly, attracting keen interest from both retail and commercial customers. Feedback from customers shows that they are very satisfied with the advice provided and with the ease with which they can book a meeting with an adviser. We continue to promote our Tryg offering to retail and commercial customers through targeted initiatives.

We also announced a new partnership with the PropTech Danmark network. The aim of the partnership is to support the development of energy-saving technologies for homes and commercial property to the benefit of customers and the environment by bringing together innovators, the real estate business and the financing industry. We contribute our knowledge of and expertise on real property financing to accelerate the technological development.

Being a strategic partner for our customers
Among our commercial customers, we see increasing demand for a partner that understands not only their business but also their strategic context, and with whom they can have an open and future-focused dialogue. To accommodate this demand, more than 300 advisers and specialists completed an intensive training programme in 2019 that enables them to take on this role.

Digitising our business
We completed the migration of retail customers to our new Danske Mobile Banking app. Satisfaction with the app continues to grow, and most of our customers now do their day-to-day banking on their mobile phone. Most recently, we added a subscription manager feature that gives customers an overview of their subscriptions and provides the option of cancelling subscriptions they no longer want.

The migration of existing commercial customers to District continued, and we replaced Business Online with District in our offering to new customers. District gives customers a full, real-time overview of their financial position, providing more transparency, thereby enabling even better financial decision-making.

For small businesses, it is now possible to apply for credit facilities online. In addition to reducing processing time and the time-to-money from weeks to hours, the solution also ensures a smooth customer experience.

We added Apple Pay to the range of payment solutions we offer our retail and commercial customers. With the inclusion of Apple Pay, we now cover all major smartphone brands, and the addition was well received by customers.

Private Wealth Management DK part of Banking DK
With effect from September, the Danish activities of our Private Wealth Management operation became part of Banking DK. The aim of the new setup is to develop a more holistic approach towards our retail and private banking customers across the Group to the benefit of our customers.

Focus in 2019 was on further increasing the level of proactivity towards our private banking customers and on developing our products, solutions and processes on the basis of customer input and feedback.

Flexinvest Fri
In October, we started the payout to customers with Flexinvest Fri agreements to compensate them for the incorrect fee charged and advice provided in the period 2017–2018. At the end of October, we started the series of meetings with all affected customers at which we offer to review their agreement.

Societal impact
As part of the Group's ambition to operate sustainably and have a positive impact on the societies that we operate in, Banking DK has taken several new initiatives.

Although digitalisation is transforming our customers' lives, many retail customers still prefer to meet with their adviser face to face. To accommodate customer demand, we opened meeting centres in 14 new locations across Denmark, where we can offer customers face-to-face advisory services.

Our advisers continued to regularly visit schools as guest lecturers to teach teenagers about money, personal finances and safe online behaviour. In 2019, we added Pocket Money Day to our range of activities that support children's financial education and confidence.

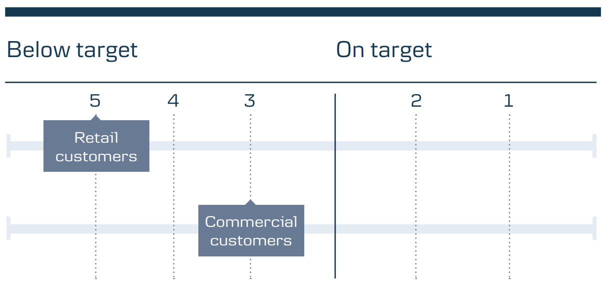
The Hub, our online platform that helps start-ups recruit specialists and raise capital, has become one of the most successful Nordic start-up platforms. To make it easier for start-ups to find talent, we merged our services for all regions on one website in the 2.0 version of The Hub. The new version provides start-ups with a visual recruitment process overview, an interactive search function and stronger employer branding. For job seekers, the shared platform means that they can now find their dream job, irrespective of where they are located.

We also participated as a Danish partner of the EY Entrepreneur Of The Year programme – a unique global programme that recognises entrepreneurial achievement among individuals and companies. As partner, we participated in the interviews of the around 450 nominated businesses in Denmark. The Entrepreneur Of The Year programme is also an opportunity for us to strengthen our national and local networks with participating customers and forge new relations with potential customers.

Customer satisfaction
Satisfaction among our commercial customers continued to grow throughout the year, and since the first quarter, we have also seen an upward trend in satisfaction among our retail customers. Furthermore, we saw progress among our private banking customers. The positive trend was driven by a close dialogue with our customers combined with customers' increasing focus on advice and services and declining interest in the Estonia case. We also experienced positive feedback on the meetings held with Flexinvest Fri customers.

We want to be among the top two on customer satisfaction in everything we do. At the end of 2019, we were ranked number three among commercial customers, number three among private banking customers and number five among retail customers. As this is below our target, we remain fully committed to continuing our work. The trend we saw in 2019 further encourages us to continue the close dialogue with our customers and drives us to offer them the best experience every time they are in touch with us.

Banking DK



Banking Nordic

Banking Nordic ended 2019 with a profit before tax of DKK 3.8 billion, equivalent to a decrease of 35% from the level in 2018. The decrease was caused mainly by a decline in net interest income due to higher interest rates in Norway and Sweden putting pressure on margins as well as an increase in operating expenses caused by investments in compliance and higher costs for regulatory requirements. Increased impairments in Finland and Sweden and adverse currency effects also contributed to the decline.

Banking Nordic
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Net interest income	7,839	8,183	96	1,992	1,959	102
Net fee income	1,857	1,875	99	479	470	102
Net trading income	280	323	87	72	61	118
Other income	592	649	91	136	133	102
Total income	10,567	11,029	96	2,678	2,623	102
Operating expenses	6,269	5,324	118	1,757	1,480	119
Profit before loan impairment charges	4,298	5,706	75	921	1,143	81
Loan impairment charges	510	-161	-	511	86	-
Profit before tax	**3,788**	**5,867**	**65**	**410**	**1,058**	**39**
Loans, excluding reverse transactions before impairments	634,974	604,679	105	634,974	626,406	101
Allowance account, loans	3,880	3,761	103	3,880	3,544	109
Deposits, excluding repo deposits	270,522	245,867	110	270,522	258,072	105
Covered bonds issued*	223,604	225,914	88	223,604	227,201	88
Allowance account, guarantees	451	389	116	451	379	119
Allocated capital (average)	34,371	33,497	103	34,283	34,550	99
Net interest income as % p.a. of loans and deposits	0.89	0.97		0.90	0.88	
Profit before tax as % p.a. of allocated capital (avg.)	11.0	17.5		4.8	12.2	
Cost/income ratio (%)	59.3	48.3		65.6	56.4	
Full-time-equivalent staff	2,599	2,613	99	2,599	2,696	96

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Previously, only bonds issued by Realkredit Danmark were allocated to the business units. Comparative information has been restated.*
Fact Book Q4 2019 provides financial highlights at customer level for Banking Nordic. Fact Book Q4 2019 is available at danskebank.com/ir.

2019 vs 2018

Banking Nordic saw a decline in income in 2019 of 4% from the level in 2018. However, the good customer inflow continued in 2019, especially in the retail business in Norway, where we saw a substantial inflow of customers from the level in 2018. Across our market areas, partnerships accounted for a significant part of the customer inflow and acted as a core lever for our growth strategies. A strengthening of our offerings to medium-sized and large commercial customers also had a positive impact on the commercial business.

Overall, the financial results were adversely affected by currency effects, as the Norwegian krone and the Swedish krona both depreciated vis-à-vis the Danish krone during 2019. In addition, rising interest rates in Norway and Sweden led to increased margin pressure. Furthermore, the result was adversely affected by increased funding costs as a result of acquiring funding to meet the MREL requirement set by the Danish FSA. In combination with higher operating expenses as well as higher impairments in Finland and Sweden, profit before tax decreased 35% year-on-year.

Banking Nordic saw growth in lending in most market areas from the levels at the end of 2018. However, whereas Finland and Norway saw steady growth over the year, Sweden saw a decline in the last half of 2019. The decline was due largely to a revision of the risk and pricing strategy in the second and third quarters of 2019. Hence, our Swedish business saw only a modest increase in retail volumes from the level at the end of 2018, whereas volumes from medium-sized and large commercial customers within real estate declined. In Norway, growth was driven by retail customers and large commercial customers, and in Finland by medium-sized and large commercial customers.

Net interest income was adversely affected by increased margin pressure. This pressure came mainly from an environment of rising interest rates in Norway and Sweden as well as more intense competition. Furthermore, net interest income was adversely affected by increased funding costs as a result of acquiring funding to meet the MREL requirement.

Net fee income decreased 1% year-on-year. However, in local currency we saw an increase. Fee income grew in Norway and Sweden, primarily as a result of financing and investment fees mainly from Private Banking.

Other income decreased from the level in 2018, due partly to the gain from the sale of the Norwegian real estate agency chain Krogsveen benefiting the first quarter of 2018.

The Asset Finance business area experienced good progress and business momentum in 2019 due to strong demand for leasing services and also had one-off income from sales of investment properties. However, sales were not at the same level as in 2018, which contributed to the year-on-year decrease in other income.

Banking Nordic saw an increase in operating expenses of 18% from the level in 2018. In 2018, operating expenses were at a somewhat low level due to Banking Nordic being a new organisation. Operating expenses were also elevated because of significant investments in compliance and anti-money laundering activities. Furthermore, operating expenses increased due to higher activity in Norway and higher VAT charges on costs in Finland as well as an adjustment of the expected value of a distribution contract in Finland.

Loan impairments amounted to a charge of DKK 510 million, driven in large part by a review of the loan portfolio. The charges related mainly to single-name exposures in the commercial portfolio, specifically within the construction and building materials as well as social services industries.

Credit quality

Credit quality was generally stable across the Nordic markets, reflecting the current macroeconomic stability.

The overall loan-to-value (LTV) ratio increased 0.1 percentage points during the year.

Loan-to-value ratio, home loans

	31 December 2019		31 December 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail Sweden	63.6	87	64.7	86
Retail Norway	62.7	125	61.9	104
Retail Finland	61.8	86	61.2	86
Total	**62.7**	**297**	**62.6**	**276**

Credit exposure

Credit exposure increased to DKK 764 billion in 2019. Growth came mainly from the retail portfolio in Norway, driven by our strategic partnership agreement with the trade union Tekna.

	Net credit exposure		Impairments (%)
(DKK millions)	31 December 2019	31 December 2018	31 December 2019
Sweden	289,206	284,369	-0.10%
Norway	249,001	215,039	0.12%
Finland	172,857	166,170	0.35%
Other	53,159	57,584	0.03%
Total	**764,224**	**723,162**	**0.08%**

Q4 2019 vs Q3 2019

Profit before tax decreased 61% due to higher costs and impairment charges.

Total income increased 2% quarter-on-quarter.

Net interest income increased 2% due to slightly lower margin pressure, especially in Norway where we started to see the effect of repricing on the back of the most recent interest rate hike in September.

Net fee income increased 2% because of increased investment activities across Banking Nordic.

Operating expenses increased 19% due mainly to year-end booking of costs related to investments in compliance and anti-money laundering activities as well as an adjustment of the expected value of a distribution contract in Finland.

Loan impairments amounted to a charge of DKK 511 million in the fourth quarter of 2019, against a charge of DKK 86 million in the third quarter of 2019. This development was driven mainly by charges against single-name exposures in the social services and construction and building materials industries in the Finnish portfolio.

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 the Nordic countries, we are working towards the best offerings for our customers, and we work diligently on supporting sustainable development and on contributing to the societies that we are part of.

Growth through partnerships

During 2019, Banking Nordic expanded its retail customer portfolio through partnership agreements. In Norway, we experienced a steady inflow of new customers from our agreement with Tekna, which drove lending volumes up. In Sweden, we entered into a new partnership with HSB Bospar, Sweden’s largest association for home savers with a portfolio of 140,000 members. We entered into the partnership agreement in the third quarter of 2019, and the customers will be onboarded during 2020.

Integration of Private Wealth Management

We aim to develop a more holistic approach towards our retail and private banking customers across the Group to the benefit of our customers. In order to achieve this, we have from September incorporated the Norwegian, Swedish and Finish activities of our Private Wealth Management operation into Banking Nordic. This will help us ensure better alignment of our banking activities across our different markets to make sure we reach our ambition of delivering the best customer experience.

We will also be better positioned to release our growth potential as we will have stronger coordination and collaboration on the development of solutions and products across the Nordic countries and across our various customer segments.

Innovation and digitalisation

In the third quarter of 2019, we added Apple Pay to our offering of payment solutions for retail and commercial customers across our markets. The solution provides easy, accessible and secure payments for our customers. The Apple Pay solution has been well received by our customers, and it supports our strategy of offering digital solutions that make everyday banking easier.

In order to ensure less complexity and more agility for our customers, Banking Nordic will be working on a service model transformation across our markets with greater utilisation of synergies and best practice.

We have successfully migrated our commercial customers to our new financial platform, District, which is replacing the Business Online platform. District provides our customers with a simple overview of their finances and makes it easier to handle everything from day-to-day banking to long-term planning and strategic decision-making. It is built on a customisable, flexible and scalable platform that is designed to accommodate the possibilities of the future and allows for integration of third-party applications. District presents customers with their own personal dashboard that provides an improved financial overview and makes it easier to handle their finances. The dashboard is easily customisable, allowing users to build the dashboard that best suits their needs – and role – in their company.

Among our commercial customers, we see an increasing demand for a partner that understands not only their business but also their strategic context, and with whom they can have an open and future-focused dialogue.

In collaboration with Corporates & Institutions, Banking Nordic continued to upgrade the service model for our commercial customers. The service model is focused on broader coverage in terms of specialists and products to help customers get the best solution for their business. By taking this holistic, product-neutral approach, each customer can get the best advisory services, tailored to their needs, whether they need a bond issue or a loan, for example. Our focus on our commercial segments delivered increased volume growth, particularly in Norway and Finland, compared with volume levels at the end of 2018.

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

During 2019, Banking Nordic focused strongly on sustainable finance offerings for our customers with issuance of green loans and bonds. These offerings have now been introduced in all our markets and have received great interest from our commercial customers in particular.

As customers are looking towards more sustainable solutions, sustainability is one of the key focus points in Asset Finance. As an example, new car fleet reports that include figures on emissions have been developed. It is the ambition of Asset Finance to take an active stance in setting the green agenda and in transforming car fleets to become more environmentally friendly.

Diversity is also high on the agenda at Banking Nordic, with particular focus on gender and ethnicity. In Sweden for example, we have encouraged women within the start-up community to take an active role. In cooperation with Singularity University and Reach for Change, we have issued invitations to a series of events and entrepreneur campfires that are targeted towards female entrepreneurs and women with aspirations of becoming entrepreneurs.

Customer satisfaction
We continued to focus on our goal of delivering the best customer experience by building easy customer journeys and customer-centric solutions.

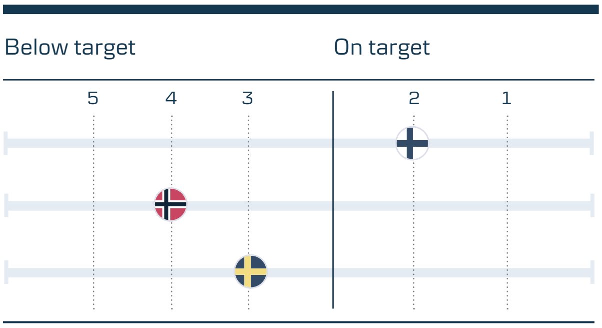
Our ambition is to be in the top two on satisfaction among customers in our prioritised segments in all our markets. For commercial customers, we are on target, whereas we are still not at the desired level for retail customers. In Norway, capacity challenges in the retail business have driven customer satisfaction below target.

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

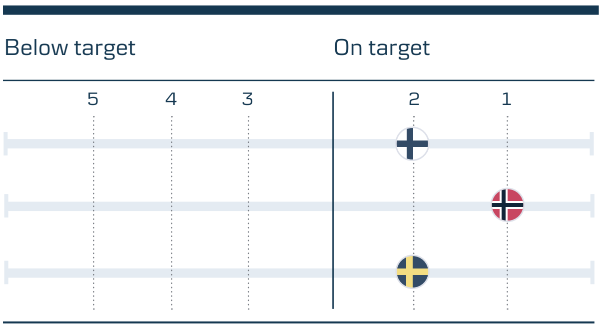
Danske Bank offers meetings outside normal working hours, and customers can book meetings online with either a specific adviser or the best available expert and get assistance 24/7. We have launched new digital platforms for both retail and commercial customers, and more features will be added to these in 2020.

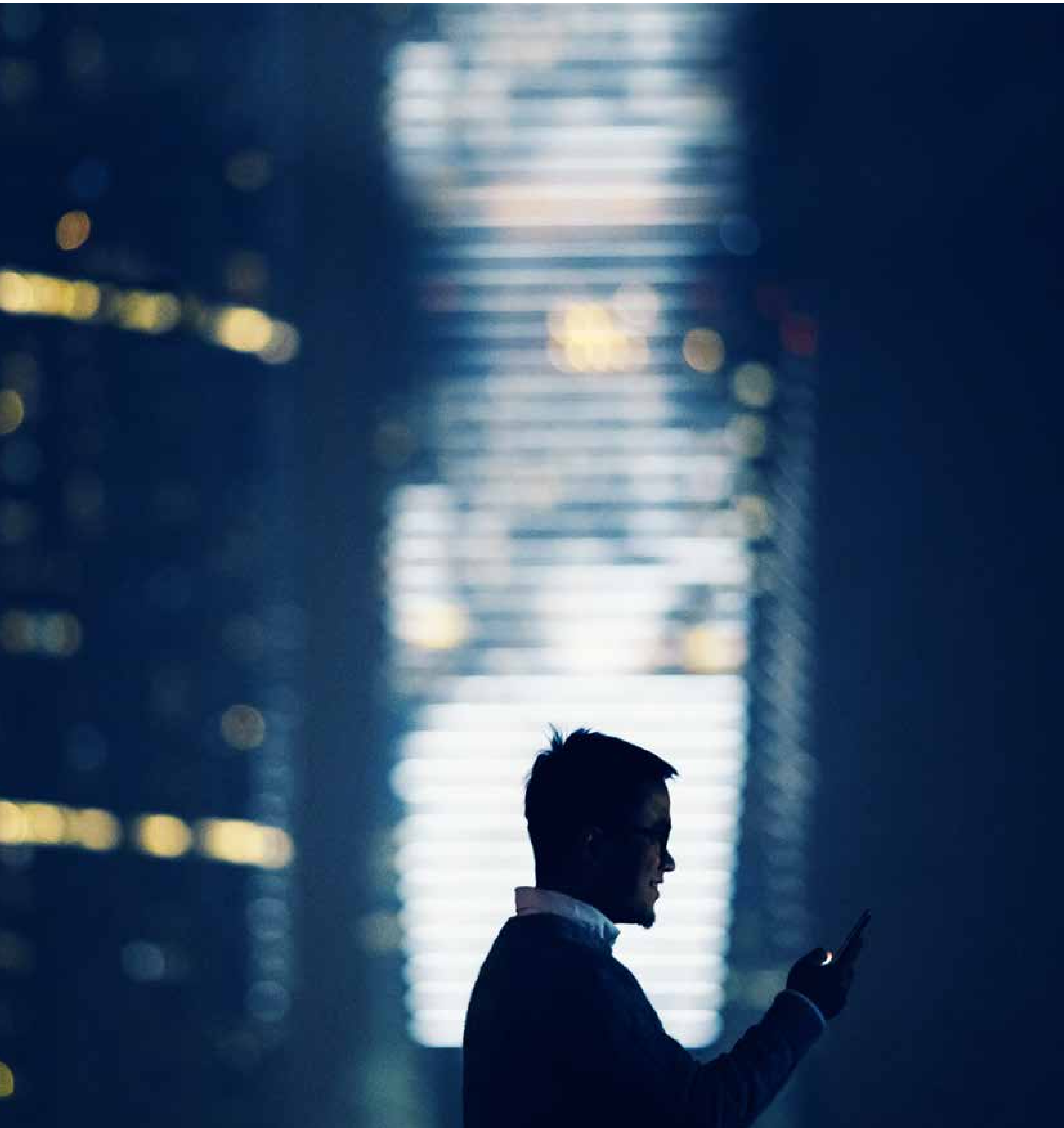
Our partnerships with Fintech companies enable customers to view accounts from other banks, and during 2020, our subscription manager feature will be rolled out further, allowing customers to get an overview of their subscriptions, get a better deal or cancel subscriptions they no longer want. We also continue to develop our financing journey to ensure that customers experience a smooth and fast process.

Banking Nordic, retail customers



Banking Nordic, commercial customers





Corporates & Institutions

Corporates & Institutions contributed a profit before tax of DKK 1.7 billion in 2019, a decrease of 61% from 2018. The decline was driven by increased loan impairment charges, goodwill impairment charges and negative developments in value adjustments. Operating expenses increased 3% from 2018 due to regulatory compliance-related activities.

Corporates & Institutions
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Net interest income	3,656	3,928	93	985	885	111
Net fee income	2,909	2,914	100	836	673	124
Net trading income	2,114	2,440	87	586	182	-
Other income	8	7	114	7	-	-
Total income	8,688	9,289	94	2,413	1,739	139
Operating expenses	4,834	4,689	103	1,318	1,128	117
Goodwill impairment charges	803	-	-	803	-	-
Profit before loan impairment charges	3,051	4,600	66	292	612	48
Loan impairment charges	1,348	278	-	459	369	124
Profit before tax	**1,703**	**4,322**	**39**	**-167**	**243**	**-**
Profit before tax and goodwill impairment charges	**2,506**	**4,322**	**58**	**637**	**243**	**262**
Loans, excluding reverse trans. before impairments	209,148	198,320	105	209,148	210,254	99
loans in General Banking	171,478	168,126	102	171,478	165,970	103
Allowance account, loans	3,156	2,223	142	3,156	2,653	119
Allowance account, credit institutions	9	13	69	9	11	82
Deposits, excluding repo deposits	270,685	260,781	104	270,685	261,607	103
deposits in General Banking	227,131	227,523	100	227,131	216,526	105
Covered bonds issued*	15,856	18,713	85	15,856	16,597	96
Allowance account, guarantees	552	133	-	552	601	92
Allocated capital (average)	32,684	33,629	97	33,920	33,781	100
Net interest income as % p.a. of loans and deposits	0.79	0.83	-	0.84	0.76	-
Profit before tax as % p.a. of allocated capital (avg.)	5.2	12.9	-	-2.0	2.9	-
Cost/income ratio (%)	64.9	50.5	-	87.9	64.9	-
Full-time-equivalent staff	1,665	1,858	90	1,665	1,704	98

Total income
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
FI&C	2,378	2,541	94	688	287	240
xVA**	-283	-62	-	-25	-40	-
Capital Markets	1,678	1,556	108	499	309	161
General Banking	4,631	5,192	89	1,227	1,143	107
Total income	**8,688**	**9,289**	**94**	**2,413**	**1,739**	**139**

**Covered bonds issued is before the elimination of the Group's holding of own covered bonds. Previously, only bonds issued by Realkredit Danmark were allocated to the business units. Comparative information has been restated.*
***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.*

2019 vs 2018
Corporates & Institutions saw an increase in income towards the end of the year, but overall, 2019 was a challenging year due to weak trading income in FI&C throughout the year as well as negative developments in value adjustments, and high loan and goodwill impairment charges.

Total income amounted to DKK 8.7 billion, a decrease of 6% from 2018. The decrease was driven by lower trading income and the transfer of the portfolios in the Baltics and Russia to the Non-core unit.

Net interest income declined 7% from the level in 2018. Adjusted for the portfolio transfers, net interest income fell 2% as a result of a decline in activity-driven income and higher funding costs. Loans excluding reverse transactions before impairments increased 5% from the level at year-end 2018, driven by changes in the gross value of collateral related to derivatives exposure, whereas underlying bank lending increased 2%. Deposits in General Banking were unchanged from the end-2018 level.

Net fee income was unchanged year-on-year as Debt Capital Markets and Loan Capital Markets income made up for lower income from Equities.

Net trading income fell 13% from the level in 2018 as a result of the one-off income at the end of 2018 related to the sale of assets previously taken over as collateral and negative developments in value adjustments of the derivatives portfolio (xVA).Trading income in FI&C remained challenged and did not improve from the level in 2018.

Operating expenses increased 3% from the level in 2018 as investments in anti-money laundering activities and regulatory compliance continued to put an upward pressure on operating expenses.

Goodwill related to FI&C and Capital Markets was impaired and a charge of DKK 0.8 billion was recognised due to updated assumptions of lower structural income in FI&C in the future and expectations of a higher capital allocation as a result of the implementation of higher regulatory capital requirements.

Fixed Income & Currencies
Total income in FI&C decreased 6% from the level in 2018 due to negative developments in value adjustments of the derivatives portfolio (xVA). Underlying income in FI&C increased 2% as trading income rebounded in the fourth quarter from a very weak third quarter and a weak end to 2018. The rebound was driven by Fixed Income business, whereas income from currencies & liquidity declined slightly.

The decrease seen in FI&C income since 2016-2017 is the result of both structural and cyclical headwinds, with an increasing likelihood that the latter will prove more persistent. The goodwill impairments and the cost reductions made in the fourth quarter of 2019 are both a consequence of this outlook.

Value adjustments of the derivatives portfolio (xVA) contributed a loss of DKK 283 million in 2019. The key driver was negative DVA resulting from the spread of Danske Bank's own senior credit default swap (CDS) tightening in 2019 alongside an overall positive credit market. Negative credit value adjustments from falling interest rates were largely offset by interest rate hedges.

Customer activity in the Rates business as well as in Currencies remained high, whereas activity in Liquidity & Securities Finance decreased from the level in 2018.

Capital Markets
Capital Markets income increased 8% from the level in 2018, driven by several large customer transactions in Loan Capital Markets and strong secondary credit markets in Debt Capital Markets.

Activity in Debt Capital Markets' primary market was below the 2018 level in the beginning of the year, however customer activity in the second half of the year made up for this. Throughout 2019, secondary market income benefited from strong credit markets.

In 2019, income in our equity value chain was negatively affected by an overall decline in ECM transactions in the Nordic countries and pressure on fees following the implementation of MiFID II in 2018. Income from M&A transactions, however, remained stable.

In Loan Capital Markets, our underwrite-to-distribute strategy continued to yield positive results.

General Banking
Income from General Banking was 11% lower than in 2018, mainly as a result of one-off trading income in

2018 from the sale of assets previously taken over as collateral and the portfolio transfers to the Non-core unit. Underlying income in General Banking decreased 2% as a result of lower activity-driven income and higher funding costs.

Credit quality

In 2019, loan impairments amounted to DKK 1,348 million, against DKK 278 million in 2018. This development is due primarily to single-name charges in the shipping, oil & gas and retailing industries. The general review of our loan portfolio carried out in connection with an ongoing review by the Danish FSA also had a negative effect on impairments.

Net credit exposure from lending activities amounted to DKK 443 billion at the end of December 2019, a decrease of DKK 120 billion from the level at the end of 2018. The decrease was due to the DKK and EUR liquidity accounts being moved from Corporates & Institutions to Group Treasury in 2019.

	Net credit exposure		Impairments (%)
(DKK millions)	31 December 2019	31 December 2018	31 December 2019
Sovereign	23,056	154,101	0.00%
Financial institutions	84,347	73,791	0.01%
Corporate	335,783	334,651	0.71%
Other	36	250	
Total	**443,223**	**562,793**	**0.57%**

The sovereign and financial institutions portfolios consist primarily of exposures to stable, highly rated Nordic counterparties. The corporate portfolio is diverse and consists mainly of large companies based in the Nordic countries and large international customers with activities in the Nordic region.

Q4 2019 vs Q3 2019

Profit before tax was negative for the quarter, due mainly to goodwill impairment charges.

FI&C income increased from the level in the third quarter as income in Fixed Income and Liquidity improved significantly. The improvement, driven largely by better performance in Danish fixed income business in FI&C, came on the back of a weak third quarter. Foreign Exchange and Investment Solutions were largely unchanged from the level in the third quarter.

Capital Markets income increased 61% from the level in the third quarter, driven mainly by a seasonal increase in Corporate Finance.

General Banking income increased 7% from the third-quarter level, driven by net interest income from deposits and lending.

Operating expenses increased 17% from the level in the third quarter, driven primarily by increased compliance costs and restructuring costs.

The fourth quarter of 2019 saw net loan impairment charges of DKK 459 million, against charges of DKK 369 million in the third quarter. In the fourth quarter, additional impairment charges were made following a review of our loan portfolio, mostly in the shipping and oil & gas industries.

Business initiatives

To realise our strategic ambition of being the leading wholesale bank in the Nordic countries, we continue our work to move closer to our corporate and institutional customers.

One of our more recent focus areas in this respect is sustainable financing, for which demand is steadily increasing. Not only do we want to support our customers in achieving their sustainability ambitions, but we see our role as extending beyond this.

As a key provider of wholesale financing in the Nordic countries, we want to contribute to driving sustainable change in the societies we are part of. In 2019, we took a major step forward in assisting more Nordic companies and investors with their transition towards a more sustainable economy, and we will continue to develop and expand this platform over the years to come.

Furthermore, we introduced a number of other business initiatives to support our customers in reaching their ambitions and to make daily banking easy.

In *Transaction Banking and Investor Services,* we continued to invest in our award-winning cash management and trade finance solutions, and we onboarded new customers. Most notably, we won the cash management of the Finnish state, and we are now the state bank in Denmark, Sweden, Finland and Ireland. Our Investor Services offering, designed to help institutional customers outsource their back- and middle-office activities, also continued to see high activity growth.

District, Danske Bank's corporate financial platform, was rolled out to Corporates & Institutions customers across the Nordic countries, and we now have more than 14,000 active C&I users on the platform and more than 225,000 users across Danske Bank. With District, we aim to give customers a comprehensive, real-time overview of their financial position, providing more transparency and enabling even better financial decision-making. The platform has been well received by our customers, and new solutions and services will be added on an ongoing basis.

We continue to invest in our *Capital Markets* platform, remaining fully committed to being a leading Capital Markets player in the Nordic countries. Over the past five years, we have increased our Capital Markets area by 20%, mainly our equity value chain and Loan Capital Markets capabilities. Today, we offer a pan-Nordic Capital Markets franchise.

Investments in developing our green, social and sustainable finances offering allowed us to meet increasing demand from both companies and investors and helped us attain a position as number two among banks in terms of Nordic currency green bond issuance arrangement in 2019, measured in terms of volume. In total, we helped 38 customers issue green, social and sustainable bonds. We climbed to number five in Bloomberg's European Green Bond League Table (EUR and Nordic currencies), and were number nine on all currencies on a global scale.

Moreover, we developed a framework to lay down the criteria for green loans and our own green bonds across the Group. We are also a founding signatory of the Poseidon Principles, which promote greener global shipping. Major deals included acting as lead manager on the European Investment Bank's inaugural DKK 3 billion Climate Awareness Bond (the largest green bond in Danish kroner to date), helping Outokumpu (a global leader in stainless steel) with a secured EUR 400 million sustainability-linked term loan, and supporting Finnish Kuusakoski Recycling with its first green loan. We also increased our focus on the environmental, social and governance (ESG) agenda and set up Project Finance to Renewable Energy.

Capital Markets cemented its position as one of the leading advisers and transaction facilitators in the Nordic countries. Loan Capital Markets had a record year, winning several large Corporate Loans and Leveraged Finance mandates, ensuring its position as the leading Nordic underwriter and mandated lead arranger of Nordic syndicated loans according to Bloomberg League Tables.

Similarly, Corporate Finance saw good M&A activity across all of our home markets. In Denmark, we assisted in the Maersk Drilling demerger and separate listing, and we acted as sell-side adviser to power company Ørsted on the sale of Radius to SEAS-NVE. In Finland and Sweden, we supported rental services provider Cramo's demerger in connection with the separate listing of their Modular Space solutions. And in Norway, we conducted three subsequent transactions for Norwegian Air Shuttle, including a NOK 3 billion underwritten rights issue and a USD 150 million convertible issue.

In our *Fixed Income & Currencies (FI&C)* area, recent years have seen substantial changes in customer expectations, requiring us to digitise further to make banking easier and more efficient. The FI&C business is challenged by structural and cyclical drivers that have resulted in lower income from facilitating customer transactions. In addition, the outlook for higher capital requirements will make it more expensive to provide these services in the future.

In response to these changes, and to continue meeting our customers' needs in future, we are taking significant steps to future-proof our offering with the ambition to remain a leading Nordic player in this space. Most importantly, we continued to invest in digitising our markets engine and optimising end-to-end processes. The aim is to increase operational efficiencies across the value chain and simplify our technology – for example by developing One Calculation Engine on One Platform – thereby improving the customer experience by delivering faster, easier and more efficient execution.

Further steps were taken to ensure that we service customers as One Bank by introducing a new organisational structure in the fourth quarter of 2019 that supports the service model of the future. By integrating activities that overlap from a customer perspective, for example within Rates and Debt Capital Markets, we will achieve synergies and make day-to-day banking easier for our customers.

Anti-money laundering (AML) initiatives
As part of our efforts to combat financial crime, we continued to invest in and further improve our first-line risk setup, and we sustained our investment in digitising and improving AML processes.

In support of this, and to improve the customer experience overall, we established a joint venture company with a number of Nordic banks to develop a single platform for handling Know Your Customer (KYC) data. The expected roll-out of the platform in the course of 2020 and 2021 will offer added transparency and help large companies that have several banking partners report their data to one platform only and in one uniform format across banking partners.

Diversity initiatives
Diversity is an important factor for Danske Bank when hiring new employees. Being regarded as an attractive employer by a diverse talent pool allows us to select the best candidates from a wider population and, to a larger extent, reflect the composition of the societies we are part of.

In 2019, we continued to work towards achieving a more diverse workforce at Corporates & Institutions. We launched a number of new initiatives, including increasing the level of diversity among graduates hired. Nevertheless, it is our ambition to have greater diversity than we have today, in terms of both gender composition and other characteristics, and it remains an explicit goal at Corporates & Institutions to build a more diverse workforce over the coming years.

Customer satisfaction
A high level of customer satisfaction is a key priority for Danske Bank, and detailed customer insight is important for understanding and improving the customer experience. In addition to obtaining customer feedback from our day-to-day dialogue with customers, we receive a number of annual customer reviews conducted by Prospera, an independent market research company in the Nordic countries.

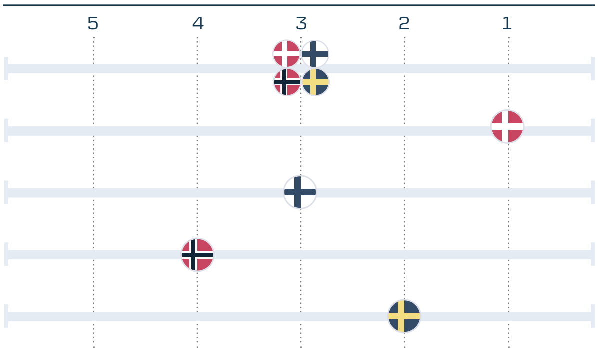
Overall, we see that our customers appreciate Danske Bank for our strong transaction banking platform. Consequently, in 2019, we attained the highest position ever recorded across the Nordic countries for our solutions within cash management and trade finance on the basis of number one positions in each of our four Nordic home markets in both of these product areas.

In FI&C, we maintained our solid FX position but otherwise saw a mixed picture with improvements in some areas and declining scores in others. In Capital Markets, despite our investments, our customers' evaluation of us deteriorated, specifically in Corporate Finance and Debt Capital Markets. In Relationship Banking, we remained below our target in Corporate Banking, but we are on a positive trend in terms of our Institutional Banking performance.

In the aggregated ranking across the Nordic countries we are now on par with our two Nordic wholesale peers from a clear number one position in 2018. The underlying country-specific results are a continued lead position in Denmark, a second place in Sweden, a fourth place in Norway and a third place in Finland. We believe our continued investments in people and in digital solutions will support our efforts to improve customer satisfaction even further.

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

Profit before tax amounted to DKK 3.0 billion, an increase of 39% from the level in 2018, due mainly to the gain of DKK 1.3 billion from the sale of Danica Pension Sweden, which was partly offset by a DKK 0.8 billion goodwill impairment charge on SEB Pension Danmark caused by regulatory changes. Net fee income benefited from the inclusion of SEB Pension Danmark. Trading income saw a negative impact in the first quarter of 2019 from a regulatory change to the discount curve for life insurance provisions.

Wealth Management
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Net interest income	-248	-167	-	-75	-69	-
Net fee income	6,596	6,119	108	1,658	1,694	98
Net trading income	-117	-50	-	111	110	101
Other income	1,167	-197	-	-6	-120	-
Total income	7,398	5,705	130	1,688	1,615	105
Operating expenses	3,589	3,545	101	879	784	112
Goodwill impairment charges	800	-	-	800	-	-
Profit before tax	**3,009**	**2,161**	**139**	**9**	**831**	**1**
Profit before tax and goodwill impairment charges	**3,809**	**2,161**	**176**	**809**	**831**	**97**
Allocated capital (average)	15,569	11,847	131	16,383	16,336	100
Profit before tax as % p.a. of allocated capital (avg.)	19.3	18.2	-	0.2	20.3	-
Cost/income ratio (%)	59.3	62.1	-	99.5	48.5	-
Full-time-equivalent staff	1,563	1,579	99	1,563	1,567	100

Breakdown of assets under management*
(DKK billions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Life conventional	209	200	105	209	210	100
Asset management	953	927	103	953	951	100
Assets under advice	489	449	109	489	450	109
Total assets under management	**1,651**	**1,575**	**105**	**1,651**	**1,610**	**103**

Breakdown of net fee income
(DKK billions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Management fees	4,847	4,865	100	966	1,281	75
Performance fees	376	149	252	358	4	-
Risk allowance fees	1,373	1,105	124	334	409	82
Total net fee income	**6,596**	**6,119**	**108**	**1,658**	**1,694**	**98**

**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.*

2019 vs 2018

Profit before tax amounted to DKK 3.0 billion, up 39% from the level in 2018, due mainly to the gain from the sale of Danica Pension Sweden, which was partly offset by a DKK 0.8 billion goodwill impairment charge on SEB Pension Denmark caused by regulatory changes. The financial performance benefited from improved conditions in the equity markets but was negatively affected by lower interest rates and a regulatory change implemented by the European pensions authority (EIOPA) to the discount curve for life insurance provisions. The provision for the compensation payable to certain customers with the Flexinvest Fri product also had an adverse effect on the result. The financial results of SEB Pension Danmark were only partially included in the result for 2018 and hence had a larger positive effect on the result for 2019.

Net fee income amounted to DKK 6.6 billion and was up 8% from the level in 2018, due primarily to the inclusion of SEB Pension Danmark. The Asset Management business benefited from an additional DKK 0.2 billion in performance fees relative to the 2018 figure. The sale of Danica Pension Sweden caused a decrease in fee income of DKK 0.2 billion from the level in 2018.

Net trading income amounted to a negative DKK 117 million, against a negative DKK 50 million in 2018. Trading income was adversely affected by a DKK 140 million one-off in the first quarter of 2019 that was due to a regulatory change in the VA component.

Other income amounted to DKK 1,167 million, against a negative DKK 197 million in 2018. The increase was due to the gain of DKK 1.3 billion from the sale of Danica Pension Sweden. In 2019, other income saw a negative impact of DKK 582 million from the health and accident business, against a negative impact of DKK 487 million in 2018.

Operating expenses were up 1% from the level in 2018. This was due to the addition of the ordinary operating expenses of SEB Pension Danmark, increased costs for regulatory compliance, and the provision for the approximately DKK 210 million one-off compensation payable to certain customers with Flexinvest Fri. The sale of Danica Pension Sweden lowered costs by approximately DKK 250 million from the level in 2018.

The goodwill impairment charge of DKK 0.8 billion was made due to an assessment of the effect of upcoming Solvency II regulatory changes that take effect for 2020 and are expected to increase capital requirements.

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.

Assets under Management increased DKK 76 billion, primarily because of positive developments on the financial markets. The sale of Danica Pension Sweden reduced Assets under Management by DKK 64 billion. At the end of 2019, Assets under Management totalled DKK 1,651 billion – an increase of 5% year-on-year.

Net sales were negative in 2019, driven by sales to both retail and institutional investors.

Premiums in Danica Pension amounted to DKK 33.6 billion, against DKK 44.1 billion in 2018. The decrease was driven primarily by the sale of Danica Pension Sweden and lower single premiums.

Investment return on customer funds

In 2019, the financial markets were characterised by high returns. Looking overall at our funds, 70% of investment products generated above–benchmark returns in 2019, against 57% in 2018. On a 3-year horizon, 71% of all investment products generated above-benchmark results.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*

	2019	3-year
All funds	70	71
Equity funds	51	50
Fixed-income funds	88	91
Balanced funds etc.	70	73

**Source: Investment Performance, based on results from Global Investment Performance Standard.*

Customers with Danica Balance Mix achieved returns on investments of between 9.0% for low-risk profiles with 0 years to retirement and 25.5% 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 19.7%.

Q4 2019 vs Q3 2019

In the fourth quarter of 2019, profit before tax decreased DKK 0.8 billion to DKK 0.0 billion, due primarily to a DKK 0.8 billion goodwill impairment charge on SEB Pension Danmark caused by regulatory changes.

Total income increased 5% to DKK 1.7 billion owing to performance fees from Asset Management.

Net fee income was down 2% from the level in the third quarter as fees from the Danica Pension Tidspension product were higher in the third quarter. However, the decline was somewhat mitigated by performance fees of DKK 358 million booked in the fourth quarter.

Operating expenses increased 12% from the third quarter to the fourth quarter of 2019 due mainly to consultancy costs for specific projects.

Business initiatives

Integrating ESG into the core of our investment offerings

Our journey to introduce ESG Inside into our investment processes will help us make better-informed investment decisions and will deliver attractive long-term returns to our customers. With ESG Inside, we take an active role as an investor in contributing to change and improvement among our portfolio companies and to support the work of companies in the area of sustainability.

In 2019, we launched the Our Sustainable Investment Journey 2019 report. This report shares stories of how investment teams integrate ESG and details the thoughts and approaches behind our ESG Inside strategy.

Our 2020 goal is that all our investment teams should be able to explain how they integrate ESG. To reach that goal, we are continuously building a stronger foundation that will enable our investment teams to deploy strong and systematic ESG integration. In addition to supporting our ambition to meet customer demand for investment solutions that take sustainability matters into consideration, the continued focus on ESG Inside also meets the wish of customers to influence the sustainability work undertaken by portfolio companies.

We have developed our own in-house ESG tool called mDASH that helps portfolio managers identify material ESG aspects. To support the investment organisation, we have a team of ESG analysts across the Nordic countries who act as on-site support for our local investment teams.

Additionally, we rolled out an educational and skill-building programme for advisers and customer managers with the ultimate goal of having ESG Inside as a natural part of our advisory services.

We will continue to strengthen our ability to integrate ESG Inside into our processes, products and advisory services. Furthermore, we will focus on increasing transparency in relation to the sustainability characteristics of our investment products and funds so that our customers can easily select investment products that suit their preferences and meet their financial goals.

New climate ambition for Danica Pension

In 2019, Danica Pension announced that they will increase their climate ambitions by raising investments in the green transformation to DKK 100 billion in the period towards 2030. The investment ambition is dependent on attractive investment opportunities that support international climate goals and can generate attractive returns on customers' pension savings.

New digital solutions for Danish Pension customers

In the first quarter of 2019, we launched two new digital solutions for our Danish pension customers. In January, a new version of the pension overview on danicapension.dk was launched. This new solution has been developed together with the customers in order to ensure the best possible customer experience. Since the launch, we have added new features, one of which now enables customers to see their forecasted savings. The first new features to be added in 2020 are a new Pension Check and the ability to sign documents digitally.

In March, we followed this up with a new version of our mobile pension app. With user-centricity as the main focus, the app has been simplified and is now easier to use. One of the improvements that was introduced over the year was the addition of push notifications, which will enable us to communicate relevant advice to our customers if and when their private or work life changes. We expect to launch many new features in both the web and the app solution in 2020.

New partnership with Tryg off to a great start
At the beginning of June, Danica Pension announced a new partnership with Tryg. As part of the partnership, Tryg customers are offered Danica Pension's pension solutions under the Tryg Pension name. The offer covers pension savings and risk coverage on life, critical illness and loss of earning capacity. The partnership follows the Danske Bank Group's partnership with Tryg, which was announced in late 2018, and it gives us the opportunity to offer better products to our corporate and self-employed customers. The partnership is expected to be fully operational by July 2020 and has already been well received by potential customers.

Expanding existing offering with Global Portfolio Solution (GPS) to institutional customers in the Nordics
At the beginning of April 2019, we expanded our existing offering with a new portfolio solution. Called Global Portfolio Solution (GPS), this solution was first offered to our Danish institutional clients and selected Private Banking Elite customers. In November, the solution was additionally made available to institutional customers in Sweden, Norway and Finland. Global Portfolio Solution (GPS) allows us to better manage unwanted risk, improve diversification and be more agile in our execution. It is our long-term ambition to offer private investors the benefits that GPS provides, and we are looking into how we can integrate GPS in the best possible manner as part of our total investment offering to retail customers.

Customer satisfaction
Asset Management
According to Prospera's most recent survey from June 2019, the ranking of Asset Management in Denmark rose from second to first. In Sweden and Norway, however, customer satisfaction declined, with a fall in our ranking in Norway from number two to number six and in Sweden from number eight to number 13. In Finland, we were ranked number four, up from number five. Among providers present in all Nordic markets, Asset Management is now ranked number two.

Danica Pension
According to the December 2019 Aalund Research survey on customer satisfaction, Danica Pension has a stable level of customer satisfaction and is number three in Denmark. Customer satisfaction is higher in the segment of companies with 50-499 employees, where Danica Pension is number two. Danica Pension in Norway is ranked number four of six.

Northern Ireland

At DKK 789 million, profit before tax was 6% higher than in 2018, despite continued Brexit uncertainty. The increase reflects a combination of higher income and lower loan impairment charges, with costs marginally higher.

Northern Ireland
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Net interest income	1,524	1,491	102	391	368	106
Net fee income	363	392	93	89	86	103
Net trading income	110	82	134	-3	43	-
Other income	14	12	117	3	4	75
Total income	2,011	1,978	102	480	500	96
Operating expenses	1,216	1,207	101	344	277	124
Profit before loan impairment charges	794	770	103	136	222	61
Loan impairment charges	5	26	19	-5	-4	-
Profit before tax	**789**	**744**	**106**	**141**	**226**	**62**
Loans, excluding reverse transactions before impairments	54,287	49,805	109	54,287	52,563	103
Allowance account, loans	696	762	91	696	663	105
Deposits, excluding repo deposits	70,943	62,555	113	70,943	66,944	106
Allowance account, guarantees	34	30	113	34	49	69
Allocated capital (average)*	6,425	6,843	94	6,341	6,066	105
Net interest income as % p.a. of loans and deposits	1.26	1.31		1.24	1.24	
Profit before tax as % p.a. of allocated capital (avg.)	12.3	10.9		8.9	14.9	
Cost/income ratio (%)	60.5	61.0		71.7	55.4	
Full-time-equivalent staff	1,285	1,322	97	1,285	1,323	97

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

2019 vs 2018
Profit before tax increased 6% to DKK 789 million for the full year 2019. This included a reduction in loan impairments, with profit before loan impairment charges being 3% higher at DKK 794 million.

Total income amounted to DKK 2,011 million and was up 2% year-on-year. Despite continued Brexit uncertainty, both lending and deposit volumes increased. Retail customer activity levels remained high, supported by ongoing improvements to our mortgage finance proposition. Lending to businesses was impacted by Brexit, with some customers delaying investment decisions. Uncertainty is further evident from the volatility in trading income, which was higher in 2019 than in the preceding year. Alongside balance sheet growth and higher UK interest rates, this resulted in increased income.

At DKK 1,216 million, operating expenses were marginally higher than in 2018, as we continued to manage our cost base while investing in improved solutions and skills designed to ensure customer expectations are fully met.

2019 vs 2018 in local currency
Profitability also improved in local currency, with income maintained alongside reduced costs and lower impairment charges as described.

Credit quality
There was no significant movement in credit quality during the year. The possibility that the United Kingdom may exit the European Union at the end of the transition period without a trade agreement has been factored into forward-looking macroeconomic scenarios as part of the application of IFRS 9.

	Net credit exposure		Impairments (%)
(DKK millions)	31 December 2019	31 December 2018	31 December 2019
Retail customers	26,812	23,012	-0.11%
Public institutions	19,934	14,919	0.00%
Financial customers	459	101	-15.92%
Commercial customers	31,332	31,156	0.15%
Total	**78,537**	**69,187**	**0.01%**

Q4 2019 vs Q3 2019

Profitability fell in the fourth quarter, mainly as a result of higher costs.

While costs are controlled tightly and broadly maintained year-on-year, an increase in the fourth quarter was exacerbated by a significant strengthening of the British pound sterling from the third quarter.

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

For personal customers, we are providing attractive mortgage loan packages with competitive rates and cashback offers. Total mortgage lending is at its highest ever level.

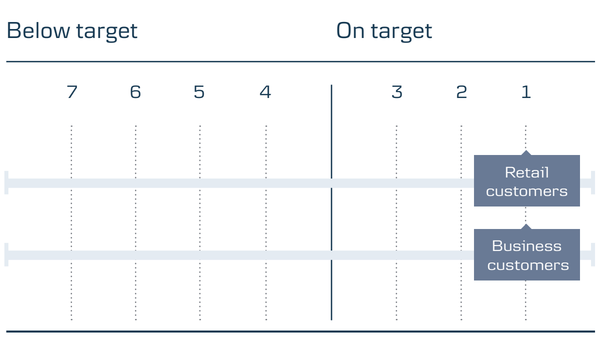
For business customers, demand for lending continues to be subdued as a result of uncertainty around the prolonged Brexit process. There has been a notable uplift in customer requests for support, advice and guidance, conversations we encourage and value. Whatever shape Brexit takes, it will only be the beginning of a new operating environment, and the process of change will be a significant factor for many years to come.

In the digital space, 2019 saw more than 75 million digital logons from customers and a 32% increase in digital transactions year-on-year. We have leveraged significant Group investments in the development of new digital platforms, including a new Mobile Banking app for personal customers and the District digital solution for business customers.

In 2019, we were delighted to be named Northern Ireland's Responsible Company of the Year by Business in the Community. We are very proud of this, and it is a reflection of the positive societal impact we continue to make, alongside our various community partners, right across Northern Ireland.

Customer satisfaction
We were also delighted to finish the year 2019 in first place for Corporate & Business Banking, and, for the first time, to also have attained first position in Personal Banking & Small Business.

Northern Ireland



Non-core

Profit before tax for 2019 was a negative DKK 493 million. Total lending stood at DKK 7.5 billion at the end of 2019, against DKK 14.9 billion at the end of 2018 due to the sale of loan portfolios in the Baltics and the closing down of our activities in Russia. The winding-up of the Non-core portfolios is proceeding according to plan.

Non-core
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Total income	-61	213	-	-224	55	-
Operating expenses	219	632	35	126	83	152
Profit before loan impairment charges	-280	-419	-	-350	-28	-
Loan impairment charges	213	-137	-	-106	-50	-
Profit before tax	**-493**	**-282**	**175**	**-244**	**22**	**-**
Loans, excluding reverse transactions before impairments*	7,456	14,906	50	7,456	11,528	65
Allowance account, loans	842	784	107	842	790	107
Deposits, excluding repo deposits	1,668	2,399	70	1,668	1,734	96
Allowance account, guarantees	19	32	59	19	19	100
Allocated capital (average)	2,379	2,115	112	2,123	2,218	96
Net interest income as % p.a. of loans and deposits	1.27	1.02		1.05	1.70	
Profit before tax as % p.a. of allocated capital (avg.)	-20.7	-13.3		-46.0	4.0	
Cost/income ratio (%)	-359.0	296.7		-56.3	150.9	
Full-time-equivalent staff	159	259	61	159	284	56

Loan impairment charges
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Non-core banking**	19	-177	-	-205	-50	-
Non-core conduits etc.	194	40	-	99	-	-
Total	**213**	**-137**	**-**	**-106**	**-50**	**-**

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

2019 vs 2018

The Non-core unit posted a loss before tax of DKK 493 million, against a loss before tax of DKK 282 million in 2018, primarily as a result of the sale of the Baltic loan portfolios.

Operating expenses amounted to DKK 219 million, a decrease of DKK 413 million from the level in 2018. Operating expenses benefited from an adjustment of VAT regarding previous years.

Net credit exposure totalled DKK 10.4 billion, against DKK 18.4 billion at the end of 2018.

At the end of 2019, total lending amounted to DKK 7.5 billion and consisted mainly of exposure to commercial customers and public institutions in Lithuania and Latvia as well as conduits. A loan portfolio of local personal customers in Estonia, for which the Group in June 2019 entered into an agreement with AS LHV Pank, was sold and transferred to AS LHV Pank in November 2019.

The Group has exited its banking activities in Estonia and Russia. In December 2019 and January 2020, the Group entered into agreements to sell its personal customer loan portfolios in Latvia and Lithuania. The sales are expected to be settled in the first half of 2020. Subsequently, the Lithuanian branch will hold only a portfolio of commercial loans, which will mature according to contractual terms.

The Non-core conduits portfolio amounted to DKK 3.7 billion, against DKK 3.9 billion at the end of 2018. The portfolio consists mainly of liquidity facilities for conduits.

	Net credit exposure		Expected credit loss	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Non-core banking*	6,653	14,516	222	394
-of which personal customers	983	4,816	21	153
-of which commercial customers	3,696	7,620	201	240
-of which public institutions	1,974	2,081	-	2
Non-core conduits etc.	3,749	3,916	640	422
Total	**10,402**	**18,432**	**862**	**816**

Total impairments amounted to a net charge of DKK 213 million, against a net reversal of DKK 137 million in 2018. The increase was due to a single-name exposure in the legacy Non-core portfolio.

Q4 2019 vs Q3 2019

Profit before tax amounted to a negative DKK 244 million, against a positive DKK 22 million in the third quarter of 2019. The loss before tax in the fourth quarter was due mainly to adjustments in relation to the sale of loan portfolios in the Baltics, an impairment charge in the legacy Non-core portfolio and an increase in severance pay.

Other Activities

Other Activities includes Group Treasury and Group support functions as well as eliminations. Group Treasury is responsible for the Group's Internal Bank, liquidity management and funding. 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)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Net interest income	-5	515	-	18	52	35
Net fee income	-227	-261	-	-57	-47	-
Net trading income	1,421	933	152	993	96	-
Other income	217	7	-	127	83	153
Total income	1,407	1,194	118	1,081	184	-
Operating expenses	2,903	2,416	120	1,521	643	237
Profit before loan impairment charges	-1,497	-1,222	-	-439	-459	-
Loan impairment charges	-5	5	-	-1	1	-
Profit before tax	**-1,491**	**-1,227**	**-**	**-438**	**-460**	**-**

Profit before tax
(DKK millions)

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Index Q4/Q3
Group Treasury*	825	241	-	836	39	-
Own shares and issues*	59	482	12	-51	68	-
Additional tier 1 capital	785	782	100	197	197	100
Group support functions	-3,160	-2,731	-	-1,421	-765	-
Total Other Activities	**-1,491**	**-1,227**	**-**	**-438**	**-460**	**-**

** Eliminations of market making in own issues have been moved from Group Treasury to Own shares and issues. Comparative figures have been restated.*

2019 vs 2018
Other Activities posted a loss before tax of DKK 1,491 million, against a loss before tax of DKK 1,227 million in 2018.

Net interest income amounted to a negative DKK 5 million, against a positive DKK 515 million in 2018. The decrease was caused primarily by differences between actual and allocated funding costs at the Internal Bank, which, among other things, were affected by the increase in liquidity costs attributable to the Estonia case being retained at the Internal Bank rather than being allocated to business units.

Net trading income amounted to DKK 1,421 million, against DKK 933 million in 2018. The increase was due mainly to the gain from the sale of the shareholding in LR Realkredit A/S and positive market value adjustments of the private equity portfolio. The increase was offset partly by the effect of the elimination of lower losses on the Group's holdings of own shares.

Operating expenses amounted to DKK 2,903 million, against DKK 2,416 million in 2018. The increase in 2019 was primarily the result of higher costs for the Estonia case, a DKK 0.4 billion provision for operational risk-related losses and transformation costs. In 2018, operating expenses were affected by the expense for the DKK 1.5 billion donation.

Q4 2019 vs Q3 2019

Other Activities posted a loss before tax of DKK 438 million, against a loss before tax of DKK 460 million in the third quarter of 2019.

Net interest income amounted to DKK 18 million, against DKK 52 million in the third quarter of 2019, driven partly by lower allocated funding costs at the Internal Bank.

Net trading income amounted to DKK 993 million, against DKK 96 million in the third quarter of 2019, due mainly to the gain from the sale of the shareholding in LR Realkredit A/S and positive market value adjustments of the private equity portfolio.

Operating expenses amounted to DKK 1,521 million, against DKK 643 million in the third quarter of 2019. The increase was due primarily to a DKK 0.4 billion provision for operational risk-related losses and higher costs relating to the Estonia case.

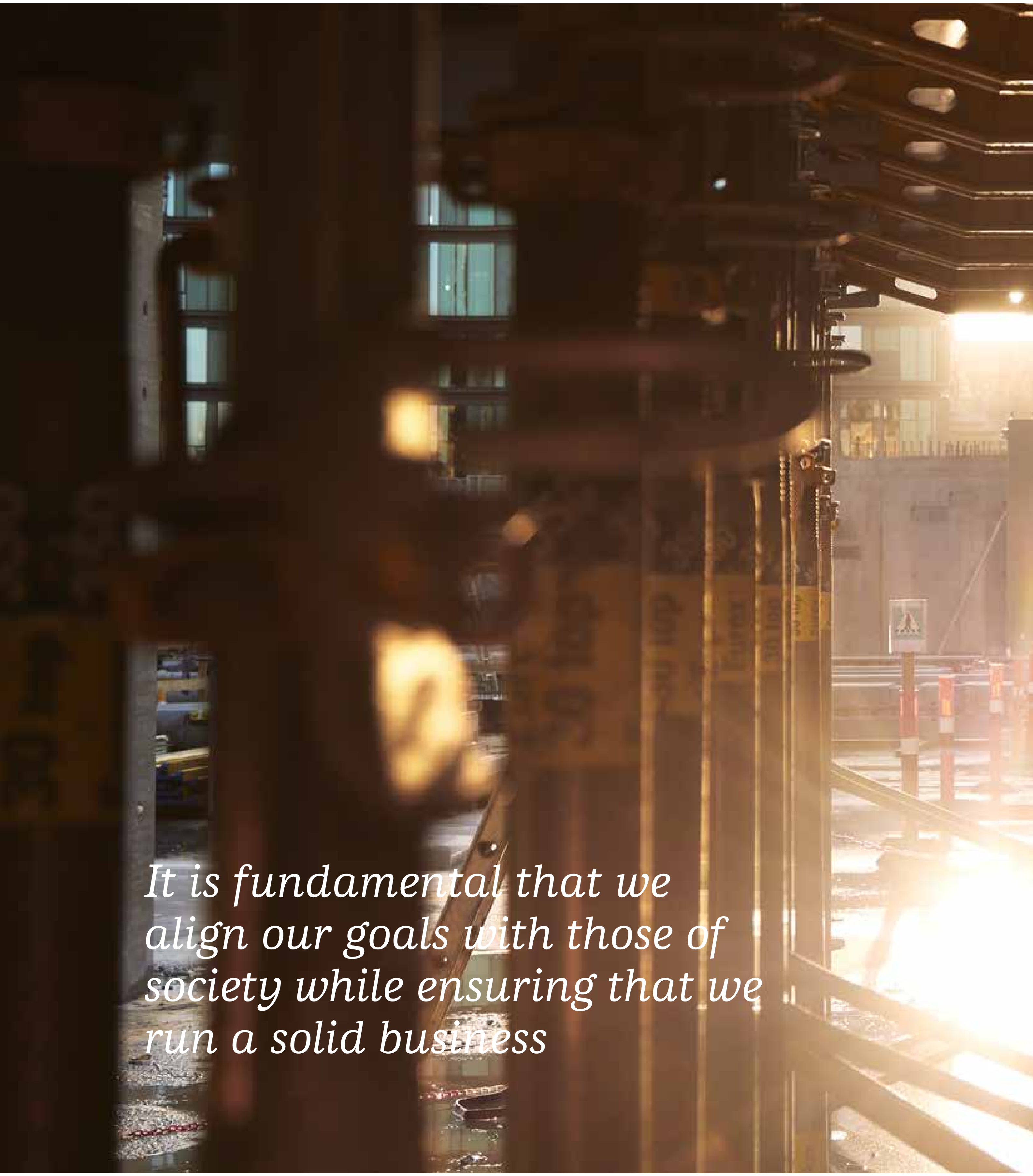
Definition of alternative performance measures

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. However, in the comparative figures for 2018 an adjusting item related to the implementation of IFRS 9 was included. Loans granted by Realkredit Danmark (RD) are measured at fair value (both under IAS 39 and under IFRS 9). After the implementation of IFRS 9, the IFRS 13 estimate of the fair value of the credit risk on RD loans is based on the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The impact from the expected credit loss impairment model on these loans at 1 January 2018 was recognised as a change in an accounting estimate in the IFRS income statement. To recognise the changes in RD due to the expected credit loss impairment model in IFRS 9 similarly to all the other IFRS 9 changes in the Group and to better reflect the actual performance in 2018, the impact is recognised as a reduction in shareholders' equity together with the other changes from the implementation of IFRS 9. Therefore, net profit in the financial highlights for 2018 was DKK 312 million higher than net profit in the IFRS income statement. Note 3 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 8 and in other sections of the Management's report:

Ratios and key figures	Definition
Dividend per share (DKK)	The dividend is the dividend related to net profit for the current year and paid to shareholders the subsequent year. Accordingly, for 2018, it is the dividend paid in 2019.
Earnings per share (DKK)	As IFRS, with the exception that for 2018, the net profit used is the net profit in the financial highlights, see explanation above.
Return on average shareholders' equity (% p.a.)	Net profit as disclosed in the financial highlights divided by the average of the quarterly average shareholders' equity (beginning and end of each quarter) within the year. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the nominator, net profit is reduced by interest expenses of DKK 786 million (2018: DKK 781 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 17,744 million (2018: DKK 18,396 million) compared to a simple average of total equity (beginning and 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. Previously, the sum of loans and deposits end of the period was used as denominator. Prior periods have been restated. If the ratio was calculated applying the sum of loans and deposits end of period, the ratio for 2019 would be 0.79% due to the daily average of the sum of loans and deposits being 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 (%)	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 loans and guarantees	This ratio is calculated on the basis of loan impairment charges and loans and guarantees in core segments. The nominator is the loan impairment charges of DKK 1,516 million from the financial highlights. The denominator is the sum of Loans at amortised cost of DKK 972.1 billion, Loans at fair value of DKK 794.9 billion and guarantees of 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 loans and guarantees	This ratio is calculated on the basis of the allowance account and loans and guarantees in core segments. The nominator is the allowance account of DKK 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 1,022.3 billion, Loans at fair value of DKK 802.6 billion, and guarantees of DKK 68.7 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 22, 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 of lending and deposits 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 2018 included November 2018 data for Finland, Sweden and Norway as December 2018 data was not available at the time of publication of Annual Report 2018. Subsequently, in Interim report – first quarter 2019, the comparative data for market shares in Finland, Sweden and Norway was updated with December 2018 data.



It is fundamental that we align our goals with those of society while ensuring that we run a solid business

Financial statements

Income statement – Danske Bank Group

Note	(DKK millions)	2019	2018
G5	Interest income calculated using the effective interest method	24,754	24,661
G5	Other interest income	45,065	35,106
G5	Interest expense	41,927	30,746
	Net interest income	27,892	29,022
G6	Fee income	16,437	17,312
G6	Fee expenses	6,079	6,932
G5	Net trading income or loss	34,533	-10,237
G7	Gain or loss on sale of disposal groups	1,879	-
G7	Income from holdings in associates	386	451
G7	Other income	4,857	4,777
G8	Net premiums	26,316	25,963
G8	Net insurance benefits	58,106	13,400
G9	Operating expenses	30,960	28,020
G9, G19	Impairment charges on goodwill	1,603	-
	Profit before loan impairment charges	15,551	18,936
G11	Loan impairment charges	1,729	-387
	Profit before tax	13,822	19,322
G21	Tax	-1,249	4,460
	Net profit	**15,072**	**14,862**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	14,285	14,081
	Additional Tier 1 capital holders	786	781
	Net profit	**15,072**	**14,862**
	Earnings per share (DKK)	16.7	16.2
	Diluted earnings per share (DKK)	16.7	16.2
	Proposed dividend per share (DKK)	8.5	8.5

Statement of comprehensive income – Danske Bank Group

Note	(DKK millions)	2019	2018
	Net profit	15,072	14,862
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit pension plans	228	-291
G21	Tax	-21	42
	Items that will not be reclassified to profit or loss	**207**	**-249**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	692	-374
G12	Hedging of units outside Denmark	-324	309
	Reclassified to the income statement on disposal of units outside Denmark	5	-
	Unrealised value adjustments of bonds at fair value (OCI)	9	-21
	Realised value adjustments of bonds at fair value (OCI)	3	-18
G21	Tax	47	-129
	Items that are or may be reclassified subsequently to profit or loss	**432**	**-233**
	Total other comprehensive income	**639**	**-482**
	Total comprehensive income	**15,711**	**14,380**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	14,925	13,599
	Additional Tier 1 capital holders	786	781
	Total comprehensive income	15,711	14,380

Balance sheet – Danske Bank Group

Note	(DKK millions)	2019	2018
	Assets		
	Cash in hand and demand deposits with central banks	99,035	40,997
G14	Due from credit institutions and central banks	105,674	225,600
G12	Trading portfolio assets	495,321	415,818
G13	Investment securities	284,873	276,424
G15	Loans at amortised cost	1,028,011	986,240
G16	Loans at fair value	1,122,048	1,057,340
G17	Assets under pooled schemes and unit-linked investment contracts	111,089	93,988
G18	Assets under insurance contracts	463,816	377,369
G23	Assets held for sale	1,352	60,247
G19	Intangible assets	9,165	11,224
G21	Tax assets	2,987	2,981
G24	Other assets	37,679	30,239
	Total assets	**3,761,050**	**3,578,467**
	Liabilities		
G20	Due to credit institutions and central banks	155,246	248,601
G12	Trading portfolio liabilities	452,202	390,226
G20	Deposits	1,140,726	1,059,119
G16, G22	Issued bonds at fair value	802,501	759,588
G22	Issued bonds at amortised cost	256,355	285,629
G17	Deposits under pooled schemes and unit-linked investment contracts	111,537	97,840
G18	Liabilities under insurance contracts	504,714	417,279
G23	Liabilities in disposal groups held for sale	110	58,467
G21	Tax liabilities	2,172	8,880
G24	Other liabilities	46,191	40,117
G22	Non-preferred senior bonds	87,054	26,353
G22	Subordinated debt	31,733	23,092
	Total liabilities	**3,590,541**	**3,415,191**
	Equity		
	Share capital	8,622	8,960
	Foreign currency translation reserve	-372	-745
	Reserve for bonds at fair value (OCI)	102	90
	Retained earnings	140,590	133,056
	Proposed dividends	7,329	7,616
	Shareholders of Danske Bank A/S (the Parent Company)	156,271	148,976
	Additional tier 1 capital holders	14,237	14,299
G25	**Total equity**	**170,508**	**163,276**
	Total liabilities and equity	**3,761,050**	**3,578,467**

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)							
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 31 December 2018	8,960	-745	90	133,056	7,616	148,976	14,299	163,276
Impact from changes in accounting policies	-	-	-	-288	-	-288	-	-288
Restated 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**

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.

Statement of capital – Danske Bank Group

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)							
(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for bonds at fair value (OCI)	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity as at 1 January 2018	9,368	-681	130	134,076	9,368	152,261	14,339	166,601
Net profit	-	-	-	14,081	-	14,081	781	14,862
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-291	-	-291	-	-291
Translation of units outside Denmark	-	-374	-	-	-	-374	-	-374
Hedging of units outside Denmark	-	309	-	-	-	309	-	309
Unrealised value adjustments	-	-	-21	-	-	-21	-	-21
Realised value adjustments	-	-	-18	-	-	-18	-	-18
Tax	-	-	-	-87	-	-87	-	-87
Total other comprehensive income	**-**	**-65**	**-39**	**-378**	**-**	**-482**	**-**	**-482**
Total comprehensive income	**-**	**-65**	**-39**	**13,530**	**-**	**13,599**	**781**	**14,380**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-784	-784
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Proposed dividends	-	-	-	-7,616	7,616	-	-	-
Share capital reduction	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-48,247	-	-48,247	-37	-48,284
Sale of own shares and additional tier 1 capital	-	-	-	40,181	-	40,181	-	40,181
Share based payments	-	-	-	93	-	93	-	93
Tax	-	-	-	112	-	112	-	112
Total equity as at 31 December 2018	**8,960**	**-745**	**90**	**133,056**	**7,616**	**148,976**	**14,299**	**163,276**

On 5 February 2018, the Group initiated a share buy-back programme of DKK 10 billion. The share buy-back programme was discontinued on 4 October 2018. The total number of shares acquired was 33,769,000 shares for a total amount of DKK 6,930 million.

On 18 April 2018, the share capital was reduced by DKK 408,741,010 through cancellation of 40,874,101 shares from Danske Bank's holding of own shares acquired under the 2017 share buy-back programme.

Statement of capital – Danske Bank Group

Dividend

The Board of Directors is proposing a dividend of DKK 8.50 per share (2018: DKK 8.50), or a total of DKK 7,329 million (2018: DKK 7,616 million) to be paid out of the net profit for the Parent Company of DKK 15,068 million (2018: DKK 14,864 million).

Earnings per share (DKK millions)	2019	2018
Net profit attributable to the shareholders of the parent company	14,285	14,081
Number of shares issued at 1 January	895,953,621	936,827,722
Share capital reduction (share buy-back programme)	33,769,000	40,874,101
Average number of own shares held by the Group (including share buy-back programme)	7,830,142	24,724,690
Average number of shares outstanding	854,354,479	871,228,931
Number of dilutive shares issued for share-based payments	557,291	536,052
Adjusted average number of shares outstanding after share capital reduction, including dilutive shares	**854,911,769**	**871,764,982**
Earnings per share (DKK)	16.7	16.2
Diluted earnings per share (DKK)	16.7	16.2

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. Earnings per share and diluted earnings per share for 2018 have been adjusted as they was previously calculated based on net profit in financial highlights.

Number of shares outstanding	2019	2018
Issued at 31 December 2018	862,184,621	895,953,621
Holding of own shares	8,479,706	41,158,233
Shares outstanding at 31 December 2019	**853,704,915**	**854,795,388**

Holding of own shares	Number 2019	Number 2018	Value 2019	Value 2018
Share buy-back programme	-	33,769,000	-	4,353
Trading portfolio	2,578,835	2,746,086	278	354
Investment on behalf of customers	5,900,871	4,643,147	636	599
Total	**8,479,706**	**41,158,233**	**914**	**5,305**

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. The holding of own shares related to the share buy-back programme consists of the shares that were acquired until the share buy-back programme for 2018 was discontinued on 4 October 2018.

(DKK millions)	Share buy-back programme	Trading portfolio	Investment on behalf of customers	Total 2019	Total 2018
Holding as 1 January	4,353	354	599	5,305	10,336
Acquisition of own shares	-	19,440	328	19,768	48,247
Sale of own shares	-	19,495	57	19,552	40,181
Value adjustment	56	-21	-234	-199	-3,895
Cancellation of own shares	4,409	-	-	4,409	9,201
Holding as at 31 December	**-**	**278**	**636**	**914**	**5,305**

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.

In 2019, the Group did not initiate a share buy-back programme. On 5 February 2018, the Group initiated a share buy-back programme of DKK 10 billion. The programme was discontinued on 4 October 2018 with a total amount of DKK 6.9 billion of shares bought back.

Statement of capital – Danske Bank Group

Total capital and total capital ratio

(DKK millions)	31 December 2019	31 December 2018
Total equity	170,508	163,276
Revaluation of domicile property at fair value	265	269
Tax effect of revaluation of domicile property at fair value	-31	-32
Total equity calculated in accordance with the rules of the Danish FSA	170,741	163,513
Additional tier 1 capital instruments included in total equity	-14,070	-14,133
Accrued interest on additional tier 1 capital instruments	-167	-166
Tax on accrued interest on additional tier 1 capital instruments	37	37
Common equity tier 1 capital instruments	156,541	149,250
Adjustment to eligible capital instruments	-344	-225
IFRS 9 reversal due to transitional rules	1,325	1,544
Prudent valuation	-926	-779
Prudential filters	-178	-356
Expected/proposed dividends	-7,329	-7,616
Intangible assets of banking operations	-6,339	-7,466
Deferred tax on intangible assets	487	201
Deferred tax assets that rely on future profitability, excluding temporary differences	-12	-329
Defined benefit pension plan assets	-1,925	-1,270
Statutory deduction for insurance subsidiaries	-8,439	-5,987
Other statutory deductions	-197	-141
Common equity tier 1 capital	**132,664**	**126,827**
Additional tier 1 capital instruments	23,944	23,677
Tier 1 capital	**156,608**	**150,505**
Tier 2 capital instruments	17,598	9,161
Total capital	**174,206**	**159,666**
Total risk exposure amount	**767,177**	**748,104**
Common equity tier 1 capital ratio (%)	17.3	17.0
Tier 1 capital ratio (%)	20.4	20.1
Total capital ratio (%)	22.7	21.3

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 May 2019, the Group established a so-called structural FX hedge position in SEK, NOK and EUR for the purpose of hedging against adverse currency effects on the Group's capital ratios in accordance with article 352(2) in CRR. The hedge positions will thus reduce the impact on the Group's CET1 capital ratio resulting from changes in the risk exposure amount due to changes in relevant currency rates. At the end of 2019, the hedge positions totalled DKK 29,988 million and effect equity through Other comprehensive income, which at the end for 2019 included a gain of DKK 286 million (see further details in note G12(d).

Risk Management 2019 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)	2019	2018
	Cash flow from operations		
	Profit before tax	13,822	19,322
	Tax paid	-5,245	-5,427
	Adjustment for non-cash operating items	10,369	1,997
	Total	18,946	15,892
	Changes in operating capital		
	Amounts due to/from credit institutions and central banks	-96,693	7,154
	Trading portfolio	-17,527	23,104
	Acquisition/sale of own shares and additional tier 1 capital	-278	-277
	Investment securities	-8,449	43,615
	Loans at amortised cost and fair value	-108,208	-143,218
	Deposits	81,606	12,262
	Issued bonds at amortised cost and fair value	14,533	-117,701
	Assets/liabilities under insurance contracts	988	17,051
	Other assets/liabilities	-11,690	-2,547
	Cash flow from operations	**-126,772**	**-144,665**
	Cash flow from investing activities		
	Acquisition/sale of businesses	1,683	-5,000
	Acquisition of intangible assets	-878	-1,120
	Acquisition of tangible assets	-666	-549
	Sale of tangible assets	12	10
	Cash flow from investing activities	**151**	**-6,659**
	Cash flow from financing activities		
G26	Issue of subordinated debt	11,791	4,748
G26	Redemption of subordinated debt	-3,467	-10,928
G26	Issue of non-preferred senior bonds	59,808	25,816
	Dividends	-7,239	-8,851
	Share buy-back programme*	-	-7,825
	Paid interest on additional tier 1 capital	-787	-784
	Principal portion of lessee lease payments	-729	-
	Cash flow from financing activities	**59,377**	**2,176**
G14	Cash and cash equivalents as at 1 January	264,836	413,593
	Foreign currency translation	2,016	393
	Change in cash and cash equivalents	-67,244	-149,150
	Cash and cash equivalents, end of period	**199,608**	**264,836**
	Cash and cash equivalents, end of period		
	Cash in hand	6,235	8,799
	Demand deposits with central banks	92,800	32,198
	Amounts due from credit institutions and central banks within three months	100,574	223,839
	Total	**199,608**	**264,836**

* Shares acquired under the share buy-back programme are recognised at the settlement date.

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.

On 1 January 2019, the Group implemented IFRS 16, Leases, amendments to various standards (IFRS 9, Prepayment Features with Negative Compensation, Annual Improvements to IFRS Standards 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23), IAS 19, Plan Amendment, Curtailment or Settlement and IAS 28, Long-term Interests in Associates and Joint Ventures) and the interpretation IFRIC 23, Uncertainty over Income Tax Treatments. In the fourth quarter of 2019, the Group has decided to early adopt the amendments to IFRS 9, IAS 39 and IFRS 7 included in IASB's project 'Interest Rate Benchmark Reform. Further, the Group has changed its accounting policy for calculating the provision for health and accident insurance.

Further information on the implementation of changes to accounting policies in 2019, including the impact on the opening balance sheet at 1 January 2019, 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 2018.

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 estimates 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 a significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base-case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The base-case scenario enters with a probability of 60 % (2018: 70%), the upside scenario with a probability of 10 % (2018: 15%) and the downside scenario with a probability of 30 % (2018: 15%). On the basis of these assessments, the allowance account at the end of 2019 amounted to DKK 21.3 billion (2018: 21.2 billion). If the base-case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.7 billion (2018: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 2.4 billion (2018: 3.8 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.5 billion (2018: 0.1 billion) compared to the base case scenario. However, it shall be noted that the expected credit losses in the individual scenarios (i.e. without the weighting) 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 2019, the allowance account would increase by DKK 0.03 billion (2018: DKK 0.05 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 lifetime PD was considered a significant increase in credit risk.

Management applies judgement when determining the need for post-model adjustments. At the end 2019, the post-model adjustments amounted to DKK 4.0 billion (31 December 2018: 4.5 billion). Around half of all the adjustments relate to high-risk industries such as Agriculture and Oil & gas within the Group's Shipping, Oil & Gas exposure, where the Group has no specific expected credit loss models in place, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Remaining adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen where the macroeconomic forecasts used in the models are based on the Danish property market as a whole and adjustments are therefore made to reflect the fact that a further specific downside risk currently exist for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses.

Loan impairment charges in the income statement 2019 amounted to DKK 1,729 million against a reversal of DKK 387 million in 2018. The increase was driven mainly by increased impairments against a few single-name exposures, lower reversals on non-performing loans and the increase in the probability assigned to the downside scenario.

Note G15 and the section on credit risk in the risk management notes provide more details on expected credit losses. At the end of 2019, financial assets covered by the expected credit loss model accounted for about 57% of total assets (2018: 61%).

Fair value measurement of financial instruments

The majority of valuation techniques employ only observable market data. However, certain financial instruments are measured on the basis of valuation techniques that are based on one or more significant unobservable inputs and, therefore, are subject to significant estimates. This includes unlisted shares and certain bonds for which there is no active market. In general, the Group's net profit is only to a limited extent impacted by such estimates as most of the financial assets that is measured on the basis of unobservable data are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the financial assets. On the derivatives portfolio, the Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. At 31 December 2019, the adjustments totalled DKK 1.5 billion (2018: DKK 1.1 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note G33(a) provides more details on fair value measurement of financial instruments.

The Group uses derivatives to hedge the fixed interest rate risk 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. The Group has early adopted the amendments to IFRS 9, IAS 39 and IFRS 7 included in IASB's project 'Interest Rate Benchmark Reform' and for the assessment of effectiveness of such hedges it is assumed that the interest rate benchmark is not altered as a result of the reform. For further information, see note G12(d).

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. The impairment test conducted in 2019 resulted in impairment charges of DKK 0.8 billion on goodwill in FI&C and Capital Markets and DKK 0.8 billion on goodwill in Danica Pension (2018: DKK 0.0 billion). The reasons for the FI&C and Capital Market impairment were an increase in the capital allocated to the unit after implementation of the increase in the capital target from 15% to 16% from 2020 onwards and the expected impact from higher regulatory capital requirements in combination with expectations about persistent cyclical headwinds on FI&C income. Dania Pension goodwill is impaired because of higher solvency capital requirements caused by the impact from the Solvency II regulatory changes with expected effect for Danica Pension's solvency capital requirement level from 2020. Following the impairment charges done in 2019, goodwill amounted to DKK 6.2 billion at 31 December 2019 (31 December 2018: DKK 7.8 billion). As the FI&C and Capital Market goodwill (2018: excess value DKK 22.3 billion) and the Danica Pension goodwill (2018: excess value DKK 0.3 billion) were written down to the recoverable amount, there is no excess value (the amount by which the cash-generating units' recoverable amount exceeds the carrying amount) and changes to the key assumptions applied in the test could cause further impairment. The remaining goodwill of DKK 2.4 billion (2018: DKK 2.4 billion) relates mainly to General Banking and Danske Capital, and the excess value is DKK 3.6 billion (2018: DKK 12.1 billion). Note G19 provides more information on impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured at the present value of expected benefits for each insurance contract. The measurement is based on actuarial computations that rely on estimates of a number of variables, including mortality and disability rates, and on the discount rate. The future mortality rates are based on the Danish FSA's benchmark, while other variables are estimated based on data from the Group's own portfolio of insurance contracts. 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.

Recognition of tax assets and liabilities

The recognition of tax assets and liabilities is subject to judgements and estimates. This includes on the deductibility of certain expense items, transfer pricing in relation to internal transactions and the outcome of ongoing and potential tax investigations. In general, the Group uses the expected value when estimating the impact from the above, except in relation to tax positions with binary outcomes where the most likely outcome is used. In relation to the recognition of deferred tax, management is required 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 are expected to be offset against tax on future profit over the next five years. At 31 December 2019, deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.2 billion (2018: DKK 0.3 billion). 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 (2018: DKK 2.9 billion). Since 2009, Danske Bank has been part of international joint taxation. This automatically runs for ten years and thus expired 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 0.6 billion, 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. The deferred tax liability for recapture of tax loss from international joint taxation recognised at the end of 2018 of DKK 5.8 billion has been reversed leading to an accounting income of DKK 5.2 billion in 2019.

In 2019, the Group implemented IFRIC 23, Uncertainty over Income Tax Treatments. The implementation has not changed the Group's assessment of uncertain tax positions. Note G21 provides more information on tax.

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 2019

	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	Desig-nated	Interest rate hedge *	Total
Assets								
Cash in hand and demand deposits with central banks	99	-	-	-	-	-	-	99
Due from credit institutions and central banks	82	-	-	24	-	-	-	106
Derivatives	-	-	284	-	-	-	10	294
Bonds	121	108	189	54	-	-	-	473
Shares	-	-	12	1	-	-	-	14
Loans	1,026	-	-	319	803	-	2	2,150
Assets under pooled schemes and unit-linked investment contracts	-	-	-	111	-	-	-	111
Assets under insurance contracts	-	-	-	435	-	-	-	435
Total financial assets, 31 December 2019	**1,329**	**108**	**486**	**944**	**803**	**-**	**12**	**3,682**
Total financial assets, 31 December 2018	**1,337**	**74**	**408**	**828**	**795**	**-**	**9**	**3,451**
Liabilities								
Due to credit institutions and central banks	75	-	-	-	-	80	-	155
Trading portfolio liabilities	-	-	450	-	-	-	2	452
Deposits	956	-	-	-	-	185	-	1,141
Issued bonds at fair value	-	-	-	-	-	803	-	803
Issued bonds at amortised cost	251	-	-	-	-	-	5	256
Deposits under pooled schemes and unit-linked investment investment contracts	-	-	-	-	-	112	-	112
Liabilities under insurance contracts ***	-	-	-	-	-	505	-	505
Non-preferred senior bonds	86	-	-	-	-	-	1	87
Subordinated debt	32	-	-	-	-	-	-	32
Loan commitments and guarantees	2	-	-	-	-	-	-	2
Total financial liabilities, 31 December 2019	**1,404**	**-**	**450**	**-**	**-**	**1,683**	**9**	**3,545**
Total financial liabilities, 31 December 2018	**1,282**	**-**	**389**	**-**	**-**	**1,632**	**7**	**3,310**

*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.

** 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.

*** 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:

Sale of operating lease assets where the Group acts as a lessor

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. 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.

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 or loss
- Trading-related income at Capital Markets is presented as Net trading income or loss. 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 or loss

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 or loss
- 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 lines, 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.

The impact of the IFRS 9 expected credit loss impairment model on loans granted by Realkredit Danmark

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

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

At 1 January 2019, the Group implemented IFRS 16 (Leases, amendments to various standards (IFRS 9, Prepayment Features with Negative Compensation, Annual Improvements to IFRS Standards 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23), IAS 19, Plan Amendment, Curtailment or Settlement and IAS 28, Long-term Interests in Associates and Joint Ventures) and the interpretation IFRIC 23, Uncertainty over Income Tax Treatments. The Group has decided to early adopt the amendments to IFRS 9, IAS 39 and IFRS 7 included in IASB's project 'Interest Rate Benchmark Reform. Further, the Group has changed its accounting policy for calculating the provision for health and accident insurance.

The implementation of IFRS 16 and the change of the accounting policy for calculating the provision for health and accident insurance had an impact on the opening balance sheet at 1 January 2019. The impact is shown in the table below. The changes decreased shareholders' equity at 1 January 2019 by DKK 288 million. The income statement for 2018 has been restated to reflect changes due to the implementation of amendments to IAS 12, Income Taxes, see further below.

(DKK millions)	Balance sheet 31 December 2018	IFRS 16	Health and accident	Balance sheet 1 January 2019
Oher assets	30,239	6,424		36,663
Total assets	3,578,467	6,424	-	3,584,891
Liabilities under insurance contracts	417,279		369	417,648
Tax liabilities	8,880		-81	8,799
Other liabilities	40,117	6,424		46,541
Total liabilities	3,415,191	6,424	288	3,421,903
Total equity	**163,276**	**-**	**-288**	**162,988**

The sections below explain the key impacts of the changes in accounting policies implemented.

IFRS 16, Leases

IFRS 16 provides revised principles for lessees, and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. The lease payments associated with short-term leases and leases for which the underlying asset is of low value is recognised in profit and loss as an expense. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, there are no changes to the Group's accounting policy for lessor accounting.

As allowed under the transitional provisions of IFRS 16, the Group uses the cumulative catch up approach. Accordingly, the Group has not restated comparative information. IFRS 16 has increased both assets and liabilities at 1 January 2019 by DKK 6,424 million. The Group has excluded initial direct costs from the measurement of the right-of-use lease asset at the date of initial application, and the Group has relied on the Groups assessment of whether leases are onerous, applying IAS 37 immediately before the date of initial application. There has been no implementation impact on shareholders' equity, however, the Group's capital ratios are reduced by 0.2 percentage points. Right-of-use lease assets and lessee lease liabilities are presented as part of Other assets and Other liabilities, respectively. Lease liabilities recognised in the balance sheet at 1 January 2019 are significantly higher than the operating lease commitments disclosed in Annual Report 2018. This is predominantly due to lease terms being significantly longer under IFRS 16, as the Group is reasonably certain to exercise extension options, and therefore lease terms exceed the non-cancellable period. The Group has used hindsight in determining the lease tem at initial application. At 1 January 2019, the Group's weighted average incremental borrowing rate applied to the lease liabilities was 1.5 % for right-of-use properties and 1.4% for other right-of-use tangible assets.

In the income statement, expenses related to leases are presented as depreciation expenses (part of operating expenses) and interest expenses. As the interest expenses are calculated on the reducing balance of the lease liabilities while the depreciations are made on a straight-line basis, the costs under IFRS 16 are front loaded compared to under IAS 17. Due to this front loading, net profit before tax for 2019, compared with the net profit under IAS 17, decreased by DKK 108 million hereof DKK 83 million interest expenses and DKK 25 million operating expenses. The effect on earnings per share is insignificant.

Amendment to IFRS 9, Financial Instruments

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

Notes – Danske Bank Group

G2. Changes and forthcoming changes to accounting policies and presentation continued

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

Amendment to IFRS 9/ IAS 39, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures

The amendments to IFRS 9/IAS 39 and IFRS 7 cover issues related to the pre-replacement issues following the ongoing Interest Rate Benchmark Reform that could result in discontinuation of hedge accounting relationships. The effective date of the amendments is 1 January 2020 with earlier application permitted. In the fourth quarter of 2019, the Group has early adopted the amendments. The Group uses the option in IFRS 9 to continue to apply hedge accounting using the requirements in IAS 39 and thus the amendments to IAS 39 have been early adopted. The amendments to IAS 39 implies, that for the purpose of the assessment of the prospective hedge effectiveness it shall be assumed that the benchmark reform will not alter the cash flows and that a hedging relationship is not required to be discontinued if the actual results of the effectiveness exceeds the 80%-125% limit. IFRS 7 includes further disclosure requirements, which is presented in note G12(d).

Amendment to IAS 12, Income Taxes

The amendment to IAS 12, Income Taxes, which is part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, requires the income tax consequences of dividends to be recognised in profit or loss if the transactions that generated distributable profit are recognised in profit or loss, and thus not recognised directly in equity. The Group has implemented the clarification at 1 January 2019. The distribution of interest on the Group's equity accounted additional tier 1 capital is deductible for tax purposes, and the tax income is recognised in the income statement when the interest is paid. Comparative information has been restated. The change has decreased tax in the income statement and increased net profit by DKK 173 million and increased distributions to owners by the same amount for 2018 and 2019. There is no impact on earnings per share.

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 considers how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. When uncertainty exists and it is probable that the uncertainty will result in a change in the income tax, the uncertainty is reflected by using either the most likely outcome (if the possible outcomes is binary or are concentrated on one value) or the expected value, calculated as the 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). The implementation had no significant impact on the Group's financial statements.

Change in the accounting for health and accident insurance

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

Retrospective application is impracticable without the use of hindsight and due to lack of data. The cumulative impact is recognised as a reduction in shareholders' equity at 1 January 2019 of DKK 288 million, consisting of an increase in insurance liabilities of DKK 369 million and a decrease in tax liabilities of DKK 81 million. The impact on net profit for 2019 is insignificant.

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

Notes – Danske Bank Group

G2. Changes and forthcoming changes to accounting policies and presentation continued

(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 3, IFRS 7, IFRS 9, IAS 1, IAS 8, IAS 39) that have not yet come into force. Further, several standards were amended to incorporate reference to the revised Conceptual Framework for Financial Reporting that has not yet come into force. The Group has early adopted the changes in IASB's Interest Rate Benchmark Reform, which included amendments IFRS 9, IAS 39 and IFRS 7, see further in section (a) above. The Group has not early adopted any of the other 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.

The standard will be effective 1 January 2021. However, IASB is currently considering targeted amendments to IFRS 17, including deferral of the effective date be by one year to 1 January 2022. IFRS 17 has not yet been adopted by the EU.

The standard may have a significant impact on the financial statements due to the new principles for calculating insurance provisions and for the presentation in the income statement and balance sheet. The Group 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.

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.

On 5 September 2019, the Group announced adjustments to its organisation. Group Development, part of Other Activities, has been dissolved and most of its activities have been transferred to the banking units. The Group's Private Banking activities, which have been part of Wealth Management, have been transferred to the banking units. The new business segments are reflected in the Group's internal and external financial reporting from the fourth quarter of 2019 with restatement of comparative information.

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.

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.

Other Activities encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares and interest on additional tier 1 capital, 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

The financial highlights and the reporting for each segment shown in the tables below are similar to the information provided in the Management's report and represent the financial information regularly provided to management.

An explanation of the items making up the differences between the presentation in the financial highlights and the segment reporting and the presentation in the IFRS financial statements is provided in note G1(d). The reconciliation between the two different presentations is shown in the 'Reclassification' column in the note below.

Changes to the segment reporting in 2019

The segment reporting has been restated to reflect the adjustments to its organisation as announced on 5 September 2019. The Group's Private Banking activities, which have been part of Wealth Management, have been transferred to the banking units (i.e. from Wealth Management to Banking DK and Banking Nordic). Group Development, part of Other Activities, has been dissolved and most of its activities have been transferred to the banking units.

The impact in 2018 on each affected business unit is shown in the table below. Neither the IFRS income statement and balance sheet nor the financial highlights were impacted by the changes.

2018	Adjustment		
(DKK millions)	Banking DK	Banking Nordic	Wealth Management
Net interest income	667	225	-892
Net fee income	964	270	-1,233
Net trading income or loss	95	21	-117
Other income	3	0	-3
Total income	1,728	517	-2,245
Operating expenses	971	294	-1,265
Profit before loan impairment charges	757	223	-980
Loan impairment charges	-31	-2	33
Profit before tax, core	**788**	**225**	**-1,013**
Loans, excluding reverse transactions	59,051	17,986	-77,037
Other assets	41,068	11,030	-52,098
Total assets	**100,119**	**29,016**	**-129,135**
Deposits, excluding repo deposits	47,484	19,059	-66,543
Other liabilities	52,606	9,955	-62,561
Total liabilities	**100,119**	**29,016**	**-129,135**
Net credit exposure (DKK billions)	63.4	21.3	-84.8
Allocated capital	2,797	832	-3,629
Profit before tax as % of allocated capital (avg.)	0.5	0.2	-2.4
Cost/income ratio (%)	0.6	0.5	1.6

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	Reclas-sification	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	6,596	363	-	-227	-	15,895	-5,538	10,357
Net trading income	1,176	280	2,114	-117	110	-	1,417	5	4,985	29,549	34,533
Other income	227	592	8	1,167	14	-	700	-483	2,225	4,897	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	-	3,067	-164	27,548	3,412	30,960
Goodwill impairment charges	-	-	803	800	-	-	-	-	1,603	-	1,603
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	-	163.1	-	64.8	-	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

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.

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the impact on the fair value of loans granted by Realkredit Danmark from the expected credit loss model developed in connection with the Group's implementation of IFRS 9. No such difference exists in 2019.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Business segments 2018

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassifi-cation	IFRS financial statements
Net interest income	9,622	8,183	3,928	-167	1,491	-	415	100	23,571	5,451	29,022
Net fee income	4,363	1,875	2,914	6,119	392	-	-257	-4	15,402	-5,023	10,379
Net trading income	948	323	2,440	-50	82	-	540	394	4,676	-14,913	-10,237
Other income	237	649	7	-197	12	-	143	-137	716	4,512	5,228
Net premiums	-	-	-	-	-	-	-	-	-	25,963	25,963
Net insurance benefits	-	-	-	-	-	-	-	-	-	13,400	13,400
Total income	15,170	11,029	9,289	5,705	1,978	-	841	353	44,365	2,590	46,955
Operating expenses	7,831	5,324	4,689	3,545	1,207	-	2,579	-163	25,011	3,009	28,020
Profit before loan impairment charges	7,339	5,706	4,600	2,161	770	-	-1,738	516	19,354	-419	18,936
Loan impairment charges	-798	-161	278	-	26	-	5	-	-650	263	-387
Profit before tax, core	8,137	5,867	4,322	2,161	744	-	-1,743	516	20,004	-682	19,322
Profit before tax, Non-core	-	-	-	-	-	-282	-	-	-282	282	-
Profit before tax	**8,137**	**5,867**	**4,322**	**2,161**	**744**	**-282**	**-1,743**	**516**	**19,722**	**-400**	**19,322**
Tax	-	-	-	-	-	-	4,548	-	4,548	-88	4,460
Net profit	**8,137**	**5,867**	**4,322**	**2,161**	**744**	**-282**	**-6,292**	**516**	**15,174**	**-312**	**14,862**
Loans, excluding reverse transactions	926,950	600,919	196,096	275	49,043	-	26,623	-30,468	1,769,438	14,122	1,783,560
Other assets	321,904	68,494	2,807,787	567,602	29,164	-	2,894,953	-4,895,221	1,794,683	224	1,794,907
Total assets in Non-core	-	-	-	-	-	14,346	-	-	14,346	-14,346	-
Total assets	**1,248,853**	**669,413**	**3,003,883**	**567,877**	**78,207**	**14,346**	**2,921,576**	**-4,925,689**	**3,578,467**	**-**	**3,578,467**
Deposits, excluding repo deposits	330,124	245,867	260,781	98	62,555	-	6,985	-11,914	894,495	2,399	896,894
Other liabilities	882,558	390,173	2,710,148	554,640	9,550	-	2,897,687	-4,913,775	2,530,982	1,615	2,532,596
Allocated capital	36,172	33,372	32,954	13,138	6,102	-	27,237	-	148,976	-	148,976
Total liabilities in Non-core	-	-	-	-	-	4,014	-	-	4,014	-4,014	-
Total liabilities and equity	**1,248,853**	**669,413**	**3,003,883**	**567,877**	**78,207**	**4,014**	**2,931,909**	**-4,925,689**	**3,578,467**	**-**	**3,578,467**
Profit before tax as % p.a. of allocated capital (avg.)	22.1	17.5	12.9	18.2	10.9	-	-6.1	-	13.0	-	12.8
Cost/income ratio (%)	51.6	48.3	50.5	62.1	61.0	-	306.7	-	56.4	-	59.7
Full-time-equivalent staff, end of period	4,225	2,613	1,858	1,579	1,322	259	8,827	-	20,683	-	20,683

Comparative figures have been restated, as described above.

The difference between the financial highlights and the IFRS financial statements regarding profit before tax and tax corresponds to the impact on the fair value of the loans granted by Realkredit Danmark from the new expected credit loss model developed in connection with the Group's implementation of IFRS 9.

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 2019

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	Reclassification	Financial highlights
Net interest income	27,892	-	-1,095	-4,753	-166	-6,015	21,877
Net fee income	10,357	-	200	5,345	-7	5,538	15,895
Net trading income	34,533	-	1,643	-31,182	-9	-29,549	4,985
Other income	7,122	-3,679	-748	-714	244	-4,897	2,225
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	-3,679	-	486	-219	-3,412	27,548
Goodwill impairment charges	1,603	-	-	-	-	-	1,603
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**

Reclassifications 2018

(DKK millions)	IFRS financial statements	Sale of operating lease assets	FI&C, Capital Markets and Group Treasury	Danica Pension	Non-core	IFRS 9 impact	Reclassific ation	Financial highlights
Net interest income	29,022	-	-918	-4,345	-188	-	-5,451	23,571
Net fee income	10,379	-	226	4,814	-17	-	5,023	15,402
Net trading income	-10,237	-	642	14,278	-6	-	14,913	4,676
Other income	5,228	-2,994	51	-1,567	-2	-	-4,512	716
Net premiums	25,963	-	-	-25,963	-	-	-25,963	-
Net insurance benefits	13,400	-	-	-13,400	-	-	-13,400	-
Total income	46,955	-2,994	-	617	-213	-	-2,590	44,365
Operating expenses	28,020	-2,994	-	617	-632	-	-3,009	25,011
Profit before loan impairment charges	18,936	-	-	-	419	-	419	19,354
Loan impairment charges	-387	-	-	-	137	-400	-263	-650
Profit before tax, core	19,322	-	-	-	282	400	682	20,004
Profit before tax, Non-core	-	-	-	-	-282	-	-282	-282
Profit before tax	19,322	-	-	-	-	400	400	19,722
Tax	4,460	-	-	-	-	88	88	4,548
Net profit	**14,862**	**-**	**-**	**-**	**-**	**312**	**312**	**15,174**

In 2018 there is a difference between the financial highlights and the IFRS financial statement regarding profit before tax and tax, corresponding to the impact on the IFRS 13 estimate of the fair value of loans granted by Realkredit Danmark from the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The line items 'Tax' and 'Net profit for the year' are therefore included for 2018, but as there are no differences in 2019, they are not included in 2019.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Banking DK 2019

(DKK millions)	Retail	Commercial	Total
Net interest income	5,339	3,772	9,111
Net fee income	3,379	1,018	4,397
Net trading income	775	402	1,176
Other income	221	6	227
Total income	9,713	5,198	14,912
Operating expenses	6,296	2,440	8,736
Profit before loan impairment charges	3,417	2,758	6,176
Loan impairment charges	62	-405	-342
Profit before tax	**3,355**	**3,163**	**6,518**
Loans, excluding reverse transactions	547,463	386,024	933,487
Deposits, excluding repo deposits	271,955	86,013	357,967
Net interest income as % p.a. of loans and deposits	0.66	0.81	0.72
Cost/income ratio (%)	64.8	46.9	58.6

Banking DK 2018

(DKK millions)	Retail	Commercial	Total
Net interest income	5,779	3,843	9,622
Net fee income	3,495	868	4,363
Net trading income or loss	628	320	948
Other income	235	2	237
Total income	10,136	5,034	15,170
Operating expenses	5,854	1,977	7,831
Profit before loan impairment charges	4,282	3,057	7,339
Loan impairment charges	-319	-480	-798
Profit before tax	**4,601**	**3,536**	**8,137**
Loans, excluding reverse transactions	542,699	384,251	926,950
Deposits, excluding repo deposits	255,791	74,332	330,124
Net interest income as % p.a. of loans and deposits	0.73	0.84	0.77
Cost/income ratio (%)	57.8	39.3	51.6

Comparative figures have been restated, as described above.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Banking Nordic by country 2019

(DKK millions)	Sweden	Norway	Finland	Other*	Total
Net interest income	3,019	2,238	1,576	1,006	7,839
Net fee income	580	402	1,055	-181	1,857
Net trading income	142	100	47	-8	280
Other income	6	3	24	558	592
Total income	3,747	2,743	2,702	1,375	10,567
Operating expenses	1,791	1,684	2,250	544	6,269
Profit before loan impairment charges	1,956	1,058	453	831	4,298
Loan impairment charges	210	-249	543	7	510
Profit before tax	**1,746**	**1,308**	**-90**	**824**	**3,788**
Loans, excluding reverse transactions	226,946	200,601	151,120	52,427	631,094
Deposits, excluding repo deposits	82,966	95,267	92,042	247	270,522
Net interest income as % p.a. of loans and deposits	1.00	0.78	0.65	2.00	0.89
Cost/income ratio (%)	47.8	61.4	83.3	39.6	59.3

*Other mainly consists of the Group's global asset finance activities, such as lease activities.

Retail	Sweden	Norway	Finland
Net interest income as % p.a. of loans and deposits	0.82	0.55	0.56
Loans, excluding reverse transactions	102,007	133,498	93,415
Deposits, excluding repo deposits	38,645	39,258	62,315

Commercial	Sweden	Norway	Finland
Net interest income as % p.a. of loans and deposits	1.15	1.10	0.81
Loans, excluding reverse transactions	124,939	67,103	57,706
Deposits, excluding repo deposits	44,321	56,010	29,727

Notes – Danske Bank Group

G3. Business model and business segmentation continued

Banking Nordic by country 2018

(DKK millions)	Sweden	Norway	Finland	Other*	Total
Net interest income	3,189	2,349	1,642	1,003	8,183
Net fee income	571	404	1,127	-227	1,875
Net trading income or loss	150	128	49	-4	323
Other income	1	38	42	568	649
Total income	3,911	2,919	2,860	1,339	11,029
Operating expenses	1,624	1,435	1,797	467	5,324
Profit before loan impairment charges	2,287	1,484	1,063	872	5,706
Loan impairment charges	46	-192	-18	3	-161
Profit before tax	**2,240**	**1,676**	**1,081**	**869**	**5,867**
Loans, excluding reverse transactions	229,344	176,566	145,731	49,278	600,919
Deposits, excluding repo deposits	72,177	82,550	90,890	249	245,867
Net interest income as % p.a. of loans and deposits	1.09	0.88	0.71	2.08	0.97
Cost/income ratio (%)	41.5	49.2	62.8	34.9	48.3

*Other mainly consists of the Group's global asset finance activities, such as lease activities.

Retail	Sweden	Norway	Finland
Net interest income as % p.a. of loans and deposits	0.87	0.69	0.64
Loans, excluding reverse transactions	97,882	113,267	93,664
Deposits, excluding repo deposits	36,444	35,214	59,331

Commercial	Sweden	Norway	Finland
Net interest income as % p.a. of loans and deposits	1.26	1.12	0.83
Loans, excluding reverse transactions	131,462	63,300	52,067
Deposits, excluding repo deposits	35,733	47,336	31,560

Comparative figures have been restated, as described above.

Notes – Danske Bank Group

G3. Business model and business segmentation continued

(c) Total income broken down by type of product (DKK millions)	2019	2018
Corporate and commercial banking	13,134	12,991
Home finance and savings	10,774	11,385
Trading	5,492	5,723
Day-to-day banking	3,479	3,904
Asset management	6,967	5,874
Leasing	4,826	4,401
Life conventional	1,504	944
Other	1,937	1,734
Total	**48,114**	**46,955**

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)	2019	2018
Denmark	27,611	25,578
Sweden	6,863	7,317
Norway	5,764	5,331
Finland	4,406	4,194
UK	2,310	2,586
Ireland	173	158
Other	987	1,790
Total	**48,114**	**46,955**

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.

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 (including income from holdings in associates).

2018	Income* (DKK millions)	Full-time-equivalent staff	Profit before tax (DKK millions)	Tax on profit (DKK millions)
Denmark	52,293	10,371	8,940	2,150
Finland	5,187	1,797	1,309	237
Sweden	3,978	1,471	4,459	1,027
Norway	8,706	1,177	2,545	651
United Kingdom	3,138	1,417	1,016	247
Ireland	327	58	164	1
Estonia	179	238	43	-3
Latvia	83	47	22	26
Lithuania	106	2,892	55	1
Luxembourg	1,102	84	201	54
Russia	289	66	63	12
Germany	109	25	54	19
Poland	133	60	64	13
USA	740	24	355	19
India	2	956	38	7
China	-	-	-6	0
Total	**76,371**	**20,683**	**19,322**	**4,460**

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

The comparative information has been restated due to the implementation of the amendments to IAS 12, Income Taxes. For further information, see note G2(a).

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) carried out in all countries, except for mortgage finance activities in Denmark, which are carried out under the Realkredit Danmark A/S name, 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.
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

2019 (DKK millions)	Interest income	Interest expense	Net interest income	Net trading income or loss	Total
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**	**12,776**	**-1,578**	**11,198**
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	-17,987	-10,897
Bonds (investment securities)	477	-	477	24,273	24,750
Issued bonds	-	9,355	-9,335	-	-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 or loss	**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**
2018 (DKK millions)					
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	-298	260	-558	-60	-618
Loans and deposits	22,727	2,964	19,764	-125	19,639
Bonds held to collect (investment securities)	810	-	810	-	810
Issued bonds, including non-preferred senior	-	4,851	-4,851	481	-4,370
Subordinated debt	-	1,671	-1,671	203	-1,468
Other financial instruments	184	56	128	-	128
Total	**23,423**	**9,802**	**13,621**	**499**	**14,120**
Financial portfolios at fair value through OCI					
Bonds held to collect and sell (investment securities)	-89	-	-89	1	-88
Total	**-89**	**-**	**-89**	**1**	**-88**
Financial portfolios at fair value through profit or loss					
Due from/to credit institutions and central banks	-715	1,528	-2,243	-	-2,243
Loans and deposits	15,397	-1,061	16,458	-123	16,335
Trading portfolio assets and liabilities	6,456	-	6,456	-474	5,982
Bonds (investment securities)	612	-	612	-630	-19
Issued bonds	-	9,424	-9,424	-	-9,424
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	117	117
Assets and liabilities under insurance contracts	8,747	5,116	3,631	-9,627	-5,996
Total	**30,497**	**15,007**	**15,490**	**-10,737**	**4,752**
Total net interest and net trading income or loss	**53,831**	**24,809**	**29,022**	**-10,237**	**18,784**
Negative interest income	3,321	3,321	-	-	-
Negative interest expense	2,615	2,615	-	-	-
Income statement - Danske Bank Group	**59,767**	**30,746**	**29,022**	**-10,237**	**18,784**

Notes – Danske Bank Group

G5. Net interest and net trading income or loss continued

In 2019 and 2018, negative interest income and expenses relate primarily to repo transactions. For 2019, negative interest income recognised using the effective interest method amounts to DKK 161 million (2018: DKK 586 million) and negative interest expense recognised using the effective interest method amounts to DKK 846 million (2018: DKK 742 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'.

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 3,467 million (2018: DKK 3,759 million) and foreign exchange adjustments of DKK 1,050 million (2018: DKK 687 million).

Net trading income or loss from insurance contracts includes the return on assets of DKK 53,488 million (2018: DKK -13,251 million), adjustment of additional provisions of DKK -14,563 million (2018: DKK 228 million), adjustment of the collective bonus potential of DKK -2,249 million (2018: DKK 2,379 million) and tax on pension returns of DKK -6,793 million (2018: DKK 1,017 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 2019

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	5,271	-1,091	4,180	4,339	8,519
Pension and Insurance	4,166	-4,019	147	-	147
Money transfers, account fees and cash management	2,696	-47	2,649	1,471	4,120
Lending and Guarantees	2,497	544	3,041	270	3,311
Capital markets	1,264	-924	340	-	340
Total	**15,895**	**-5,538**	**10,357**	**6,079**	**16,437**

Fee income 2018

(DKK millions)	Financial highlights - net fee income	Reclassifications	IFRS - net fee income	Fee expense	IFRS - gross fee income
Investment	5,666	-1,048	4,618	5,262	9,880
Pension and Insurance	3,610	-3,476	134	-	134
Money transfers, account fees and cash management	2,759	-23	2,736	1,452	4,188
Lending and Guarantees	2,126	420	2,546	218	2,764
Capital markets	1,241	-896	346	-	346
Total	**15,402**	**-5,023**	**10,379**	**6,932**	**17,312**

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 2,169 million (2018: DKK 2,002 million) of which DKK 762 million relates to financial instruments not recognised at fair value (2018: 857 million), whereas expenses amounted to DKK 58 million (2018: DKK 27 million). The reclassifications between Financial highlights and IFRS are explained in notes G1(d) and G3(b).

Notes – Danske Bank Group

G7. Gain or loss on sale of disposal groups, Income from 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 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

Gain or loss on sale of disposal groups 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 includes a loss of DKK 238 million from the sale of a portfolio of loans in the Baltics following the exit from those markets.

(b) Other income (DKK millions)	2019	2018
Income from lease assets and investment property	3,665	3,742
Income from real-estate brokerage	111	117
Other income	1,081	918
Total	**4,857**	**4,777**

(c) Further explanation

Income from operating leases primarily includes the proceeds from the sale of operating lease assets. The proceeds from the sale is disclosed in the reclassification table in G3, “sale of operating lease assets”.

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)	2019	2018
Regular premiums, life insurance	4,029	3,544
Single premiums, life insurance	1,254	692
Regular premiums, unit-linked products	11,811	10,960
Single premiums, unit-linked products	7,705	9,044
Premiums, health and accident insurance	1,684	1,692
Reinsurance premiums paid	-106	-112
Change in unearned premiums provisions	-61	143
Total	**26,316**	**25,963**

(b) Net insurance benefits (DKK millions)	2019	2018
Benefits paid	28,005	27,274
Reinsurers' share received	-98	-140
Claims and bonuses paid	2,045	1,966
Change in outstanding claims provisions	158	271
Change in life insurance provisions	26,643	-16,067
Change in profit margin	1,354	96
Total	**58,106**	**13,400**

(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 33,868 million relating to insurance contracts (2018: DKK -5,996 million) and DKK 1,955 million (2018: DKK -3,802 million) relating to net interest income on deposits and own issued bonds and fair value adjustments that are eliminated in the consolidated financial statements.

1 January 2019, the Group has voluntarily changed its accounting policy for calculating the provision for health and accident insurance contracts with a risk coverage period no longer than one year. The impact on net profit for 2019 is insignificant. Notes G2(a) and G18 provides further information.

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)	2019	2018
Staff costs	15,192	14,296
Administrative expenses	9,377	7,946
Donation related to the Estonian case	-	1,500
Amortisation/depreciation and impairment charges of intangible, tangible and right-of-use assets, excluding goodwill impairment charges	6,391	4,277
Total	**30,960**	**28,020**

Goodwill impairment charges of DKK 1,603 million has been presented as a separate line item in the income statement. An impairment loss of DKK 355 million was recognised in 2019 on software development costs (2018: DKK 20 million) and is included in the table above. For further information see note G19.

Staff costs	2019	2018
Salaries	11,535	10,556
Share-based payments	90	93
Pension, defined contribution plans	1,228	1,168
Pension, defined benefit plans	137	217
Severance payments	424	437
Financial services employer tax and social security costs	1,778	1,826
Total	**15,192**	**14,296**

Remuneration Report 2019, which is expected to be published on 9 March 2020 at danskebank,com/remuneration, provides a detailed description of remuneration paid.

Total salary costs amounted to DKK 13.4 billion (2018: DKK 12.5 billion), with variable remuneration accounting for 4.5% of this amount (2018: 5.4%). 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 2019, the net present value of pension obligations was DKK 17,331 million (31 December 2018: DKK 15,801 million), and the fair value of plan assets was DKK 18,891 million (31 December 2018: DKK 16,763 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 2,252 million (2018: DKK 1,592 million) and pension plan net liabilities amounted to DKK 692 million (2018: DKK 631 million).

During 2019, 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 190 million was derecognised and a settlement gain of DKK 62 million was recognised in the third quarter of 2019. A similar project was undertaken in 2018 leading to the derecognition of a pension liability of DKK 271 million and a settlement gain of DKK 32 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 1.6 billion (2018: DKK 1.3 billion). The amount would be recognised under Other comprehensive income.

G10. Audit fees

Audit fees (DKK millions)	2019	2018
Audit firms appointed by the general meeting		
Fees for statutory audit of the consolidated and parent company financial statements	21	20
Fees for other assurance engagements	10	6
Fees for tax advisory services	2	1
Fees for other services	3	5
Total	**36**	**32**

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab (Denmark) to the Group amounted to DKK 8 million (2018: DKK 7 million) and covered various assurance reports, CSR reporting, review procedures with respect to recognition of profit in core capital, and advisory engagements such as crowdsourcing.

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)	2019	2018
ECL impairment on Due from credit institutions and central banks	5	-28
ECL impairment on Loans at amortised cost	1,485	-466
ECL impairment on Loan commitments and guarantees etc.	-22	-85
ECL impairment, total	**1,468**	**-579**
Fair value credit risk adjustment on Loans at fair value	262	192
Total	**1,729**	**-387**

(DKK millions)	2019	2018
Fair value credit risk adjustment on loans at fair value		400
ECL on new assets	3,911	3,085
ECL on assets derecognised	-4,487	-4,027
Impact of net remeasurement of ECL (incl. changes in models)	1,520	484
Write-offs charged directly to income statement	1,614	710
Received on claims previously written off	-563	-749
Interest income, effective interest method	-267	-289
Total	**1,729**	**-387**

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

From 1 January 2018, the IFRS 13 estimate of the fair value of the credit risk on loans granted by Realkredit Danmark is based on the expected credit loss model developed in connection with the Group's implementation of IFRS 9. The impact at 1 January 2018 of DKK 400 million is recognised as a change in an accounting estimate and included in the line item 'Fair value credit risk adjustment on Loans at fair value' in the table above.

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 G32 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)	2019	2018
Derivatives with positive fair value	293,980	244,274
Listed bonds	189,112	166,331
Listed shares	12,028	4,790
Unlisted shares	200	423
Total	**495,321**	**415,818**
(b) Trading portfolio liabilities (DKK millions)		
Derivatives with negative fair value	299,695	240,992
Obligations to repurchase securities	152,507	149,234
Total	**452,202**	**390,226**

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	2019			2018		
(DKK millions)	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards and swaps	6,870,656	63,530	89,231	8,052,099	77,091	95,426
Options	121,710	416	465	134,716	868	875
Interest rate contracts						
Forwards/swaps/FRAs	48,341,153	162,897	152,924	23,760,853	123,338	109,505
Options	4,333,458	52,416	49,857	3,267,783	28,267	26,716
Equity contracts						
Forwards	164,516	851	429	162,809	2,225	2,443
Options	196,937	3,680	4,195	135,822	3,825	3,650
Other contracts						
Commodity contracts	1,318	131	137	3,963	312	318
Credit derivatives bought	2,591	78	240	2,108	374	20
Credit derivatives sold	2,249	160	75	1,992	13	367
Total derivatives excluding derivatives used for hedge accounting		**284,159**	**297,554**		**236,315**	**239,319**
Hedging derivatives						
Currency contracts	42,148	440	77	55,827	123	90
Interest rate contracts	473,864	9,381	2,063	398,908	7,835	1,582
Total derivatives		**293,980**	**299,695**		**244,274**	**240,992**

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. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported in some way. The calculation methodology behind EURIBOR has been amended and is now recognised as being fully compliant with the EU Benchmark Regulation. Further, it is expected that EURIBOR will continue in a foreseeable future. On the majority of the Group's other core markets (Denmark, Sweden and Norway) it is expected that existing rates (CIBOR, STIBOR and NIBOR) will continue to exist in an amended form. However, the Group's hedging activities are also exposed against interest benchmarks that are expected to be replaced by new risk-free rates, notably LIBOR rates. Primarily for the LIBOR benchmark rates, significant uncertainty related to future development and transition exist. The management report section 'New regulation' provides information on how the Group is managing the process to transition to alternative benchmark rates.

In the fourth quarter of 2019, the Group has early adopted the amendments to IAS 39 issued by IASB in September 2019 (Interest Rate Benchmark Reform). The amendments provides reliefs from the 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 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, 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**
Interest rate swaps, 2018	454,735	7,958	1,672	-264

Profile of the timing of the nominal amount of the hedging derivatives (DKK millions)	2019	2018
< 12 months	161,453	122,888
1-5 years	329,171	288,039
> 5 years	25,388	43,808
Total	**516,012**	**454,735**

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	
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, 2019	**42,406**	**381,083**	**1,806**	**7,023**	**-1,589**
2018					
Amounts due from credit institutions	1,010		2		-
Loans	46,623		1,366		-349
Bonds 'held to collect and sell'	2210		140		-17
Amounts due to credit institutions		15,111		23	-60
Deposits		224		-	7
Issued bonds		270,223		4,615	767
Non-preferred senior debt		26,477		286	-286
Subordinated debt		13,441		333	203
Total, 2018	**49,844**	**325,475**	**1,508**	**5,258**	**263**

Hedge ineffectiveness recognised in the income statement, 2019	5
Hedge ineffectiveness recognised in the income statement, 2018	-1

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 33,206 million (2018: 33,367 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 2019, the structural FX hedge totalled DKK 29,988 million and a 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)	2019	2018
Net investment in foreign units	50,274	52,299
Funding arrangements designated as a hedge of net investments in foreign units[1]	20,286	52,299
Portion of net investment in foreign units not hedged, structural FX hedge position	**29,988**	**-**
Hedge ineffectiveness		
Exchange differences on the hedging instruments	-324	309
Exchange differences on the net investment used for recognising hedge ineffectiveness	324	-309
Hedge ineffectiveness recognised in the income statement (net trading income)	-	-
Hedging gains or losses recognised in OCI	-324	-309
Reclassified to the income statement on disposal of foreign units[2]	5	-

1 Primarily included on 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)	2019	2018
Financial assets at fair value through profit or loss		
Listed bonds	54,387	58,602
Listed shares	53	40
Unlisted shares	1,382	1,078
Total financial assets designated at fair value through profit or loss	**55,822**	**59,720**
Bonds hold to collect and sell (FVOCI)		
Listed bonds	107,959	74,284
Total bonds hold to collect and sell (FVOCI)	**107,959**	**74,284**
Total at fair value	**163,781**	**134,004**
Bonds hold to collect (AMC)		
Listed bonds	121,092	142,420
Total investment securities	**284,873**	**276,424**

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 94% of the portfolio is rated AA or higher (2018: 99%), 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.

Due from credit institutions and central banks

(DKK millions)	2019	2018
Due from credit institutions and central banks measured at fair value through profit or loss:		
Reverse transactions	23,634	56,342
Other amounts due	719	636
Total at fair value through profit or loss	**24,354**	**56,978**
Due from credit institutions and central banks measured at amortised cost:		
Other amounts due	81,333	168,637
Allowance account	13	15
Total at amortised cost	**81,320**	**168,622**
Due from credit institutions and central banks, total	**105,674**	**225,600**

Due from credit institutions and central banks includes amounts due within three months and totalled DKK 100,574 million at the end of 2019 (31 December 2018: DKK 223,839 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)	2019	2018
Reverse transactions	4,726	-
Other loans	1,039,364	1,002,152
Allowance account	16,079	15,912
Total at amortised cost	**1,028,011**	**986,240**

Loans included payments due under finance leases of DKK 29,789 million at the end of 2019 (31 December 2018: DKK 28,771 million).

(c) 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.

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 high rate of 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. The base-case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report).

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 entering into the ECL calculation over the forecast horizon are:

Base case scenario – average 2019-2022	Denmark	Finland	Norway	Sweden
GDP	1.5	1.2	2.2	1.2
Industrial Production	2.9	1.4	2.8	1.7
Unemployment	4.0	6.5	2.2	7.6
Inflation	1.4	1.5	2.1	1.6
Private Consumption Expenditure	1.7	1.1	2.2	1.5
Property prices - Residential	2.9	1.1	2.4	1.8
Interest rate - 3 month	-0.36	-0.41	2.04	-0.16
Interest rate - 10 year	-0.48	-0.23	1.34	-0.05

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

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 P/L as a modification gain or loss.

If the original financial asset is derecognised, a derecognition gain or loss is recognised in P/L. 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.

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

(d) Reconciliation of total allowance account

Below the allowance account is reconciled by measurement category. The allowance account under 'Loans at amortised cost' includes the balance sheet line items: Due from credit institutions and Loans at amortised cost. For 'Loans at fair value', the allowance account represents the fair value adjustment of the credit risk (for further information see note G16). 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
	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 2018)*	358	4,145	12,586	524	423	3,013	618	1,009	644	23,319
Transferred to stage 1	798	-736	-62	80	-	-80	140	-120	-20	-
Transferred to stage 2	-33	688	-655	-	123	-123	-6	75	-69	-
Transferred to stage 3	-4	-301	305	-	-	-	-19	-122	141	-
ECL on new assets	164	800	1,383	152	55	104	46	205	176	3,085
ECL on assets derecognised	-263	-894	-2,018	-1	-10	-190	-94	-292	-265	-4,027
Impact of net remeasurement of ECL (incl. changes in models)	-584	334	1,057	-66	-45	-290	-178	146	108	484
Write offs debited to the allowance account	-	-	-1,261	-30	-13	-430	-	-	-	-1,734
Foreign exchange adjustments	-11	-4	-12	-	-	-	-1	-2	-4	-34
Other	12	-12	148	-	-	-12	-	-	-57	79
As at 31 December 2018	**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 at31 December 2019	**469**	**4,140**	**11,483**	**302**	**943**	**1,937**	**544**	**881**	**614**	**21,313**

*Including impact on loans granted by Realkredit Danmark from the implementation of IFRS 9 ECL model at 1 January 2018.

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 (2018: DKK 4 million) relating to bonds at amortised cost or fair value through other comprehensive income (all in stage 1). For further information on the decomposition of the allowance account on facilities in stages 1-3 under IFRS 9, see the notes on credit risk.

(e) Significant accounting estimates related to expected credit losses

For information on significant accounting estimates related to expected credit losses, see note G1(b).

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)	2019	2018
Loans granted by Realkredit Danmark:		
Nominal value	782,991	776,599
Fair value adjustment of underlying bonds	22,770	21,515
Adjustment for credit risk	3,182	3,184
Fair value of loans granted by Realkredit Danmark	**802,579**	**794,930**
Loans in the Group's trading units:		
Reverse transactions	318,348	261,439
Other loans	1,121	971
Total	**1,122,048**	**1,057,340**

(b) Issued bonds at fair value

(DKK millions)	2019	2018
Bonds issued by Realkredit Danmark:		
Nominal value	885,535	848,951
Fair value adjustment of funding of current loans	24,953	22,680
Holding of own mortgage bonds	114,766	130,539
Fair value of bonds issued by Realkredit Danmark	**795,721**	**741,092**
Bonds issued by the Group's trading units:		
Commercial papers and certificates of deposit	6,780	18,496
Total	**802,501**	**759,588**

(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 2019, the Group reversed DKK 2 million regarding changes in the credit risk on loans at fair value (2018: reversed DKK 281 million). At the end of 2019, the accumulated changes in the credit risk amounted to DKK 3,182 million (31 December 2018: DKK 3,184 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 (2018: DKK 37 billion) used for FlexLån® refinancing in January 2020 and bonds of DKK 41 billion (2018: DKK 43 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 2019, the Danish mortgage bond yield spread narrowed, and consequently the fair value of issued mortgage bonds increased about DKK 2.1 billion. In 2018, the Danish mortgage bond yield spread increased, and consequently the fair value of issued mortgage bonds decreased about DKK 1.5 billion. In comparison with the fair value measured at the time of issue of the bonds, the fair value had increased about DKK 4.7 billion at the end of 2019 (31 December 2018: an increase of about DKK 7.5 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 2019, changes in fair value attributable to the Group's own credit risk recognised in Other Comprehensive Income amounted to DKK 0 million (31 December 2018: 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 6,779 million (31 December 2018: DKK 18,495 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)	2019	2018	2019	2018	2019	2018
(a) Assets						
Bonds	18,327	15,962	22,878	14,293	41,205	30,255
Shares	15,471	14,644	3,999	6,695	19,470	21,339
Unit trust certificates	20,275	20,004	25,829	20,540	46,104	40,544
Other	178	-212	4,580	5,915	4,758	5,703
Total	54,251	50,398	57,286	47,443	111,537	97,840
including						
own bonds	-	3,636	-	-	-	3,636
own shares	124	228	14	11	138	239
other intra-group balances	242	-105	69	82	311	-23
Total assets recognised in balance sheet	**53,885**	**46,638**	**57,203**	**47,350**	**111,089**	**93,988**
(b) Deposits	**54,251**	**50,398**	**57,286**	**47,443**	**111,537**	**97,840**

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)	2019	2018
Due from credit institutions	3,780	3,536
Investment securities	484,883	396,554
Holdings in associates	10,223	10,284
Investment property	15,237	13,251
Tangible assets	36	37
Reinsurers' share of provisions	337	393
Other assets	6,106	9,207
Total	520,602	433,262
including		
own bonds	37,522	43,059
own shares	459	340
other intra-group balances	18,805	12,494
Total assets	**463,816**	**377,369**

Investment securities under insurance contracts (DKK millions)	2019	2018
Listed bonds	214,151	195,122
Unlisted bonds	3,488	3,864
Listed shares	11,638	18,694
Unlisted shares	35,888	25,591
Unit trust certificates	114,679	110,453
Other securities	105,039	42,830
Total	**484,883**	**396,554**

(b) Liabilities under insurance contracts (DKK millions)	2019	2018
Life insurance provisions without collective bonus potential	172,018	169,393
Collective bonus potential	13,936	11,687
Provisions for unit-linked insurance contracts	174,026	150,166
Profit margin	2,867	6,195
Other technical provisions	17,608	14,637
Total provisions for insurance contracts	380,455	352,078
Other liabilities	140,173	80,732
Intra-group balances	-15,914	-15,531
Total	**504,714**	**417,279**

Provisions for insurance contracts (DKK millions)	2019	2018
Balance as at 1 January	352,078	298,894
Addition from business acquisition	-	72,485
Transferred to liabilities in disposal group held for sale	-	-4,324
Premiums paid	24,799	24,240
Benefits paid	-28,005	-27,274
Interest added to policyholders' savings	20,225	-5,464
Fair value adjustment	10,003	-325
Foreign currency translation	91	-49
Change in collective bonus potential	2,249	-2,379
Change in profit margin		-3,186
Other changes	-985	-540
Balance as at 31 December	**380,455**	**352,078**

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.

The Group has changed its accounting policy for calculating the provision for health and accident insurance contracts with a risk coverage period no longer than one year. From 1 January 2019, the provision represents the net present value of expected future payments, administrative costs and premiums due to be received during the risk coverage period. Under the previous accounting policy, the provision was calculated using a simplified method and represented the share of gross premiums received that relates to the coverage period after the balance sheet date. Comparative information has not been restated as restrospective application is impracticable without the use of hindsight and due to lack of data. At 1 January 2019, the implementation increased Other technical provisions by DKK 369 million.

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 2019. In December 2017, the Group entered into an agreement to purchase all shares of SEB Pension Danmark. The transaction was finalised on 7 June 2018, from which date SEB Pension Danmark is consolidated in the financial statements of the Group. The acquisition led to an increase in goodwill of DKK 2.4 billion and customer relations of DKK 1.3 billion, see detailed description in note G38. In 2019, the Group recognised impairment charges of DKK 1.6 billion (2018: DKK 0 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)	2019	2018
Goodwill	6,155	7,755
Customer relations	1,121	1,254
Software, acquired or internally developed	1,889	2,214
Total	**9,165**	**11,224**

In 2019, the Group recognised software development costs of DKK 1,680 million as an asset (2018: DKK 1,450 million) and expensed DKK 1,193 million (2018: DKK 2,607 million). An impairment loss of DKK 355 million was recognised in 2019 on software development costs (2018: DKK 20 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 tests conducted in 2019 resulted in impairment charges of DKK 803 million on goodwill in FI&C and Capital Markets and DKK 800 million on goodwill in Danica Pension. The reasons for the FI&C and Capital Market impairment were an increase in the capital allocated to the unit after implementation of the increase in the capital target from 15% to 16% from 2020 onwards and the expected impact from higher regulatory capital requirements in combination with expectations about persistent cyclical headwinds on FI&C income. Danica Pension goodwill is impaired because of higher solvency capital requirements caused by the impact from the Solvency II regulatory changes with expected effect for Danica Pension's solvency capital requirement level from 2020. The impairment test in 2018 did not reveal any impairment loss.

Notes – Danske Bank Group

G19. Intangible assets continued

(DKK millions)	1.January 2018 Goodwill	Addition/ sale	Foreign currency translataion	31 December 2018 Goodwill	Impairment charges	Foreign currency translataion	31 December 2019 Goodwill
C&I, General Banking	508	-	1	509	-	-	509
C&I, FI&C and Capital Markets	2,897	-	9	2,906	803	1	2,104
Wealth Management, Danske Capital	1,809	-	6	1,815	-	1	1,816
Wealth Management, Danica Pension	-	2,427	-	2,427	800	-	1,627
Others	133	-34	-1	98	-	1	99
Total	**5,347**	**2,393**	**15**	**7,755**	**1,603**	**3**	**6,155**

Model applied in the goodwill impairment tests for 2019 and 2018

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. In the impairment test for 2019, the capital framework was updated with the impact from implementation of CRR2/C21 and higher regulatory capital requirements, which increased risk exposure amounts. Further, the capital target was increased from 15% to 16%. This led to an increase in the capital allocated to the cash-generating units compared to the impaiment test for 2018.

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. 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 9% after tax in the 2018 test to 8% after tax in the 2019 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 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% (2018: 1.7%), for Danica Pension the rate is 0% (2018: 0%), and for General Banking as well as for FI&C and Capital Markets, the rate is 1.6% (2018: 1.7%). Around 74% of the net present value of future cash flows is expected to be generated in the terminal period (2018: 75%).

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 2024 (2018: 2021). 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. 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 based on a more customer driven income focus the first years and with the growth in GDP over the following years.

From 2020-2023 *operating expenses* is expected to increase per year based on projections. 2024 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. 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 2020-2023, *fee and trading income* are forecasted with actual projections, whereas 2024 has been forecasted with the growth in GDP. Projections are based on expected fee and trading income for 2019, which were affected by challenging market conditions. In addition, income is impacted by interest on calculated equity and funding cost, which is presented as part of net trading income in FI&C and Capital Markets. 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 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 capital consumption are the increase in the capital target from 15% to 16% and the expected impact from implementation of higher regulatory capital requirements.

From 2020-2023 *operating expenses* is expected to increase per year based on projections. 2024 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. The average margin on assets under management is expected to be 0.34% (2018: 0.35%). The budgeted average margin on assets under management is in line with the realised margin for 2019. The average margin is among others affected 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. 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% (2018: 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 2,482 million (2018: DKK 10,859 million). The decline in excess value is mainly due to higher allocated capital and lower net interest income. The increase in allocated capital is caused by the raised capital target from 15% to 16% and the impact from implementation of CRR2/CR21 and higher regulatory capital requirements, which at the same time has reduced net interest income due to higher capital consumption. Further, net interest income is expected to decline as a result of continuing negative overnight money market interest rates until 2024 (2018: 2021) and higher funding costs. In addition, higher expected credit losses has also contributed to the reduction of the excess value. If the growth in the terminal period is reduced from 1.6% to -0.6% or the discount rate is increased from 8.0% to 8.7% the excess value would be zero.

For *FI&C and Capital Markets*, there is no excess value as the goodwill is written down to the recoverable value in 2019 (2018: DKK 22,327 million). The impairment is mainly due to expectations about higher allocated capital. Sensitivity calculations shows that if the expected increase in allocated capital in the terminal period is increased by 1% to 2.4%, a further impairment loss of the remaining goodwill amount of DKK 2.1 billion would have been recognised. If the discount rate is increased by 1% to 9% or the growth in the terminal period is reduced by 1% to 0.6%, a further impairment loss of the remaining goodwill amount of DKK 2.1 billion would have been recognised.

For *Danske Capital*, the excess value amounts to DKK 1,069 million (2018: DKK 1,279 million). The excess value is particularly sensitive to the assumption about the average margin on assets under management, as a decrease from 0.34% to 0.25% would imply that the excess value is zero. For the other assumptions, the excess value would be zero if the discount rate was increased by 3.5 percentage points to 11.5% (2018: 4.7 percentage points to 13.7%), or the growth rate in the terminal period is lowered from 1.4% to -4.3% (2018: from 1.7% to -6.4%).

For *Danica Pension*, there is no excess value as the goodwill is written down to the recoverable value in 2019 (2018: DKK 297 million). The impairment is primarily caused by a regulatory driven increase in Danica Pensions solvency capital requirements. Sensitivity calculations show that an increase of the solvency capital requirement of DKK 1 billion at the end of 2019, would increase impairment by the same amount. If the growth in the terminal period is reduced from 0% to -1.0% or the discount rate is increased from 8.0% to 9.0%, a further impairment loss of DKK 1.1 billon and DKK 1.4 billion, respectively, 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)	2019	2018
Designated at fair value:		
Repo transactions	56,078	99,935
Other amounts due	23,799	86,162
Total designated at fair value	**79,877**	**186,097**
Amortised cost:		
Repo transactions	-	21
Other amounts due	75,369	62,483
Total amortised cost	**75,369**	**62,504**
Total	**155,246**	**248,601**

(b) Deposits (DKK millions)	2019	2018
Designated at fair value:		
Repo transactions	176,193	162,225
Time deposits	8,563	9,366
Total designated at fair value	**184,755**	**171,591**
Amortised cost:		
Repo transactions	-	-
Transaction accounts	879,932	785,968
Time deposits	60,130	86,500
Pension savings etc.	15,908	15,060
Total amortised cost	**955,970**	**887,528**
Total	**1,140,726**	**1,059,119**

(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 79.9 billion (31 December 2018: DKK 185.4 billion) for Due to credit institutions and central banks and DKK 184.8 billion (31 December 2018: DKK 171.6 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 internation 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	
	2019	2018	2019	2018
Current tax charge	2,604	2,435	164	1,011
Deferred tax	383	546	2,008	7,869
Total tax	**2,987**	**2,981**	**2,172**	**8,880**

(b) Change in deferred tax (DKK millions)

2019	1 January	Changes between categories*	Foreign currency translation	Additions on acquisition of business	Included in profit for the year	Included in shareholder s' equity	31 December
Intangible assets	387	-	-1	-	-123	-	263
Tangible assets	511	900	3	-	514	13	1,941
Securities	387	-	-	-	-384	5	8
Provisions for obligations	129	-140	16	-	328	-21	312
Tax loss carry forwards	-291	-	-12	-	133	-	-170
Recapture of tax loss	5,806	-	-	-	-5,806	-	-
Other	396	-760	-6	-	-298	-60	-728
Total	**7,323**	**-**	**-**	**-**	**-5,636**	**-63**	**1,625**
2018							
Intangible assets	-201	-	1	-	98	489	387
Tangible assets	2,176	-	-2	124	-1,787	-	511
Securities	13	-	-	-	374	-	387
Provisions for obligations	157	-	-4	-258	276	-42	129
Tax loss carry forwards	-335	-	4	-	40	-	-291
Recapture of tax loss	5,833	-	-	-	-27	-	5,806
Other	-496	-	4	34	892	-38	396
Total	**7,145**	**-**	**3**	**-100**	**-134**	**409**	**7,323**

* The distribution of deferred tax between categories at the end of 2018 has been adjusted.

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 (31 December 2018: DKK 2.9 billion).

Recapture of tax loss consists of the full deferred tax liability arising from international joint taxation. Since 2009, Danske Bank has been part of international joint taxation. This automatically runs for ten years and thus expired 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. The deferred tax liability for recapture of tax loss from international joint taxation of DKK 5,806 million has been 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 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 changes in shareholders' equity, including impact from changes in accounting policies	-	-	-	-	-	-	-	-
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
Change in deferred tax charge as a result of lowered tax rate	-	-	-	-	-	-	-	-
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	24.7	22.2
Non-recognised tax loss	-	-	-	-	-	-12.5	-	-0.1
Non-taxable income	-8.1	-16.9	-0.1	-0.6	-0.4	-	-1.0	-5.1
Non-deductible expenses	8.8	0.9	0.3	0.3	2.2	-	1.9	4.6
Tax on profit for the year	**22.7**	**4.0**	**21.6**	**24.7**	**28.9**	**-**	**25.6**	**21.6**
Adjustment of prior-year tax charges	-2.4	-6.8	0.3	-0.2	3.9	38.6	2.2	-0.7
Adjustment recognised tax loss		-	-	-	-	-	-	-
Exit from International Joint Taxation	-78.6	-	-	-	-	-		-37.8
Provision for deferred tax on financial instruments measured at amortised cost*	16.5	-	-	-	-	-	-	7.9
Effective tax rate	**-41.8**	**-2.8**	**21.9**	**24.5**	**32.8**	**38.6**	**27.8**	**-9.0**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	9	-	38	-	-68	-	-	-21
Hedging of units outside Denmark	47	-	-	-	-	-	-	47
Unrealised value adjustments of bonds	-	-	-	-	-	-	-	-
at fair value (OCI)	-	-	-	-	-	-	-	-
Realised value adjustments of bonds	-	-	-	-	-	-	-	-
at fair value (OCI)	-	-	-	-	-	-	-	-
Total	56	-	**38**	-	**-68**	-	-	**26**

* 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 previous page.

Notes – Danske Bank Group

G21. Tax continued

Tax 2018 (DKK millions)	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	2,179	237	1,030	638	247	13	116	4,460
Tax on other comprehensive income	-126	-	33	-	6	-	-	-87
Tax on changes in shareholders' equity, including impact from changes in accounting policies	-446	-	-	-	-	-	-	-446
Tax on profit for the year								
Current tax charge	2,229	223	1,041	560	220	-	104	4,377
Transferred to other comprehensive income	126	-	-33	-	-6	-	-	87
Change in deferred tax	-79	14	19	78	80	11	14	137
Adjustment recognised tax loss	-	-	-	-	-26	-11	-	-37
Adjustment of prior-year tax charges	-97	-	-1	-	-21	1	10	-108
Change in deferred tax charge as a result of lowered tax rate	-	-	4	-	-	-	-	4
Total	**2,179**	**237**	**1,030**	**638**	**247**	**1**	**128**	**4,460**
Effective tax rate %								
Tax rate	22.0	20.0	22.0	25.0	24.5	12.5	24.0	22.3
Non-recognised tax loss	-	-	-	-	-	-12.5	-	-
Non-taxable income	-4.0	-2.0	-	-0.6	-1.4	-	-8.5	-2.4
Non-deductible expenses	6.8	0.1	0.7	1.2	3.1	-	1.4	3.7
Tax on profit for the year	**24.8**	**18.1**	**22.7**	**25.6**	**26.2**	**-**	**16.9**	**23.6**
Adjustment of prior-year tax charges	-1.1	-	-	-	-	-	1.8	-0.5
Adjustment recognised tax loss	-	-	-	-	-1.9	0.4	-	
Change in deferred tax charge as a result of lowered tax rate	-	-	0.4	-	-	-	-	-
Effective tax rate	**23.7**	**18.1**	**23.1**	**25.6**	**24.3**	**0.4**	**18.7**	**23.1**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	3	-	33	-	6	-	-	42
Hedging of units outside Denmark	-129	-	-	-	-	-	-	-129
Unrealised value adjustments of bonds								-
at fair value (OCI)	-	-	-	-	-	-	-	-
Realised value adjustments of bonds	-							-
at fair value (OCI)	-	-	-	-	-	-	-	-
Total	**-126**	**-**	**33**	**-**	**6**	**-**	**-**	**-87**

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)	2019	2018
Bonds issued by Realkredit Danmark (covered bonds)	795,721	741,092
Commercial papers and certificates of deposits	6,780	18,496
Issued bonds at fair value, total	**802,501**	**759,588**

In 2019, Realkredit Danmark issued bonds under the Group's green bond framework with a nominal value of DKK 812 million outstanding at the end of 2019.

Issued bonds at amortised cost

(DKK millions)	2019	2018
Commercial papers and certificates of deposits	4,043	1,864
Preferred senior bonds	70,395	91,087
Covered bonds	181,918	192,679
Issued bonds at amortised cost, total	**256,355**	**285,629**
Non-preferred senior bonds	87,054	26,353

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	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**

Nominal value (DKK millions)	1 January 2018	Issued	Redeemed	Foreign currency translation	31 December 2018
Commercial papers and certificate of deposits	101,319	178,925	262,333	2,448	20,359
Preferred senior bonds	127,630	3,535	39,275	2,051	93,941
Covered bonds	174,911	34,885	20,056	-1,172	188,568
Non-preferred senior bonds	-	26,066	-	375	26,441
Other issued bonds	**403,859**	**243,411**	**321,663**	**3,702**	**329,309**

At the end of 2018, covered bonds include issued junior covered bonds in Realkredit Danmark A/S of DKK 6.0 billion, which are excluded in the Funding and liquidity section of the Management's report. At the end of 2019, no junior covered bonds were outstanding. In March 2019, the Group issued non-preferred senior bonds in accordance with the Group's green bond framework with a nominal value of EUR 500 million (DKK 3,735 million), which in the table is included under non-preferred senior bonds.

Broken down by maturity

(DKK millions)	2019	2018
Redeemed bonds 2019		77,114
2020	71,501	62,585
2021	58,796	51,267
2022 or later	219,183	138,343
Nominal value of other issued bonds	349,481	329,309
Fair value hedging of interest rate risk	6,611	4,905
Premium/discount	211	-653
Own holding of bonds issued	6,113	3,083
Total other issued bonds	**350,190**	**330,478**

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 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**

Nominal value (DKK millions)	1 January 2018	Issued	Redeemed	Foreign currency translation	Other changes	31 December 2018
Subordinated debt, excluding liability accounted additional tier 1 capital	24,052	-	10,911	-10	-	13,132
Liability accounted additional tier 1 capital	4,655	4,891	-	236	-	9,782
Total subordinated debt	**28,707**	**4,891**	**10,911**	**226**	**-**	**22,914**

Currency	Borrower	Note	Nominal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2019 (DKK m)	2018 (DKK m)
Subordinated debt, excluding liability accounted additional tier 1 capital									
Redeemed loans 2019									3,517
DKK	Danske Bank A/S	a	1,150	4.13	2013	09.12.2025	100	1,150	1,150
CHF	Danske Bank A/S	b	150	3.125	2013	18.12.2025	100	1,031	997
EUR	Danske Bank A/S	c	500	2.75	2014	19.05.2026	100	3,735	3,734
EUR	Danica Pension	d	500	4.375	2015	29.09.2045	100	3,735	3,734
EUR	Danske Bank A/S	e	750	2.5	2019	21.06.2029	100	5,602	-
SEK	Danske Bank A/S	f	1,000	var.	2019	14.11.2029	100	716	-
EUR	Danske Bank A/S	g	750	1.375	2019	12.02.2030	100	5,602	-
Subordinated debt, excluding liability accounted additional tier 1 capital								**21,571**	**13,132**
Liability accounted additional tier 1 capital									
Redeemed loans 2019									-
USD	Danske Bank A/S	h	750	6.125	2017	Perpetual	100	5,007	4,891
USD	Danske Bank A/S	i	750	7.0	2018	Perpetual	100	5,007	4,891
Liability accounted additional tier 1 capital								**10,014**	**9,782**
Nominal subordinated debt								31,585	22,914
Discount								-191	-90
Fair value hedging of interest rate risk								377	309
Own holding of subordinated debt								-37	-41
Total subordinated debt								**31,733**	**23,092**
Portion included in total capital as additional tier 1 or tier 2 capital instruments								**27,473**	**18,705**

Total capital further includes DKK 14.2 billion (31 December 2018: 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 December 2020. If the debt is not redeemed, the annual interest rate will be reset at 2.45 percentage points above the 5-year DKK swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

b Optional redemption in December 2020. If the debt is not redeemed, the annual interest rate will be reset at 2.15 percentage points above the 5-year CHF swap rate for the remaining five years until maturity. CRR compliant tier 2 capital.

c 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.

d 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.

e 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.

f 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.

g 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.

h 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.

i 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 and Liabilities in disposal groups

Assets held for sale and Liabilities in disposal groups held for sale includes assets and liabilities that falls under IFRS 9.

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)	2019	2018
Danica Pension Försäkringsaktiebolag		58,901
Loans held for sale	938	944
Other	414	402
Total	**1,352**	**60,247**

At the end of 2019, Liabilities in disposal groups consist of deposits to personal customers in Lithuania and Latvia. At the end of 2018, Liabilities in disposal groups consist of deposits under unit-linked contracts and insurance liabilities in Danica Pension Försäkringsaktiebolag.

(a) Further explanation

In December 2018, Danica Pension entered into an agreement to sell Danica Pension Försäkringsaktiebolag. The sale was conditional on approval by relevant authorities. After final approval, the sale settled in May 2019. The sale resulted in a gain of DKK 1,350 million.

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 are expected to settle in first half of 2020. At the end of 2018, loans held for sale consists of a portfolio of non-performing loans that was sold with settlement in the first quarter of 2019.

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.

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

Notes – Danske Bank Group

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 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, inticial 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)	2019	2018
Other assets		
Accrued interest and commissions due	731	1,098
Prepayments, accruals and other amounts due	17,627	16,233
Defined benefit pension plan, net assets	2,252	1,592
Investment property	2,644	3,167
Tangible assets	8,450	7,768
Right of use lease assets	5,634	-
Holdings in associates	341	381
Assets held for sale	-	-
Total	**37,679**	**30,239**
Other liabilities		
Sundry creditors	28,585	27,217
Accrued interest and commissions due	6,833	7,159
Defined benefit pension plans, net liabilities	692	631
Other staff commitments	1,993	2,960
Lease liabilities	5,526	-
Loan commitments and guarantees etc.	2,039	2,058
Reserves subject to a reimbursement obligation	13	18
Liabilities in disposal groups held for sale	110	-
Other provisions, including litigations	401	76
Total	**46,191**	**40,117**

(a) Further explanation

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 G31.

Right-of-use lease assets includes domicile property (DKK 4,650 million) and other tangible assets (DKK 984 million). The depreciation charge is respectively DKK 730 million and DKK 109 million in 2019. The interest expense on the corresponding lease liability is DKK 83 million in 2019. There are no comparatives, as the accounting standard IFRS 16 was implemented on 1 January 2019. Refer to note G2 for a description of the implementation of IFRS 16. There has been no significant impairment losses of the right-of-use lease assets in 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 179 million (2018: DKK 209 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 G31 provides more information. There was no write-down in 2019, nor in 2018. The fair value of the properties was DKK 324 million (31 December 2018: DKK 383 million). The required rate of return of 7.8% (2018: 7.9%) was determined in accordance with Danish FSA rules.

Sundry creditors includes a provision of DKK 1.5 billion relating to the donation of the estimated gross income from the non-resident portfolio at the Estonian branch. Information on defined benefit plans and holdings in associates is provided in notes G9 and G38, respectively.

Other provisions, including litigations includes the net present value of estimated future costs to restore lease assets, at the end of the lease term of DKK 339 million (2018: DKK 0 million). The provision is recognised as part of the implementation of IFRS 16, Leases, at 1 January 2019.

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 2019, the nominal value of issued additional tier 1 capital in Danske Bank Group amounted to DKK 24,219 million (2018: DKK 23,983 million) of which DKK 14,205 million (2018: DKK 14,201 million) is accounted for as equity instruments and DKK 10,014 million (2018: 9,782 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 1 million (2018: DKK 0 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	2019 (DKK m)	2018 (DKK m)
Equity accounted additional tier 1 capital								
EUR	Danske Bank A/S	a	750	5.750	2014	Perpetual	5,602	5,600
EUR	Danske Bank A/S	b	750	5.880	2015	Perpetual	5,602	5,600
DKK	Danske Bank A/S	c	3,000	var.	2016	Perpetual	3,000	3,000
Equity accounted additional tier 1 capital							**14,205**	**14,201**

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.

a. Interest is paid semi-annually at an annual rate of 5.750. If certain criteria are fulfilled, including approval by the Danish FSA, the bonds may be redeemed at par from April 2020. If the bonds are not redeemed, the annual interest rate will be reset at 4.64 percentage points above the 6-year EUR swap rate every sixth 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 semi-annually at an annual rate of 5.880. 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.

c. 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)	2019	2018
Income from holdings in associates	-386	-451
Amortisation/depreciation of intangible, tangible and right-of-use assets	7,591	4,010
Loan impairment charges	1,729	-387
Other	1,435	-1,175
Total	**10,369**	**1,997**

Reconciliation of liabilities from financing activities		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**

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 2019, lease liabilities amounted to DKK 5,526 million (1 January 2019: DKK 6,120 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 during 2019. Other changes are non-cash changes, which primarily consists of interest expenses, new leases, terminated leases and modifications of existing leases.

		Cash Flows		Non-Cash Changes		
(DKK millions)	1 January 2018	Issued	Redeemed	Foreign exchange movement	Fair Value changes	31 December 2018
Subordinated debt	**29,120**	**4,748**	**10,928**	**386**	**-234**	**23,092**
Non-preferred senior bonds	**-**	**25,816**		**375**	**162**	**26,353**

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.

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)	2019	2018
Financial guarantees	4,661	6,513
Other guarantees	64,403	77,204
Total	**69,064**	**83,717**

(b) Commitments

(DKK millions)	2019	2018
Loan commitments shorter than 1 year	204,610	183,767
Loan commitments longer than 1 year	174,211	161,350
Other unutilised loan commitments	283	282
Total	**379,104**	**345,399**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 213 billion (31 December 2018: DKK 205 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

(c) Regulatory and legal proceedings

Estonia matter

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

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

In November 2018, Danske Bank was preliminary charged by the Danish State Prosecutor for Serious Economic and international Crime ("SØIK") with violating the Danish AML Act on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016.

In 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 realting to certain transtions int the terminated portfolio of non-resident customers of the Bank's Estonian branch, amounting to around DKK 160 million and performed between 2007 and 2014. The Bank has posted bail in the amount of DKK 80 million.

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

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

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

Notes – Danske Bank Group

G27. Contingent liabilities continued

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. 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 14 March 2019 (168), October 2019 (64) and in January 2020 (9), 241 separate cases were initiated against the Bank with a total claim amount of approximately DKK 6.3 billion. On 27 December 2019, a separate claim was filed by 63 investors against Danske Bank with a total claim amount of approximately DKK 1.3 billion. These court actions filed with the Copenhagen City Court relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and alleged failure to timely inform the market of such violations. 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.

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 cooperates fully with SØIK. 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.

(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 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).

	2019		2018	
(DKK millions)	Within 1 year	After 1 year	Within 1 year	After 1 year
Assets				
Cash in hand and demand deposits with central banks	99,035	-	40,997	-
Due from credit institutions and central banks	104,946	728	224,955	645
Trading portfolio assets	247,119	248,202	230,744	185,074
Investment securities	59,865	225,008	81,002	195,423
Loans at amortised cost	294,631	733,380	331,871	654,369
Loans at fair value	338,701	783,347	285,133	772,207
Assets under pooled schemes and unit-linked investment contracts	-	111,089	-	93,988
Assets under insurance contracts	6,100	457,716	11,172	366,197
Intangible assets	-	9,165	-	11,224
Tax assets	2,604	383	2,435	546
Other assets	19,710	19,321	77,579	12,908
Total	**1,172,711**	**2,588,338**	**1,285,888**	**2,292,579**
Liabilities				
Due to credit institutions and central banks	145,747	9,500	218,339	30,263
Trading portfolio liabilities	78,911	373,291	74,244	315,982
Deposits	282,460	858,266	255,429	803,690
Issued bonds at fair value	198,060	604,441	184,809	574,778
Issued bonds at amortised cost	71,652	271,758	61,414	250,568
Deposits under pooled schemes and unit-linked investment contracts	9,015	102,522	16,722	81,118
Liabilities under insurance contracts	25,946	478,768	104,039	313,240
Tax liabilities	164	2,008	1,011	7,869
Other liabilities	40,070	6,231	97,935	649
Subordinated debt	2,191	29,543	3,544	19,548
Total	**854,216**	**2,736,326**	**1,017,486**	**2,397,704**

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.

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		-	-	-
Issued bonds at fair value	95,588	5,019	106,816	473,383	204,351
Issued bonds at amortised cost	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**

2018 (DKK millions)	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	186,712	29,743	2,985	30,111	996
Deposits	991,709	41,654	8,419	9,230	8,697
Repurchase obligation under reverse transactions	149,235		-	-	-
Bonds issued by Realkredit Danmark	73,539	7,896	114,781	467,110	201,918
Other issued bonds	8,919	1,580	51,787	242,509	28,093
Subordinated debt	88	177	4,351	10,487	13,134
Other financial liabilities	2,889	2,162	11,671	27,122	53,997
Financial and loss guarantees	83,717				
Loan commitments shorter than 1 year	183,767	-	-	-	-
Loan commitments longer than 1 year	161,350	-	-	-	-
Other unutilised loan commitments	282	-	-	-	-
Total	**1,842,206**	**83,212**	**193,994**	**786,568**	**306,834**

(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.

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	2019		2018	
(DKK millions)	Bonds	Shares	Bonds	Shares
Carrying amount of transferred assets				
Repo transactions	186,473	-	245,428	-
Securities lending	-	1,487	-	1,777
Total transferred assets	**186,473**	**1,487**	**245,428**	**1,777**
Repo transactions, own issued bonds	43,322	-	15,346	-
Carrying amount of associated liabilities	232,271	1,565	262,181	1,866
Net positions	**2,476**	**78**	**1,407**	**89**

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 2019, the Group had deposited DKK 8.6 billion worth of securities as collateral with Danish and international clearing centres and other institutions (31 December 2018: DKK 9.8 billion).

At the end of 2019, the Group had provided DKK 107.4 billion worth of cash and securities as collateral for derivatives transactions (31 December 2018: DKK 74.1 billion).

At the end of 2019, the Group had registered DKK 450.9 billion worth of assets (including bonds and shares issued by the Group) under insurance contracts (31 December 2018: DKK 410.1 billion) as collateral for policyholders' savings of DKK 437.4 billion (31 December 2018: DKK 399.5 billion).

At the end of 2019, the Group had registered loans at fair value and securities worth a total of DKK 816.8 billion (31 December 2018: DKK 811.6 billion) as collateral for bonds issued by Realkredit Danmark. Note G16 provides additional information. Similarly, the Group had registered DKK 294.6 billion worth of loans and other assets (31 December 2018: DKK 310.2 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'.

	2019			2018		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	43,230	43,230	-	38,658	38,658
Trading and investment securities	186,473	75,876	262,349	245,428	60,851	306,279
Loans at fair value	-	802,579	802,579	-	794,930	794,930
Loans at amortised cost	-	277,395	277,395	-	317,543	317,543
Assets under insurance contracts and unit-linked investment contracts	-	359,246	359,246	-	325,220	325,220
Other assets	-	72	72	-	81	81
Total	186,473	1,558,398	1,744,871	245,428	1,537,283	1,782,711
Own issued bonds	43,322	81,354	124,675	15,346	79,392	94,737
Total, including own issued bonds	**229,795**	**1,639,752**	**1,869,547**	**260,774**	**1,616,675**	**1,877,448**

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 186.5 billion at the end of 2019 (31 December 2018: DKK 245.4 billion).

At the end of 2019, the Group had received DKK 401.3 billion worth of securities (31 December 2018: DKK 332.4 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 2019, the Group had sold securities or provided securities as collateral worth DKK 152.5 billion (31 December 2018: DKK 149.2 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.

2019 (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	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**
2018 (DKK millions)						
Financial assets						
Derivatives with positive market value	371,431	127,154	244,277	175,640	42,189	26,448
Reverse transactions	530,384	214,022	316,362	-	316,362	-
Other financial assets	11,546	3,727	7,819	-	-	7,819
Total	**913,360**	**344,903**	**568,457**	**175,640**	**358,550**	**34,267**
Financial liabilities						
Derivatives with negative market value	368,146	127,154	240,992	175,640	53,109	12,242
Repo transactions	476,203	214,022	262,181	-	260,774	1,407
Other financial liabilities	27,143	3,727	23,417	-	-	23,417
Total	**871,492**	**344,903**	**526,589**	**175,640**	**313,883**	**37,066**

The comparative information on offsetting under master netting agreements and collateral related to derivative contracts has been adjusted in the presentation for 2018.

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).

	2019		2018	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	99,035	-	40,997
Due from credit institutions and central banks	24,354	81,320	56,978	168,622
Trading portfolio assets	495,321	-	415,818	-
Investment securities	163,782	121,091	134,004	142,420
Loans at amortised cost	-	1,028,011	-	986,240
Loans at fair value	1,122,048	-	1,057,340	-
Assets under pooled schemes and unit-linked investment contracts	111,089	-	93,988	-
Assets under insurance contracts	434,945	-	341,156	-
Loans held for sale	-	938	-	944
Total	**2,351,538**	**1,330,395**	**2,099,284**	**1,339,223**
Financial liabilities				
Due to credit institutions and central banks	79,877	75,369	186,097	62,504
Trading portfolio liabilities	452,202	-	390,226	-
Deposits	184,755	955,970	171,591	887,528
Issued bonds at fair value	802,501	-	759,588	-
Issued bonds at amortised cost	-	256,355	-	285,629
Deposits under pooled schemes and unit-linked investment contracts	111,537	-	97,840	-
Liabilities in disposal groups held for sale	-	110	-	-
Non-preferred senior bonds	-	87,054	-	26,353
Subordinated debt	-	31,733	-	23,092
Loan commitments and guarantees	-	2,485	-	2,450
Total	**1,630,872**	**1,409,076**	**1,605,342**	**1,287,556**

(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, 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)

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 range of 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) 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.

At the end of 2019, CVA, DVA and FVA came to a net amount of DKK 1.5 billion (31 December 2018: DKK 1.0 billion), including the adjustment for credit risk on derivatives in stage 3. The increase mainly relates to the widening of Danske Bank's funding spread due to idiosyncratic risk factors.

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 2019, these fair value adjustments totalled DKK 127 million (31 December 2018: DKK 112 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 2019, the reserve totalled DKK 0 million (31 December 2018: 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 2019, the value of unamortised initial margins was DKK 1,306 million (2018: DKK 1,180 million).

(DKK millions)	2019	2018
Unamortised initial margins at 1 January	1,180	1,054
Amortised to the income statement during the year	-298	-374
Initial margins on new derivatives contracts	491	625
Terminated derivatives contracts	-67	-125
Unamortised initial margins as at 31 December	**1,306**	**1,180**

(DKK million)	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
Central and local government bonds	95,924	718	-	96,642
Government bonds and other bonds	860	689	-	1,549
Danish mortgage bonds	43,405	9,289	-	52,694
Swedish mortgage bonds	26,775	431	-	27,206
Other covered bonds	2,517	993	-	3,510
Corporate bonds	4,371	3,140	-	7,511
Trading portfolio shares	12,028	-	200	12,228
Investment securities, bonds	133,953	28,393	-	162,346
Investment securities, shares	53	-	1,383	1,436
Loans at fair value	-	1,122,048	-	1,122,048
Assets under pooled schemes and unit-linked investment contracts	111,089	-	-	111,089
Assets under insurance contracts, bonds				
Danish mortgage bonds	67,292	8,751	427	76,470
Other covered bonds	107,686	9,090	3,672	120,448
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	-	111,537	-	111,537
Total	**957,700**	**668,146**	**5,026**	**1,630,872**

Notes – Danske Bank Group

G33. Fair value information for financial instruments continued

	Quoted prices	Observable input	Non-observable input	Total
31 December 2018				
Financial assets				
Due from credit institutions and central banks	-	56,978	-	56,978
Derivatives				
Interest rate contracts	5,169	156,378	2,833	164,380
Currency contracts etc.	12	78,343	1,539	79,894
Trading portfolio bonds	152,369	13,962	-	166,331
Central and local government bonds	89,781	3,552	-	93,333
Government bonds and other bonds	498	385	-	883
Danish mortgage bonds	26,101	7,202	-	33,303
Swedish mortgage bonds	29,791	9	-	29,800
Other covered bonds	2,280	518	-	2,798
Corporate bonds	3,918	2,296	-	6,214
Trading portfolio shares	4,790	-	423	5,213
Investment securities, bonds	102,791	30,095	-	132,886
Investment securities, shares	40	-	1,077	1,117
Loans at fair value	-	1,057,340	-	1,057,340
Assets under pooled schemes and unit-linked investment contracts	93,988	-	-	93,988
Assets under insurance contracts, bonds				
Danish mortgage bonds	74,998	9,774	325	85,097
Other covered bonds	94,534	8,169	3,806	106,509
Assets under insurance contracts, shares	76,542	2,431	33,306	112,279
Assets under insurance contracts, derivatives	340	34,239	2,692	37,271
Total	**605,573**	**1,447,709**	**46,001**	**2,099,283**
Financial liabilities				
Due to credit institutions and central banks	-	186,097	-	186,097
Derivatives				
Interest rate contracts	5,977	134,767	2,784	143,528
Currency contracts etc.	7	96,673	784	97,464
Obligations to repurchase securities	147,508	1,650	76	149,234
Deposits	-	171,591	-	171,591
Issued bonds at fair value	759,588	-	-	759,588
Deposits under pooled schemes and unit-linked investment contracts	-	97,840	-	97,840
Total	**913,080**	**688,618**	**3,644**	**1,605,342**

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
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
2018					
Unlisted shares					
allocated to insurance contract policyholders	33,306	-	-	-826	2,525
other	1,424	142	142	20	186
Illiquid bonds	4,131	110	110	-87	130
Derivatives, net fair value	3,497	-	-	-	272

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 2019 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 50bp 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

	2019			2018		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	34,730	4,131	3,497	19,359	4,016	-389
Value adjustment through profit or loss	3,808	235	1,690	1,905	43	272
Acquisitions	20,437	8,512	-233	15,752	1,348	3,714
Sale and redemption	-17,752	-8,779	-2,455	-6,914	-1,276	44
Transferred from quoted prices and observable input	-	-	-	4,628	-	-160
Transferred to quoted prices and observable input	-	-	-19	-	-	15
Fair value end of period	41,223	4,099	2,480	**34,730**	**4,131**	**3,497**

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.

2019 (DKK millions)	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
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	343,409	346,057	293,141	20,430	32,485
Subordinated debt	31,733	32,486	29,398	3,088	-

2018 (DKK millions)	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	142,420	143,202	118,624	24,578	-
Loans at amortised cost	986,240	986,219		11,077	975,142
Financial liabilities					
Other issued bonds, including non-preferred senior bonds	311,982	312,636	277,857	10,124	24,654
Subordinated debt	23,092	20,587	-	20,587	-

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)	2019	2018
Fair value as at 1 January	3,167	4,461
Value adjustment through profit or loss	4	10
Acquisitions and improvements	77	321
Sale	604	1,625
Fair value as at 31 December	**2,644**	**3,167**

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 2.5-8.5% (2018: 2.5-9.5%) and averaged 5.2% (2018: 5.7%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2019 by DKK 314 million (2018: DKK 287 million).

Investment properties held on behalf of insurance customers amount to DKK 21,053 million (2018: DKK 18,015 million), including DKK 5,175 million (2018: DKK 3,029 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 2.5-8.5% (2018: 2.5-8.5%) and averaged 4.8% (2018: 4.8%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2019 by DKK 4,211 million (2018: DKK 2,550 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. No significant changes in the fair value of non-financial assets held for sale occured during 2019 and 2018.

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	Parties with significant influence		Associates		Board of Directors		Executive Leadership Team	
(DKK millions)	2019	2018	2019	2018	2019	2018	2019	2018
Loans and loan commitments	5,987	7,549	2,002	1,886	86	20	63	50
Securities and derivatives	1,136	1,081	13,065	13,997	-	-	-	-
Deposits	6,465	3,861	715	240	86	87	25	38
Derivatives	210	304	-	-	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-
Guarantees issued	288	416	6	4	-	-	-	-
Guarantees and collateral received	435	1,461	120	266	65	45	53	56
Interest income	139	143	108	81	1	-	1	1
Interest expense	117	107	26	-	-	-	-	-
Fee income	10	8	5	1	19	-	-	-
Dividend income	7	7	99	32	-	-	-	-
Other income	7	6	-	6	-	-	-	-
Loan impairment charges	-1	1	1	-3	-	-	-	-
Trade in Danske Bank shares								
Acquisitions	-	-	-	-	4	-	2	-
Sales	-	886	-	-	-	-	-	-

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 2019, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Leadership Team were 1.3% (2018: 2.5%) and 1.3% (2018: 1.8%), 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 (2018: DKK 6 million), deposits amounting to DKK 103 million (2018: DKK 87 million), DKK 36 million worth of bonds issued (2018: DKK 26 million), derivatives with a positive fair value of DKK 0 million (2018: DKK 0 million), derivatives with a negative fair value of DKK 968 million (2018: DKK 831 million), interest expenses of DKK 4 million (2018: DKK 3 million), fee income of DKK 0 million (2018: DKK 0 million) and pension contributions of DKK 14 million (2018: DKK 288 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.

(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)	2019	2018
Karsten Dybvad 3)	2,573	154
Jan Thorsgaard Nielsen 3)	1,130	65
Carol Sergeant	1,254	1,149
Lars-Erik Brenøe	805	660
Bente Avnung Landsnes 1)	634	-
Jens Due Olsen 5)	862	687
Christian Sagild 1)	681	-
Gerrit Zalm 1)	634	-
Bente Bang 5)	538	403
Kirsten Ebbe Brich	723	534
Thorbjørn Lundholm Dahl 5)	538	403
Charlotte Hoffmann	661	657
Ole Andersen 4)	-	2,270
Ingrid Bonde 5), 2)	227	690
Urban Bäckström 6)	-	227
Jørn P. Jensen 4)	-	810
Rolv Erik Ryssdal 2)	165	657
Martin Tivéus 6)	-	176
Hilde Tonne 2)	165	706
Dorte Annette Bielefeldt 6)	-	131
Carsten Eilertsen 6)	-	131
Total remuneration	11,587	10,511
Remuneration for committee work included in total remuneration	3,256	2,320

1) From 18 March 2019
2) Until 18 March 2019
3) From 7 December 2018
4) Until 7 December 2018
5) From 15 March 2018
6) Until 15 March 2018

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 100.9 million for 2019 (2018: DKK 87.0 million) has been expensed, with fixed remuneration amounting to DKK 78.3 million (2018: DKK 70.7 million) and variable remuneration amounting to DKK 22.6 million (2018: DKK 16.3 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 2019 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, March 2019 provides more information on the Group's remuneration policy. The policy is available at danskebank.com/remuneration-policy. "Total paid" remuneration comprises fixed salary, payments to pension plans, variable cash payments for 2019, pay-out of deferred cash payment for previous financial years and exercised rights to conditional shares for previous financial years. 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*

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**
Total paid	**20.8**	**9.9**	**2.8**	**8.7**	**8.1**	**9.9**	**10.8**

* Effective from 5 September 2019, the Executive Board was renamed the Executive Leadership Team.

**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 consists 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 amounts to DKK 5.3 million. His employment with Danske Bank Group ends on 30 September 2020. During this period Jesper Nielsen is 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 consists 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 amounts 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 consists 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 amounts 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).

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

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 consists 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 amounts 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 consists 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 amounts to DKK 3.8 million. Frederik Gjessing Vinten was relieved of his duties on 21 Niovember 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).

2018 (DKK millions)	Jesper Nielsen	Jacob Aarup-Andersen	Christian Baltzer	James Ditmore	Carsten Rasch Egeriis	Henriette Fenger Ellekrog	Jakob Groot	Glenn Söderholm	Frederik Gjessing Vinten	Philippe Vollot
Fixed salary*	6.5	7.0	1.3	8.0	7.6	2.8	5.1	6.8	3.0	1.2
Pension	1.3	1.4	0.3	-	-	0.5	-	1.3	0.5	-
Variable cash payment**	-	-	1.5	-	-	-	-	-	-	10.0
*of which remuneration under the short-term incentive programme 2018****	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Variable share-based payment	0.4	0.6	-	0.7	0.3	0.2	0.1	0.8	0.1	-
*of which remuneration under the short-term incentive programme 2018****	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Total expensed	**8.2**	**9.0**	**3.1**	**8.7**	**7.9**	**3.5**	**5.2**	**8.9**	**3.6**	**11.2**
Total paid	**8.1**	**8.7**	**3.1**	**11.3**	**7.8**	**3.3**	**5.1**	**9.1**	**3.5**	**11.2**

* 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

*** In view of the exceptional circumstances in 2018 the Executive Board has waived its right to earned remuneration under the 2018 short-term incentive programme.

Henriette Fenger Ellekrog, Jakob Groot and Frederik Gjessing Vinten joined the Executive Board on 2 May 2018. Christian Baltzer joined the Executive Board on 15 October 2018. Philippe Vollot joined the Executive Board on 26 November 2018.

Thomas F. Borgen resigned from his position as CEO of the Group on 19 September 2018 and was relieved of his duties on 1 October 2018. In view of the exceptional circumstances in 2018, Thomas F. Borgen has waived his right to earned remuneration under the 2018 short-term incentive programme. During his period in 2018 as CEO, Thomas F. Borgen earned remuneration of DKK 11.9 million, which consists of fixed salary of DKK 9.3 million, pension of DKK 1.6 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the long-term incentive programme) of DKK 1.0 million. Paid remuneration amounts to DKK 12.7 million. His employment with Danske Bank Group ends on 30 September 2019. During this period Thomas F. Borgen was entitled to a further DKK 15.0 million (of which DKK 3.6 million was paid in 2018). He has forfeited the right to previously earned variable share based payments under long-term and short-term incentive programmes of DKK 7.2 million (including the DKK 1.0 million earned in 2018 under the long-term incentive programme).

Tonny Thierry Andersen resigned from his position as a member of the Executive Board on 6 April 2018. Effective from 2 May 2018, Tonny Thierry Andersen was no longer a member of the Executive Board. In view of the exceptional circumstances in 2018, Tonny Thierry Andersen has waived his right to earned remuneration under the 2018 short-term incentive programme. During his period in 2018 as member of the Executive Board, Tonny Thierry Andersen earned remuneration of DKK 3.1 million, which consists of fixed salary of DKK 2.4 million, pension of DKK 0.4 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the long-term incentive programmes) of DKK 0.3 million. Paid remuneration amounts to DKK 3.9 million. His employment with Danske Bank Group ends on 30 October 2019. During this period Tonny Thierry Andersen was entitled to a further DKK 14.7 million (of which DKK 5.8 million was paid in 2018).

Lars Mørch resigned from his position as a member of the Executive Board on 5 April 2018. Effective from 21 April 2018, Lars Mørch was no longer a member of the Executive Board. In view of the exceptional circumstances in 2018, Lars Mørch has waived his right to earned remuneration under the 2018 short-term incentive programme. During his period in 2018 as member of the Executive Board, Lars Mørch earned remuneration of DKK 2.7 million, which consists of fixed salary of DKK 2.1 million, pension of DKK 0.3 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the long-term incentive programmes) of DKK 0.3 million. Paid remuneration amounts to DKK 3.6 million. His employment with Danske Bank Group ends on 30 October 2019. During this period Lars Mørch was entitled to a further DKK 12.6 million (of which DKK 5.6 million was paid in 2018). He has forfeited the right to previously earned variable share based payments under long-term and short-term incentive programmes of DKK 3.6 million.

Notes – Danske Bank Group

G36. Remuneration of management and material risk takers continued

Pension and termination (end of 2019)

	Chris Vogelzang	Jacob Aarup-Andersen	Berit Behring	Carsten Rasch Egeriis	Jakob Groot	Glenn Söderholm	Philippe Vollot
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
Notice of termination by the executive (months)	9	9	9	9	9	9	9
Non-competition clause (months)	12	12	12	12	12	12	12

(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 2019, 696 other material risk takers were designated (end of 2018: 651 other material risk takers). During 2019, 711 full-time-equivalents were designated as other material risk takers (2018: 653 FTEs). The 711 FTEs designated as other material risk takers earned remuneration of DKK 1,302 million (2018: 653 FTEs earned remuneration of DKK 1,358 million), with fixed remuneration amounting to DKK 1,086 million and variable remuneration amounting to DKK 216 million (2018: DKK 1,033 million and DKK 325 million, respectively). Variable pay for 2019 is estimated and the final figure is determined at the end of February 2020. The final variable pay will be published in the Danske Bank Group Remuneration Report 2019, which provides additional quantitative information on the remuneration of material risk takers. Remuneration Report 2019 will be available at danskebank.com/remuneration and is expected to be published on 9 March 2020.

Of the above remuneration for 2019, 438 FTEs designated as other material risk takers at the parent company, Danske Bank A/S, earned remuneration of DKK 971 million (2018: DKK 1,036 million to 383 FTEs), with fixed remuneration amounting to DKK 781 million and variable remuneration amounting to DKK 190 million (2018: DKK 747 million and DKK 289 million, respectively).

The Group's pension obligations towards other material risk takers amounted to DKK 555 million to 101 employees at year-end 2019 (31 December 2018: DKK 699 million and 107 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 2019 arising from share-based payments was DKK 90 million (2018: DKK 93 million). All share-based payments are equity-settled. The exact number of shares granted for 2019 will be determined at the end of February 2020.

Effective from 2010, 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. The first pay-out was in 2018, based on the performance in 2015, 2016 and 2017. In 2019, there were three Long-term Incentive Programmes running and the programmes have a vesting period of three years. The current programmes running are the; 2017-2019, 2018-2020 and the 2019-2021 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 7.4 million for the 2019 programme and DKK 5.3 million for the 2018 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)	
	Executive Leadership Team	Other staff	Total	Employee payment price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2013						
1 January 2018	-	189,405	189,405	0.0-1.1	20.2	20.2
Vested 2018	-	-42,676	-42,676	0.0-1.1		
Forfeited 2018	-	-1,848	-1,848	-		
31 December 2018	-	144,881	144,881	0.0-1.1	15.5	15.5
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 2018	20,097	7,558	27,655	0.0-1.4	3.8	3.0
Vested 2018	-20,097	-4,046	-24,143	0.0-1.4		
Forfeited 2018	-	-3,512	-3,512	-		
31 December 2018	-	-	-	0.0-1.4	-	-
31 December 2019	-	-	-	0.0-1.4	-	-
Granted in 2015						
1 January 2018	11,402	606,087	617,489	0.0-1.7	103.7	65.5
Vested 2018	-595	-555,434	-556,029	0.0-1.7		
Forfeited 2018	-	-3,032	-3,032	-		
Other changes 2018	-7,931	-13,244	-21,175	-		
31 December 2018	2,876	34,377	37,253	0.0-1.7	6.3	4.0
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 2018	19,423	589,501	608,924	-	110.9	65.6
Vested 2018	-	-1,474	-1,474	-		
Forfeited 2018	-9,528	-25,533	-35,061	-		
Other changes 2018	-3,077	3,077	-	-		
31 December 2018	6,818	565,571	572,389	-	104.3	61.7
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	3.8
Granted in 2017						
1 January 2018	26,959	511,720	538,679	-	127.9	58.1
Vested 2018	-	-3,067	-3,067	-		
Forfeited 2018	-11,045	-17,012	-28,057	-		
Other changes 2018	-4,186	4,375	189	-		
31 December 2018	11,728	496,016	507,744	-	120.6	54.7
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	52.9
Granted in 2018						
1 January 2018	169,901	700,499	870,400	-	204.0	93.8
Vested 2018	-19,972	-252,435	-272,407	-		
Forfeited 2018	-39,334	-18,547	-57,881	-		
Other changes 2018	-32,016	32,016	-	-		
31 December 2018	78,579	461,533	540,112	-	126.6	58.2
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	56.1
Granted in 2019						
1 January 2019	122,024	797,198	919,222	-	114.2	99.1
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	60.7

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 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

Holdings of conditional shares of the Executive Board and fair value as at 31 December 2018

Grant year	2015-2018 Number	FV (DKK m)
Jesper Nielsen	12,505	1.6
Jacob Aarup-Andersen	16,627	2.1
Christian Baltzer	-	-
James Ditmore	27,024	3.5
Carsten Rasch Egeriis	6,128	0.8
Henriette Fenger Ellekrog	4,387	0.6
Jakob Groot	8,319	1.1
Glenn Söderholm	24,425	3.1
Frederik Gjessing Vinten	587	0.1
Philippe Vollot	-	-

In 2019, the average price at the vesting date for rights to conditional shares was DKK 100.5 (2018: DKK 165.5).

Notes – Danske Bank Group

G37. Danske Bank shares held by the Board of Directors and the Executive Leadership Team

(Number)	Beginning of 2019	Upon appointment/ retirement	Additions	Disposals	End of 2019
Board of Directors					
Karsten Dybvad	-	-	11,258	-	11,258
Jan Thorsgaard Nielsen	-	-	10,557	-	10,557
Carol Sergeant	5,073	-	1,950	-	7,023
Lars-Erik Brenøe	14,302	-	8,825	-	23,127
Bente Avnung Landsnes	-	2,000	4,000	-	6,000
Jens Due Olsen	7,600	-	-	-	7,600
Christian Sagild	-	50,000	-	-	50,000
Gerrit Zalm	-	-	-	-	-
Bente Bang	213	-	669	-	882
Kirsten Ebbe Brich	2,208	-	1,588	-	3,796
Thorbjørn Lundholm Dahl	1,488	-	-	-	1,488
Charlotte Hoffmann	2,175	-	1,081	-	3,256
Ingrid Bonde	2,000	-2,000	-	-	-
Rolv Erik Ryssdal	1,250	-1,250	-	-	-
Hilde Tonne	1,000	-1,000	-	-	-
Total	**37,309**	**47,750**	**39,928**	**-**	**124,987**
Executive Leadership Team					
Chris Vogelzang	-	-	44,300	-	44,300
Jacob Aarup-Andersen	12,360	-	9,000	-	21,360
Berit Behring	-	-	7,712	-	7,712
Carsten Rasch Egeriis	1,334	-	-	-	1,334
Jakob Groot	23,296	-	10,000	-	33,296
Glenn Söderholm	29,767	-	4,942	-	34,709
Philippe Vollot	-	-	-	-	-
Christian Baltzer	1,400	-22,500	21,100	-	-
James Ditmore	42,469	-41,225	2,756	-4,000	-
Henriette Fenger Ellekrog	2,600	-2,600	-	-	-
Jesper Nielsen	14,746	-23,016	8,270	-	-
Frederik Gjessing Vinten	880	-880	-	-	-
Total	**128,852**	**-90,221**	**108,080**	**-4,000**	**142,711**

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 11,088 million (2018: DKK 10,691 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 in 2019

The Group did not make any acquisitions of undertakings in 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) Acquisition of subsidiary undertaking in 2018

In December 2017, the Group entered into an agreement to purchase all shares of the Danish companies SEB Pensionforsikring A/S (including the property subsidiaries SEB Ejendomme I A/S and SEB Ejendomme II A/S) and SEB Administration A/S (the acquired companies are referred to as SEB Pension Danmark below). SEB Pensionsforsikring was a major player in the Danish pension and commercial market. The principal activity of SEB Administration was to provide administrative and agency services to the companies of the SEB Pension Danmark and other support function services.

Regulatory approvals were received on 30 May 2018, and the transaction was finalised on 7 June 2018. The financial statements of SEB Pension Danmark were consolidated in the financial statements of Danske Bank Group with effect from 7 June 2018. The companies have subsequently been renamed Danica Pensionsforsikring A/S and Danica Administration A/S.

Through the acquisition of SEB Pension Danmark, the Group will increase its presence in the Danish pension market, strengthen its innovation capacity and be able to offer its customers even better pension and insurance solutions.

The fair value of net assets acquired and recognised in the balance sheet of Danica Group at the time of acquisition is shown in the table below. The initial accounting for the acquisition of SEB Pension Danmark was finalised in the fourth quarter of 2018 and minor adjustments were made to the tax liabilitiy and other liabilities with a resulting impact on goodwill.

Recognised amounts of identifiable assets acquired and liabilities assumed

DKK millions	Fair value as at 7 June 2018
Assets under unit-linked investment contracts	30,902
Assets under insurance contracts	97,487
Customer relations	1,332
Tax assets	36
Other assets	3,103
Total assets	**132,860**
Deposits under unit-linked investment contracts	30,902
Liabilities under insurance contracts	72,485
Tax liabilities	533
Other liabilities	26,367
Total liabilities	**130,287**
Total identifiable net assets	2,573
Goodwill	2,427
Consideration paid in cash	**5,000**

No significant contingent liabilities exist at the acquisition date.

The fair value of liabilities under insurance contracts is calculated according to principles similar to those used in the Group's measurement of other liabilities under insurance contracts and is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability, and on the discount rate as at 7 June 2018.

Customer relations acquired in connection with the business combination are recognised as a separate identifiable intangible asset. The fair value of the customer relations at the acquisition date represents the net present value of expected future earnings related to the existing customer base in SEB Pension Danmark and is calculated based on the estimated future profit margin in the acquired companies at the acquisition date. Customer rights will be amortised over 10 years, which represents management's expectations to the period over which the majority of the future earnings on existing customer relations/contracts will be earned. If indications of objective evidence of impairment exists, the customer relations are tested for impairment and written down to the estimated value in use if the value is impaired.

Notes – Danske Bank Group

G38. Group holdings and undertakings continued

Goodwill represents the value of the expected profit of SEB Pension Danmark which cannot be attributed reliably to individually identifiable assets, including the value of staff, know-how and innovation capacity as well as expected synergies, such as expense savings and ancillary business from the integration into Danske Bank Group. Goodwill has been tested for impairment in the fourth quarter of 2018 based on earnings estimates for the coming five financial years, which have been approved by the Board of Directors. For subsequent financial years, cash flows are extrapolated and adjusted for expected growth rates. A number of factors affect the net present value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour, competition and actuarial assumptions. Expected cash flows are discounted by a post-tax rate of 9%, equalling 12% before tax, and the principal assumption applied in the cash flow terminal period is a growth rate of 0%. The excess value (the amount by which the recoverable amount exceeds the carrying amount) amounted to DKK 0.3 billion.

The consolidation of SEB Pension Danmark has increased net premiums recognised in the income statement by DKK 1,241 million and net profit after tax by DKK 64 million in 2018. Assuming that the Group had taken over SEB Pension Danmark with effect from 1 January 2018, the estimated impact on net premiums would have amounted to an increase of DKK 2.7 billion (including premiums on unit-link: increase of DKK 8.3 billion) and a change in net profit of DKK 330 million in 2018.

(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	15,072	170,508	
Credit institutions					
Realkredit Danmark A/S, Copenhagen	DKK	630,000	4,337	49,915	100
Northern Bank Limited, Belfast	GBP	218,170	615	7,320	100
Danske Mortgage Bank Plc, Helsinki	EUR	70,000	168	1,954	100
Danske Hypotek AB (publ), Stockholm	SEK	50,000	402	2,939	100
Danske Bank International S.A., Luxembourg	EUR	90,625	107	1,324	100
Danske Bank, St. Petersborg (under liquidation)	RUB	2,748,000	52	543	100
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,001,000	2,271	20,886	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	DKK	1,101,000	1,918	23,034	100
Danica Pensjonsforsikring AS, Trondheim	NOK	136,344	134	746	100
Investment and real property operations etc.					
Danica Ejendomsselskab ApS, Copenhagen	DKK	2,793,700	703	22,024	100
Danica Ejendomme II A/S, Copenhagen	DKK	25,000	253	1,273	100
Danske Capital AS, Trondheim	NOK	6,000	35	54	100
DDB Invest AB, Stockholm	SEK	100,000	60	163	100
Danske Corporation, Delaware	USD	4	-	2	100
Danske Invest Management A/S, Copenhagen	DKK	118,000	107	280	100
Danske IT and Support services India Private Limited, Bangalore	INR	3,227,890	32	127	100
Danske Leasing A/S, Birkerød	DKK	10,000	169	2,776	100
Danske Markets Inc., Delaware	USD	2,000	56	267	100
Danske Private Equity A/S, Copenhagen	DKK	6,000	36	75	100
home a/s, Åbyhøj	DKK	15,000	38	137	100
MobilePay A/S, Copenhagen	DKK	25,500	-93	178	100
MobilePay Denmark A/S, Copenhagen	DKK	10,500	-28	80	100
MobilePay Finland OY, Helsinki	EUR	700	-42	108	100

The list above includes significant active subsidiary operations only.

In May 2019, the sale of Danica Pension Försäkringsaktiebolag settled. During 2019, the subsidiaries Danica Pensionsforsikring A/S and Danica Administration A/S has been merged into Danica Pension, Livsforsikringsaktieselskab. The Group´s ownership share of the other subsidiaries is unchanged from 2018 to 2019. The financial information above is extracted from the companies´ most recent annual reports prior to 5 February 2020.

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	-169	803	43

The financial information above is extracted from the most recent annual reports prior to 1 February 2020.

The total carrying amount of holdings in associates amounted to DKK 341 million (2018: DKK 381 million) and is presented under Other assets in note G24. The list above includes significant associates held at end-2019. 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 319 million at 31 December 2019 (31 December 2018: DKK 319 million). The Group´s ownership share in Sanistål A/S is unchanged from 2018 to 2019. 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.

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 721.9 billion (2018: DKK 640.3 billion). The Group retained holdings of DKK 114.6 billion (2018: DKK 83.2 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 3.5 billion (2018: DKK 3.6 billion). In addition, the Group has holdings in private equity investment funds of DKK 0.1 billion (2018: DKK 0.2 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-2019, the gross exposure amounted to DKK 4.4 billion (2018: DKK 4.3 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.

G41. Changes to financial highlights and segment reporting in 2020

In June 2018, Danica Pension acquired Danica Pensionsforsikring (formerly SEB Pension Danmark). Danica Pensionsforsikring merged into Danica Pension in 2019. The subsequent integration and conversion revealed some differences between the presentation of Danica Pensionsforsikring and Danica Pension in the financial highlights and segment reporting for Wealth Management. From the first quarter of 2020, income from the hedge of assets under insurance contracts in Danica Pensionsforsikring is reclassified from net fee income to net trading income in the financial highlights and segment reporting for Wealth Management to align with the presentation for Danica Pension. At the same time, the method for presentation of the value of hedges in Danica Pensionsforsikring is 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, income from health and accident insurance will be reclassified from other income to net fee income in the financial highlights and segment reporting for Wealth Management from the first quarter of 2020 to align with the presentation for life insurance, which is presented as net fee income.

The table below shows the effect of these changes on the financial highlights for 2019. Comparative figures for 2019 will be restated as from the interim financial statements for the first quarter for 2020.

(DKK millions)	Financial highlights 2019	Alignment of Wealth Management	Adjusted financial highlights 2019
Net interest income	21,877	0	21,877
Net fee income	15,895	-694	15,201
Net trading income	4,985	456	5,441
Other income	2,225	238	2,463
Total income	44,982	0	44,982
Operating expenses	27,548	0	27,548
Goodwill impairment charges	1,603	0	1,603
Profit before loan impairment charges	15,831	0	15,831
Loan impairment charges	1,516	0	1,516
Profit before tax, core	14,315	0	14,315
Profit before tax, non-core	-493	0	-493
Profit before tax	**13,822**	**0**	**13,822**
Assets under management	1,651	-35	1,616

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.

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 the 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 2019 provide a detailed description of Danske Bank Group's risk management practices, including on pension and non-financial risk. Risk Management 2019 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 SIFI buffer requirement was fully phased in at 3% at the beginning of 2019.

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 2019, the Group's CET1 capital amounted to DKK 132.7 billion (2018: DKK 126.8 billion), and its CET1 capital ratio was 17.3% (2018: 17.0%)

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 2019, the Group's total capital was DKK 174.2 billion (2018: DKK 159.7 billion), and its total capital ratio was 22.7% (2018: 21.3%). The Group's tier 1 capital was DKK 156.6 billion (2018: DKK 150.5 billion), and its tier 1 capital ratio was 20.4% (2018: 20.1%).

Risk Management 2019 provides a description of the Group's solvency need.

Notes – Danske Bank Group – Risk management

Total capital continued

As a consequence of increased capital requirements and general uncertainty about future regulation, the Board of Directors reassessed its capital targets. The common equity tier 1 (CET1) capital ratio target was set to above 16% (previously around 16%). This implies a management buffer of at least 1.1% to the fully phased-in CET1 capital requirement. The target for the total capital ratio was kept at above 20% throughout 2019.

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 2019	Total	Lending activities Core	Non-core	Counterparty credit risk	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	92.8	92.4	0.4	-	-	-
Due from credit institutions and central banks	105.7	81.9	0.1	23.7	-	-
Trading portfolio assets	495.3	-	-	294.0	201.3	-
Investment securities	284.9	-	-	-	284.9	-
Loans at amortised cost	1,028.0	1,022.3	5.7	-	-	-
Loans at fair value	1,122.0	802.6	-	319.5	-	-
Assets under pooled schemes and unit-linked investment contracts	111.1	-	-	-	-	111.1
Assets under insurance contracts	463.8	-	-	-	-	463.8
Loans held for sale	0.9	-	0.9	-	-	-
Off-balance-sheet items						
Guarantees	69.1	68.7	0.3	-	-	-
Loan commitments shorter than 1 year	204.6	202.2	2.5	-	-	-
Loan commitments longer than 1 year	174.2	173.7	0.5	-	-	-
Other unutilised commitments	0.3	-	-	-	0.3	-
Total	**4,152.7**	**2,443.8**	**10.4**	**637.1**	**486.5**	**574.9**
31 December 2018						
Balance sheet items						
Demand deposits with central banks	32.2	32.2	-	-	-	-
Due from credit institutions and central banks	225.6	168.6	-	57.0	-	-
Trading portfolio assets	415.8	-	-	244.3	171.5	-
Investment securities	276.4	-	-	-	276.4	-
Loans at amortised cost	986.2	972.1	14.1	-	-	-
Loans at fair value	1,057.3	794.9	-	262.4	-	-
Assets under pooled schemes and unit-linked investment contracts	94.0	-	-	-	-	94.0
Assets under insurance contracts	377.4	-	-	-	-	377.4
Off-balance-sheet items						
Guarantees	83.7	83.1	0.7	-	-	-
Loan commitments shorter than 1 year	183.8	181.0	2.7	-	-	-
Loan commitments longer than 1 year	161.3	160.4	0.9	-	-	-
Other unutilised commitments	0.3	-	-	-	0.3	-
Total	**3,894.1**	**2,392.3**	**18.4**	**563.7**	**448.2**	**471.4**

In addition to credit exposure from lending activities, the Group had made uncommitted loan offers and granted uncommitted lines of credit of DKK 213 billion at 31 December 2019 (31 December 2018: DKK 205 billion).These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Notes – Danske Bank Group – Risk management

Credit exposure continued

Credit exposure from core lending activities

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

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

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 rating all large customers, 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 loss impairments 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.

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 and stages in IFRS 9

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	-	-	-	-	199.1	0.3	-	106.3	-	-
3	0.03	0.06	468.3	0.9	-	-	-	-	468.2	0.9	-	179.4	0.2	-
4	0.06	0.14	559.9	3.5	0.1	0.1	-	-	559.8	3.5	0.1	215.5	1.3	-
5	0.14	0.31	478.1	10.4	0.1	0.2	0.1	-	477.9	10.3	0.1	139.8	4.4	-
6	0.31	0.63	258.3	23.0	0.2	0.3	0.2	-	258.0	22.8	0.2	87.2	7.0	-
7	0.63	1.90	134.8	53.0	0.3	0.3	1.0	-	134.5	52.0	0.3	39.6	14.9	-
8	1.90	7.98	10.1	35.4	0.2	0.4	2.2	-	9.7	33.2	0.2	1.7	7.4	-
9	7.98	25.70	0.9	9.4	0.1	-	1.2	-	0.9	8.2	0.1	0.1	1.0	-
10	25.70	99.99	4.9	17.7	20.2	-	1.0	4.8	4.9	16.7	15.4	1.9	6.1	4.4
11 (default)	100.00	100.00	1.4	0.5	21.5	-	-	8.5	1.4	0.5	13.0	0.1	0.2	3.4
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**

31 December 2018	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	178.9	0.1	-	-	-	-	178.9	0.1	-	193.2	-	-
2	0.01	0.03	169.8	0.3	-	-	-	-	169.8	0.3	-	88.4	0.1	-
3	0.03	0.06	443.9	0.9	-	-	-	-	443.8	0.9	-	151.6	0.2	-
4	0.06	0.14	593.2	10.2	0.2	0.1	-	-	593.1	10.2	0.2	218.1	8.5	-
5	0.14	0.31	442.7	13.7	0.4	0.2	0.1	-	442.5	13.6	0.4	136.8	6.1	-
6	0.31	0.63	246.4	17.4	0.1	0.3	0.3	-	246.1	17.1	0.1	76.5	5.2	-
7	0.63	1.90	131.5	45.4	0.1	0.3	1.4	-	131.2	44.0	0.1	38.6	14.0	-
8	1.90	7.98	16.3	32.2	0.1	0.6	2.0	-	15.6	30.2	0.1	3.3	7.8	-
9	7.98	25.70	1.3	9.4	0.2	0.1	1.1	-	1.2	8.3	0.2	0.4	2.0	0.2
10	25.70	99.99	4.3	8.9	22.1	-	0.4	4.4	4.3	8.6	17.7	1.4	1.6	5.5
11 (default)	100.00	100.00	1.4	1.1	20.3	-	0.1	9.0	1.4	1.0	11.3	0.1	0.1	0.9
Total			**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

Notes – Danske Bank Group – Risk management

Credit exposure continued

Credit portfolio in core activities broken down by industry (NACE) and stages in IFRS 9

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. The Group updated this segmentation in the first quarter of 2019 in order to better reflect current credit risk management areas. Comparative information has been restated to reflect the amended industry segmentation.

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

31 December 2018 (DKK billions)	Gross exposure			Expected credit loss			Net exposure			Net exposure, ex collateral		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public institutions	206.3	-	-	-	-	-	206.3	-	-	203.7	-	-
Financials	111.5	1.8	0.6	0.1	-	0.2	111.4	1.7	0.3	87.9	0.8	0.1
Agriculture	58.8	8.8	6.7	0.4	1.1	1.9	58.4	7.7	4.8	11.1	2.1	0.6
Automotive	33.5	1.1	0.4	-	-	0.2	33.5	1.0	0.2	24.3	0.6	0.1
Capital goods	59.9	6.6	1.7	-	0.1	0.6	59.8	6.5	1.2	52.6	5.5	0.8
Commercial property	279.6	17.5	6.3	0.2	0.7	1.6	279.4	16.9	4.7	47.8	5.0	0.3
Construction and building materials	46.4	5.1	1.1	-	0.1	0.5	46.4	4.9	0.7	34.0	2.9	0.4
Consumer goods	64.1	2.7	1.0	-	0.1	0.3	64.0	2.6	0.7	47.0	1.5	0.2
Hotels, restaurants and leisure	13.4	1.1	0.6	-	-	0.1	13.4	1.0	0.5	3.8	0.5	0.1
Metals and mining	11.5	0.4	0.4	-	-	0.2	11.5	0.4	0.2	9.1	0.2	0.1
Other commercials	18.5	0.2	-	-	-	-	18.5	0.1	-	23.1	-	-
Pharma and medical devices	28.5	0.8	-	-	-	-	28.5	0.8	-	25.9	0.6	-
Private housing co-ops. and non-profit associations	183.8	3.4	2.2	0.1	0.1	0.5	183.7	3.3	1.7	32.6	0.5	0.2
Pulp, paper and chemicals	30.6	1.2	0.3	-	-	0.1	30.6	1.2	0.2	22.5	0.4	0.1
Retailing	24.3	3.1	1.2	-	0.1	0.6	24.3	3.0	0.6	13.5	2.1	0.2
Services	55.9	3.3	1.2	-	0.1	0.5	55.9	3.2	0.7	43.9	1.8	0.2
Shipping, oil and gas	43.9	13.8	10.0	-	0.5	2.4	43.9	13.3	7.6	26.9	7.1	2.0
Social services	26.2	0.9	0.3	-	-	0.1	26.1	0.8	0.3	12.2	0.3	0.1
Telecom and media	17.5	0.6	0.2	-	-	0.1	17.5	0.6	0.1	15.5	0.4	-
Transportation	11.9	1.4	0.3	-	-	0.1	11.9	1.3	0.2	6.5	0.4	-
Utilities and infrastructure	39.8	1.9	0.2	-	-	0.1	39.8	1.9	0.1	27.6	1.2	0.1
Personal customers	863.7	63.9	8.7	0.6	2.1	3.3	863.1	61.7	5.5	136.8	11.7	1.2
Total	**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

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 and stages in IFRS 9

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*	**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**

*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.

** The credit exposure remaining at Wealth Management primarily consists of repo transactions.

31 December 2018	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	528.3	34.8	6.1	0.5	1.6	2.6	527.8	33.2	3.6	64.4	6.4	1.2
Commercial	422.9	24.3	18.4	0.7	1.8	5.5	422.3	22.6	12.9	103.5	8.6	1.9
Banking DK*	**951.2**	**59.1**	**24.6**	**1.2**	**3.3**	**8.1**	**950.1**	**55.8**	**16.5**	**167.9**	**15.0**	**3.1**
Sweden**	268.0	16.0	1.4	0.1	0.5	0.4	267.9	15.6	0.9	100.6	5.2	0.4
Norway	200.0	14.0	2.3	0.1	0.3	0.9	199.9	13.7	1.4	63.9	4.2	0.6
Finland	150.9	13.7	2.7	-	0.3	0.8	150.9	13.4	1.9	36.3	2.4	0.3
Other**	47.3	10.0	1.0	-	0.3	0.4	47.3	9.7	0.6	21.8	2.4	0.1
Banking Nordic*	**666.2**	**53.7**	**7.4**	**0.2**	**1.4**	**2.6**	**666.0**	**52.4**	**4.8**	**222.6**	**14.3**	**1.3**
C&I***	**534.7**	**21.4**	**9.5**	**0.1**	**0.6**	**2.1**	**534.6**	**20.8**	**7.4**	**471.8**	**14.5**	**1.8**
Wealth Management*	**2.6**	**-**	**-**	**-**	**-**	**-**	**2.6**	**-**	**-**	**2.4**	**-**	**-**
Northern Ireland	**62.6**	**5.3**	**2.1**	**-**	**0.1**	**0.6**	**62.5**	**5.2**	**1.5**	**31.9**	**1.8**	**0.4**
Other	**12.2**	**0.1**	**-**	**-**	**-**	**-**	**12.2**	**0.1**	**-**	**11.9**	**0.1**	**-**
Total	**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

*The Group's Private Banking activities that were part of Wealth Management have been transferred to the banking units. Comparative information has been restated. The credit exposure remaining at Wealth Management consists primarily of repo transactions.

**At Banking Nordic, the asset finance customers in Sweden (Commercial) have been transferred from Sweden to Other to align the customer classification with that applied for Norway and Finland. Comparative information has been restated

***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

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.

Notes – Danske Bank Group – Risk management

Collateral continued

Type of collateral in core activities (after haircuts)

(DKK billions)	Banking DK 2019	Banking DK 2018	Banking Nordic 2019	Banking Nordic 2018	C&I 2019	C&I 2018	Wealth Management 2019	Wealth Management 2018	Northern Ireland 2019	Northern Ireland 2018	Other 2019	Other 2018	Total 2019	Total 2018
Real property	828.6	817.4	432.1	406.6	26.6	27.5	-	-	34.8	30.3	0.6	0.3	1,322.7	1,282.1
- Personal	487.1	485.9	276.1	255.3	-	-	-	-	21.6	18.3	0.3	0.1	785.1	759.7
- Commercial	299.8	289.3	149.1	144.5	24.8	25.6	-	-	10.3	9.2	0.3	0.2	484.2	468.7
- Agricultural	41.7	42.2	7.0	6.7	1.8	1.9	-	-	2.9	2.8	-	-	53.4	53.7
Bank accounts	1.1	0.4	0.9	0.7	0.1	0.1	-	-	-	-	-	-	2.1	1.3
Custody account and securities	9.0	9.7	3.4	2.9	10.8	10.7	3.1	0.1	-	-	-	-	26.3	23.4
Vehicles	1.6	1.7	20.5	19.2	0.7	0.7	-	-	-	-	-	-	22.9	21.6
Equipment	3.1	3.2	15.8	15.1	1.5	1.2	-	-	3.5	2.7	-	-	23.8	22.3
Vessels and aircraft	1.7	1.6	2.6	2.4	25.2	24.9	-	-	-	-	-	-	29.6	28.9
Guarantees	1.9	2.2	7.2	6.5	5.8	3.7	-	-	-	-	-	-	14.8	12.4
Amounts due	-	-	4.0	3.9	0.2	0.2	-	-	0.5	0.5	-	-	4.7	4.5
Other assets	0.3	0.2	29.3	27.7	4.0	5.7	-	0.1	1.4	1.5	-	-	35.1	35.0
Total collateral	**847.3**	**836.4**	**515.8**	**484.9**	**74.9**	**74.7**	**3.1**	**0.3**	**40.2**	**35.1**	**0.6**	**0.3**	**1,481.9**	**1,431.6**
Total unsecured credit exposure	**206.8**	**186.0**	**248.5**	**238.3**	**368.3**	**488.1**	**1.1**	**2.3**	**38.3**	**34.1**	**99.0**	**11.9**	**962.0**	**960.7**
Unsecured portion of credit exposure (%)	**19.6**	**18.2**	**32.5**	**32.9**	**83.1**	**86.7**	**25.7**	**89.7**	**48.8**	**49.3**	**99.4**	**97.2**	**39.4**	**40.2**

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 2019	Banking DK 2018	Banking Nordic 2019	Banking Nordic 2018	C&I 2019	C&I 2018	Northern Ireland 2019	Northern Ireland 2018	Other 2019	Other 2018	Total past due amount 2019	Total past due amount 2018	Total due under loans 2019	Total due under loans 2018
6-30 days	57	82	52	37	2	3	7	6	-	-	118	128	2,790	1,789
31-60 days	15	27	6	34	-	1	1	2	-	-	23	64	536	652
> 60 days	33	32	20	58	-	-	2	1	-	-	56	91	497	772
Total past due amounts	**106**	**141**	**78**	**129**	**3**	**5**	**10**	**8**	**-**	**-**	**196**	**284**	**-**	**-**
Total due under loans	**670**	**814**	**3,022**	**2,283**	**6**	**37**	**119**	**77**	**4**	**2**	**-**	**-**	**3,822**	**3,213**

For the past due amounts, the average unsecured portion of the claims recorded was 11.7% at the end of 2019 (2018: 14.3%). Real property accounted for 80.3% of collateral provided (2018: 76.4%).

Forbearance practices and repossessed assets

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

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of 2019, the Group recognised properties taken over in Denmark at a carrying amount of DKK 15 million (31 December 2018: DKK 26 million) and there were no properties taken over in other countries (31 December 2018: DKK 0 million). The properties are held for sale and included under Other assets in the balance sheet.

Forbearance leads to the classification of exposures in stage 2 or 3, and impairments relating to forborne exposures are handled according to the principles described in Annual Report 2019, note G15, Basis of preparation – Measurement of loans.

The table below shows the exposures that are subject to forbearance measures and is based on the EBA's definition as described in Annual Report 2019.

Exposures subject to forbearance measures

(DKK millions)	2019 Performing	2019 Non-performing*	2018 Performing	2018 Non-performing*
Active forbearance	8,161	9,341	9,143	8,828
Under probation	4,933	-	6,482	-
Total	**13,094**	**9,341**	**15,625**	**8,828**

* 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 table below shows the reconciliation at 31 December 2019 between the gross exposure in stage 3 and gross non-performing loans.

Non-performing loan bridge	2019			2018		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	21.2	18.3	39.5	23.2	20.3	43.6
None or an immaterial allowance account	4.1	0.7	4.8	9.4	4.3	13.6
Gross non-performing loans	17.1	17.6	34.7	13.9	16.0	29.9
Expected credit loss	5.1	8.3	13.4	4.3	8.8	13.0
Net non-performing loans	**12.0**	**9.4**	**21.3**	**9.6**	**7.3**	**16.9**

Non-performing loans in core activities

(DKK millions)	2019	2018
Total non-performing loans	21,346	16,903
- portion from customers in default*	9,372	7,289
Coverage ratio (default) (%)	74	96
Coverage ratio (non-default) (%)	85	69
Coverage ratio (total non-performing loans) (%)	78	85
Non-performing loans as a percentage of total gross exposure (%)	1.4	1.2

* 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)

	2019				2018			
(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	5	4	1	1
Financials	338	263	75	-	237	237	-	-
Agriculture	3,452	1,708	1,744	412	3,622	1,897	1,725	382
Automotive	190	91	99	43	390	187	202	82
Capital goods	4,043	565	3,478	2,241	1,522	558	965	681
Commercial property	3,610	1,257	2,353	9	4,409	1,576	2,832	47
Construction and building materials	2,207	864	1,343	181	930	434	497	85
Consumer goods	886	441	446	34	573	277	296	99
Hotels, restaurants and leisure	145	81	64	12	196	117	78	11
Metals and mining	42	34	8	2	338	207	131	80
Other commercials	13	10	3	-	136	32	104	6
Pharma and medical devices	30	19	11	-	35	21	14	1
Private housing co-ops and non-profit associations	803	321	482	49	1,117	451	666	47
Pulp, paper and chemicals	368	119	249	78	222	89	134	44
Retailing	1,379	662	717	-	864	588	276	3
Services	664	402	262	50	952	523	429	-
Shipping, oil and gas	9,230	2,938	6,292	-	7,538	2,316	5,222	120
Social services	739	252	487	-	334	57	277	45
Telecom and media	220	110	109	32	159	91	68	15
Transportation	126	98	28	-	169	100	69	1
Utilities and infrastructure	59	34	25	12	220	131	89	76
Personal customers	6,167	3,095	3,072	714	5,954	3,130	2,824	477
Total	**34,713**	**13,367**	**21,346**	**3,867**	**29,924**	**13,021**	**16,903**	**2,302**

The Group updated this segmentation in the first quarter of 2019 in order to better reflect current credit risk management areas. Comparative information has been restated to reflect the amended industry segmentation.

For non-performing exposures, the average unsecured portion was 18.1% at the end of 2019 (31 December 2018: 13.6%). Real property accounted for 49.1% of collateral provided (31 December 2018: 52.5%).

Notes – Danske Bank Group – Risk management

Non-performing loans continued

Non-performing loans in core activities broken down by business unit

	2019				2018			
(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
Retail	4,636	2,486	2,150	294	4,492	2,517	1,975	747
Commercial	10,953	4,797	6,156	472	11,853	5,371	6,482	848
Banking DK*	**15,588**	**7,282**	**8,306**	**767**	**16,346**	**7,889**	**8,457**	**1,595**
Sweden	1,384	493	892	97	1,108	414	693	30
Norway	2,083	545	1,539	-	1,964	887	1,077	1
Finland	2,125	1,106	1,019	56	1,365	781	584	96
Other	392	276	116	-	882	373	509	125
Banking Nordic*	**5,985**	**2,420**	**3,565**	**154**	**5,319**	**2,455**	**2,863**	**252**
C&I**	**11,853**	**3,155**	**8,698**	**2,718**	**6,788**	**2,048**	**4,740**	**347**
Wealth Management*	**-**	**-**	**-**	**-**	**14**	**14**	**-**	**-**
Northern Ireland	**1,281**	**508**	**773**	**227**	**1,448**	**613**	**835**	**104**
Other	**6**	**2**	**4**	**2**	**9**	**2**	**6**	**4**
Total NPL	**34,713**	**13,367**	**21,346**	**3,867**	**29,923**	**13,020**	**16,903**	**2,302**

* The Group's Private Banking activities that were part of Wealth Management have been transferred to the banking units. Comparative information has been restated.

** 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.

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 2018	14,475	4,465	2,779	902	12	22,631
ECL on new assets	1,443	714	773	61	-	2,991
ECL on assets derecognised	-2,059	-827	-908	-103	-	-3,896
Impact on remeasurement of ECL (incl. change in models)	-76	148	325	58	-	454
Write-offs debited to allowance account	-1,206	-317	-18	-112	-	-1,654
Foreign currency translation	-7	-50	19	-13	-	-51
Other changes	24	17	-164	-	1	-122
ECL allowance account as at 31 December 2018	**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**

* The Group's Private Banking activities that were part of Wealth Management have been transferred to the banking units. Comparative information has been restated.

The method used for calculating expected credit losses is described in detail in note G15.

The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base-case, upside and downside scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The base-case scenario enters with a probability of 60% (2018: 70%), the upside scenario a probability of 10% (2018: 15%) and the downside scenario a probability of 30% (2018: 15%). On the basis of these assessments, the allowance account at 31 December 2019 amounted to DKK 20.5 billion (2018: 20.4 billion). If the base case scenario was assigned a probility of 100%, the allowance account would decrease DKK 0.7 billion (2018: 0.4 billion). Compared to the base case scenario, the allowance account would increase DKK 2.4 billion (2018: 3.8 billion), if the downside scenario was assigned a probability of 100%. The increase reflects primarily the transfer of exposures from stage 1 to stage 2 and increased expected credit losses within stage 2. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease by DKK 0.5 billion (2018: 0.1 billion) compared to the base-case scenario. However, it should be noted that the expected credit losses in the individual scanarios (i.e. without the weighting) do not represent forecasts of expected credit losses (ECL).

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). 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, the allowance account would increase by DKK 0.0 billion.

The Group applies post-model adjustments of DKK 4.0 billion (2018: 4.5 billion). Around half of all the adjustments relate to high-risk industries such as agriculture as well as oil and gas within the Group's shipping, oil and gas exposure, where the Group has no specific expected credit loss models in place, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Remaining adjustments are made to take into account non-linear downside risks, such as the property market in Copenhagen for which the macroeconomic forecasts used in the models are based on the Danish property market as a whole and adjustments are therefore made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk process has identified underestimation of the expected credit losses.

Notes – Danske Bank Group – Risk management

Allowance account in core activities continued

Allowance account in core activities	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2018	1,498	5,530	15,602	22,631
Transferred to stage 1 during the period	971	-814	-157	-
Transferred to stage 2 during the period	-30	876	-846	-
Transferred to stage 3 during the period	-20	-422	442	-
ECL on new assets	361	1,032	1,606	2,999
ECL on assets derecognised	-317	-1,180	-2,408	-3,905
Impact of net remeasurement of ECL (incl. changes in models)	-818	408	863	453
Write-offs debited to the allowance account	-30	-14	-1,611	-1,654
Foreign exchange adjustments	-12	-7	-33	-51
Other changes	-30	-35	-54	-119
ECL allowance account as at 31 December 2018	**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**

The stage 3 allowance account includes 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.

Gross credit exposure in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2018	2,520,519	122,133	65,399	2,708,052
Transferred to stage 1	37,069	-34,682	-2,387	-
Transferred to stage 2	-45,246	58,761	-13,515	-
Transferred to stage 3	-3,269	-2,734	6,004	-
New assets	713,227	29,481	8,098	750,805
Assets derecognised	-901,864	-27,946	-17,475	-947,286
Other changes	-87,308	-5,510	-2,638	-95,456
As at 31 December 2018	**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
Other changes	-61,047	-4,458	-1,859	-67,363
As at 31 December 2019	**2,267,273**	**154,243**	**42,758**	**2,464,274**

The contractual amount of loans written off in 2019 and for which the Group retains the right to enforce its claims amounted to DKK 1,480 million (31 December 2018: DKK 1,172 million).

Notes – Danske Bank Group – Risk management

Allowance account in core activities continued

Allowance account in core activities broken down by balance sheet item

(DKK millions)	2019	2018
Due from credit institutions and central banks	13	15
Loans at amortised cost	15,237	15,129
Loan commitments and guarantees	2,020	2,026
ECL Impairment, Total	**17,270**	**17,170**
Fair value credit risk adjustment on loans at fair value	3,182	3,184
Total	**20,451**	**20,353**

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 Group's 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.

Following the decision in the first quarter of 2019 to close down the banking activities in the Baltics and Russia, customers in these countries were transferred to the Non-core unit from Corporates & Institutions. Comparative information has not been restated. As a result, credit exposure of DKK 3 billion was transferred to the Non-core unit.

In 2019, the winding-up activities included the following transactions:

- In June 2019, the Group entered into an agreement to sell a portfolio of loans in Estonia. The sale was finalised in November 2019.
- In December 2019 and January 2020, the Group entered into agreements to sell portfolios of loans of DKK 938 million of personal customers in Latvia and Lithuania. The sales are expected to be finalised in the first half of 2020 and the loans have been transferred to Assets held for sale.

Credit portfolio in Non-core activities broken down by industry (NACE) and IFRS 9 stage

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**

Credit portfolio in Non-core activities broken down by industry (NACE) and IFRS 9 stage

2018	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	13,074	1,027	810	28	76	291	13,046	951	519	6,148	383	194
Personal customers	4,034	594	341	11	35	106	4,023	558	235	1,578	212	91
Commercial customers	6,991	400	469	16	39	185	6,975	360	284	2,789	143	103
Public Institutions	2,049	33	-	-	1	-	2,049	32	-	1,781	28	-
Non-core conduits etc.	3,450	-	888	-	-	422	3,450	-	466	555	-	181
Total	**16,524**	**1,027**	**1,698**	**28**	**76**	**713**	**16,496**	**951**	**985**	**6,703**	**383**	**375**

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 IFRS 9 stage

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**

Credit portfolio in Non-core activities broken down by rating category and IFRS 9 stage

2018	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	1,088	-	-	-	-	-	1,088	-	-	-	-	-
3	0.03	0.06	1,740	19	10	-	-	-	1,740	19	10	264	19	10
4	0.06	0.14	3,299	195	105	2	-	-	3,298	195	105	1,877	83	52
5	0.14	0.31	2,691	191	103	3	-	-	2,688	191	103	669	31	15
6	0.31	0.63	2,583	180	96	7	-	-	2,576	180	96	1,335	85	45
7	0.63	1.90	3,185	269	115	10	32	-	3,175	237	115	1,674	113	57
8	1.90	7.98	1,119	93	40	6	17	-	1,113	76	40	619	36	19
9	7.98	25.70	257	45	10	-	27	-	257	18	10	223	16	8
10	25.70	99.99	161	16	879	-	-	407	161	16	472	-35	-3	170
11 (default)	100.00	100.00	265	19	340	-	-	306	265	19	34	77	4	1
Total			**16,524**	**1,027**	**1,698**	**28**	**76**	**713**	**16,496**	**951**	**985**	**6,703**	**383**	**375**

Notes – Danske Bank Group – Risk management

Credit exposure from Non-core lending activities continued

Non-performing loans in Non-core activities broken down by industry (NACE)

	2019				2018			
(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
Non-core banking	204	157	47	1	578	133	444	32
Non-core conduits etc.	908	639	268	-	888	422	466	181
Total	**1,112**	**796**	**316**	**1**	**1,466**	**555**	**910**	**213**

The average unsecured portion of non-performing loans was 0.3% at the end of 2019 (2018: 23.4%). Real property accounted for 100% of collateral provided (2018: 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)	2019	2018
Counterparty credit risk		
Derivatives with positive fair value	294.0	244.3
Reverse transactions and other loans at fair value	343.1	319.4
Credit exposure from other trading and investment securities		
Bonds	472.5	441.6
Shares	13.7	6.3
Other unutilised commitments	0.3	0.3
Total	**1,123.6**	**1,011.9**

* 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 342.0 billion (2018: DKK 317.8 billion), of which DKK 23.6 billion relates to credit institutions and central banks (2018: DKK 56.3 billion), and other primarily short-term loans of DKK 1.1 billion ((2018: DKK 1.6 billion), of which DKK 0 billion (2018: DKK 0.6 billion) relates to credit institutions and central banks.

** 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 76.4 billion (2018: DKK 68.6 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)	2019	2018
1	14,566	7,074
2	14,848	15,406
3	23,540	26,674
4	10,880	10,760
5	9,154	5,962
6	2,007	1,766
7	1,014	689
8	98	128
9	21	32
10	175	79
11	60	67
Total	**76,361**	**68,636**

For risk management purposes, counterparty credit risk on derivatives is managed by means of PFE (potential future exposure) lines on a set of maturity buckets. Prior to trading, PFE lines approved by the relevant credit unit. The Group carries out daily counterparty credit risk measurement and monitoring as well as intraday line utilisation monitoring. An overview of counterparty credit risk exposure 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
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**
2018							
Held-for-trading (FVPL)	93,333	883	33,302	29,801	2,798	6,214	166,331
Managed at fair value (FVPL)	14,949	486	38,187	4,026	634	320	58,602
Held to collect and sell (FVOCI)	9,071	1,261	60,543	827	2,582	-	74,284
Held to collect (AMC)	53,033	1,015	77,378	7,427	3,144	422	142,419
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

At 31 December 2019, the Group had an additional bond portfolio, including bond-based unit trust certificates, worth DKK 196,918 million (31 December 2018: DKK 191,606 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 government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
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**
2018							
Denmark	39,404	-	209,263	-	-	782	249,450
Sweden	42,755	-	146	42,081	-	1,939	86,920
UK	6,306	-	-	-	1,989	159	8,454
Norway	10,539	-	-	-	3,867	1,700	16,106
USA	11,055	338	-	-	-	4	11,397
Spain	4,360	-	-	-	2	1	4,362
France	11,421	-	-	-	948	387	12,757
Luxembourg	-	2,841	-	-	-	3	2,843
Finland	10,944	435	-	-	1,041	653	13,073
Ireland	3,738	-	-	-	8	13	3,758
Italy	1,488	-	-	-	-	2	1,490
Portugal	899	-	-	-	-	-	899
Austria	3,717	-	-	-	-	12	3,729
Netherlands	7,848	-	-	-	94	477	8,419
Germany	11,287	-	-	-	993	50	12,330
Belgium	4,625	-	-	-	85	5	4,715
Other	-	32	-	-	132	769	933
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

Risk Management 2019 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
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**
2018							
AAA	111,689	2,474	209,353	42,081	8,319	148	374,064
AA+	20,341	470	-	-	35	123	20,969
AA	22,757	701	-	-	799	1,595	25,852
AA-	4,911	-	-	-	2	173	5,087
A+	-	-	-	-	-	570	570
A	3,738	-	34	-	4	2,117	5,893
A-	1	-	-	-	-	360	362
BBB+	4,358	-	-	-	-	426	4,784
BBB	218	-	23	-	-	736	976
BBB-	2,368	-	-	-	-	281	2,649
BB+	4	-	-	-	-	170	174
BB	-	-	-	-	-	127	127
BB-	-	-	-	-	-	30	30
Sub-inv. grade or unrated	-	-	-	-	-	99	99
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

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 portfolios will be affected by the level of interest rates.

The Market Risk Policy set by the Board of Directors lays out the overall framework for market risk management and identifies the boundaries within which the Group's market risk profile and business strategy are defined. The Market Risk Policy is supported by the Market Risk Instructions, Instructions set by the Board of Directors. The latter document defines the overall limits for various market risk factors and additional boundaries within which the trading activities are performed.

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
- Fair value adjustments (xVA) at Corporates & Institutions
- Non-trading portfolios at Group Treasury

The Group manages the market risk associated with its trading activities in the financial markets. In particular, the Group hedges the market risk incurred from market-making activities and client flows by taking positions in financial instruments, assets and liabilities that offset this market risk. In addition, the Group uses financial instruments to hedge the fair value adjustments (xVA) in relation to derivatives trading.

Interest rate risks, and other market risks, associated with the assets and liabilities of the non-trading portfolio, together with the risks associated with the Group's defined benefit pension plans, are managed by Group Treasury.

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

	2019		2018	
(DKK millions)	Average	End of year	Average	End of year
Total	**26**	**26**	**30**	**30**

The Group continued to maintain a low risk in its trading operations in 2019, with average trading-related market risk decreasing from DKK 30 million in 2018 to DKK 26 million at the end of 2019.

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 debit 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 practices in the market.

For the purpose of reducing P/L volatility caused by xVA, the Group pursues a strategy to hedge the most significant risk in financial markets 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. Conversely, the Group may maintain exposure to own funding spread risk and sovereign spread risk.

Market risk in relation to the non-trading portfolios at Group Treasury

The Group's exposure to market risk in its non-trading portfolios originates mainly from interest rate risk in the banking book (IRRBB). IRRBB primarily derives from providing the Group's core banking customers with conventional banking products and from the Group's funding, liquidity and interest rate risk management activities at Group Treasury. Group Treasury is responsible for the risk management of the interest rate risk and the use of hedge accounting, when relevant and applicable under IFRS. 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

In 2019, the Group 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. At the end of 2019, the position amounted to DKK 29,988 million (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)

During 2019, the Group adopted the latest regulatory guidelines and the Group's IRRBB framework measures Economic Value, Earnings at Risk and Credit Spread Risk in the banking book. Economic value changes, as a measure, are subject to a risk appetite that is determined annually by the Board of Directors. Earnings at risk and credit spread risk, as measures, are subject to a limit also determined annually by the Board of Directors. A limit framework is used to translate the risk appetites into measures that can be used for risk management purposes. Group ALCO has the responsibility for monitoring and managing the Group's IRRBB exposures.

The Group's total interest rate sensitivity in the banking book (economic value-based measure) is shown below. Economic value-based measures show the change in the net present value of assets, liabilities and off-balance sheet items in the banking book subject to a specific interest rate shock and stress scenarios. The risks shown are measured at a parallel interest rate curve shift of +100bp and -100bp. At the end of 2019, the loss scenario (the -100bp shift) showed an economic value loss of DKK 2,681 million compared to of DKK 2,471 million at the end of 2018. The risk has been within a relatively stable range of DKK -2,400 to -3,000 million throughout 2019. The loss in the downside scenario (the -100bp shift) is lower than the gain in the upside scenario (the +100bp shift) of DKK 4,433 million at the end of 2019 compared to DKK 4,086 million at the end of 2018 due to convex elements, including floor risk, in the positions.

Interest rate risk in the banking book under the new limit framework

	2019		2018	
At last business day (DKK millions)	+100bp	-100bp	+100bp	-100bp
Total	**4,433**	**-2,681**	**4,086**	**-2,471**

Earnings-at-Risk (EaR) is a regulatory measure that seeks to stress the net interest income under a number of different scenarios using defined parameters. Under this, a constant balance sheet approach is used to create a base scenariot over a 12 month time horizon. A number of different scenarios are then applied, to assess the EaR sensitivity. The EaR measure complements the Economic Value interest rate measure, which measures the long-term impact. Using a parallel downward yield curve shift of 1%, the Group's Earnings-at-Risk would be DKK 6 million higher than a base scenario calculation at the end of 2019. (2018: DKK 1,003 million lower than a base scenario calculation).

The Group uses a credit spread risk in the banking book measure based upon a 10-day 99% VaR approach, that produced a DKK 99 million risk number as of year-end 2019 (2018:DKK 77 million).

The components of IRRBB, most notably gap risk, convexity risk and behavioural risk are measured and monitored on a daily basis. The Group's main sensitivity continues to be customer behaviour, where non-maturing deposits continue to be the major input.

Structural FX risk

The Group's CET1 capital is denominated in its domestic currency, DKK, while part of its assets and liabilities are in foreign currencies. Although a completely matched foreign currency position will protect the Group against losses from movements in exchange rates, the Group's CET1 capital ratio will fall if DKK depreciates due to the imbalances between the CET1 capital in a particular foreign currency and the CET1 capital required to support REA denominated in the same currency. This risk is labelled Structual FX risk.

The Group's objective is to manage the Structural FX risk to reduce the potential impact of fluctuations in exchange rates on the CET1 capital ratio, while at the same time acknowledge potential increased volatility in Other comprehensive income. The strategy is to hedge the FX sensitivity on the CET1 capital ratio stemming from allocated capital related to Credit Risk REA in the three most significant branches' balance sheet currencies, i.e. SEK, NOK and EUR. Structural FX (hedge) positions are long-dated and non-trading in nature as well as relatively stable throughout time.

Notes – Danske Bank Group – Risk management

Market risk continued

Regulatory capital for market risk

The Group uses the internal VaR model to measure the risk exposure amount for market risk in its trading book. The trading book covers trading-related market risk at Corporates & Institutions and hedging in relation to fair value adjustments of interest rate risk and the part of the CDS spread hedges not included in the risk exposure amount calculations for credit value adjustment (CVA) risk (see below).

The Group also uses the internal VaR model for calculating the stressed VaR capital charge. Incremental risks, such as default and rating migration risks on bond issuers and CDS names, are estimated in the incremental risk model.

The risk exposure amount for the Group's minor exposures to commodity risk and collective investment undertakings is calculated according to the standardised approach.

The risk exposure amount for CVA risk is measured mainly using the internal VaR model based on exposure calculations from the counterparty risk exposure model and allocated CDS spread hedges. The risk exposure amount for CVA risk from the Group's minor 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.

Taking on 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 investigation of the Estonia case in 2018 and the subsequent rating downgrades combined with generally turbulent market conditions created a challenging environment in the last months of 2018. As Danske Bank was able to demonstrate adequate access to funding markets, the situation has improved gradually but significantly during 2019.

Renewed doubts about the general economy meant a change in the prevailing trends for monetary policy. Some jurisdictions, such as the US, stopped or reversed the tightening of monetary policy, whereas others, such as the Euro area, resumed the earlier trends towards easing. Global liquidity is therefore adequate and monetary policy itself is not expected to cause any shortages or other difficulties in funding markets in the short term.

At the end of 2019, the Group's liquidity coverage ratio (LCR) stood at 140% compared to 121% at the end of 2018. The difference reflects last year's efforts to manage liquidity while avoiding excessive costs. As noted, the situation improved considerably in 2019, and the LCR was quickly brought back to a higher level where it has since been kept.

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 daily liquidity management since 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, in the short term, the liquidity reserve is always sufficient to absorb the net effects of known future receipts and payments from current transactions. Bond holdings that can be used in repo agreements with central banks are considered liquid assets. To take account of the potential risk of drawings under loan commitments, the Group factors in the unutilised portion of facilities in the calculation of liquidity risk.

For liquidity management purposes, the Group distinguishes between liquidity in DKK and liquidity in other currencies. This is because of the Group's strong position in the Danish market and because the Group has a net deposit surplus in DKK (deposits exceed lending) and a net deposit shortfall in 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 Liquidity 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 potential crises. 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 possible 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 calendar days. By executive order, Danish SIFIs are subject to currency-specific liquidity requirements. The requirements apply individually and only for currencies that are significant to the individual bank. For 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 funding is a key concern for the Group. Wholesale funding is less stable than retail funding, especially in the event of general market unrest or issues specific to Danske Bank, as was the case in 2018. Large market funding needs can make the Group vulnerable to investor sentiments, market stress and market dysfunctionalities. The size and maturity profile of wholesale funding and the maturity mismatch profile must therefore be prudent.

Retail deposits, are a very important funding source for the Group. It is stable partly because 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 (%)	2019	2018
Central banks/credit institutions	6	9
Repo transactions	-7	-4
Short-term bonds	1	1
Long-term bonds	10	8
Other covered bonds	15	15
Deposits (business)	36	33
Deposits (personal)	28	26
Subordinated debt	2	1
Shareholders' equity	11	10
Total	100	**100**

Comparatives have been restated to include repo transactions at fair value.

Funding sources by currency (%)	2019	2018
DKK	31	33
EUR	32	31
USD	14	15
SEK	8	7
GBP	5	5
Other	9	8
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)		2019	2018
Total high-quality liquid assets		432	447
Level 1a assets	Central bank reserves	87	156
	Central government debt	55	52
	Other level 1a assets	42	42
Level 1b assets	Extremely high-quality covered bonds	232	179
Level 2a assets	High-quality covered bonds	12	10
	Other level 2a assets	4	8
Level 2b assets		0.1	0.1

Other regulatory measures

The Net Stable Funding Ratio (NSFR) is a balance sheet based funding and liquidity measure with a time horizon of one year.

It calculates an aggregate stability measure for liabilities where maturities longer than one year and equity are rated highest. It also calculates a measure for assets showing the aggregate need for stable funding. The less liquid the assets are, the more stable the funding must be. It seeks to ensure a balance between a bank's asset side commitments and the stability of its funding.

It has now been formally adopted as part of a larger legislative package in the EU. It will enter into force on 28 June 2021. Informal calculations show that Danske Bank is in already in compliance.. NSFR projections are used in the calibration of funding plans to ensure continued compliance.

The so-called Supervisory Diamond provides guidance to financial institutions in Denmark on what the authorities consider prudent policy. In practice this guidance is binding. The diamond contains five requirements, hence the name. The requirement for liquidity resembles the LCR requirement but covers 90 days.

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 limits set by its Board of Directors as well as the solvency capital requirements, 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

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 0.40-0.90% 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.

In December 2018, Danica Pension entered into an agreement to sell its operations in Sweden. The sale settled in May 2019. Danica Pension's offering in Sweden were almost exclusively unit-link, and the sale only had a limited effect on risk.

Danica Pension's risks

Operating under the Solvency II rules, 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.

As part of its product offerings, Danica Pension provides guaranteed life annuities; insurance against death, disability and accident; and cover against adverse investment returns. This exposes the Group to underwriting risks such as longevity and disability risks as well as to market risk.

Underwriting risk is the risk of losses from the insurance business. At Danica Pension, these risks are almost exclusively life insurance risks, and they arise naturally out of the business model. Most underwriting risks materialise over long time horizons during which the gradual changes in biometric conditions deviate from those assumed in contract pricing.

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.

In with-profits policies, the policyholders bear the market risk, but in case of large losses that cause the customer buffers to be depleted, Danica Pension will have to step in with funds to ensure that the benefits guaranteed to the policyholders can be provided.

In unit-linked policies, losses may reduce the assets under management and thus deplete future asset management fees in the long term.

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 of a guaranteed minimum amount in nominal terms, but lets them participate in a collective investment pool where returns may lead to higher benefits than those guaranteed. The present value of the guaranteed benefits depends on the level of interest rates used for discounting. If the value of the assets falls below the present value of the liabilities, Danica Pension will have to cover the shortfall. Managing this product thus involves a combination of managing the risks on behalf of the policyholders and managing the risk that Danica Pension will have to cover losses.

Danica Pension uses interest rate hedging to maintain customer buffers and considers any duration mismatch between assets and liabilities to be an active investment decision. The interest rate used for discounting the technical provisions is the Solvency II discount curve. It is based primarily on the EUR swap rate and also takes into account yields on Danish mortgage bonds and government bonds. It is not possible for Danica Pension to invest in instruments that completely hedge the liabilities using this discount curve, and therefore some basis risk remains. The level of the long end of the discount curve, for which no reliable market data are available, is determined by the European Insurance and Occupational Pensions Authority (EIOPA). 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.

Notes – Danske Bank Group – Risk management

Insurance risk continued

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 focuses on prudent pricing of the risk.

Longevity risk is managed by means of an internal model approved by the Danish Financial Supervisory Authority (the Danish FSA) for use in solvency reporting. This model is based on the Danish FSA's life expectancy benchmark and longevity observations of Danica Pension's policy holders.

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 guarantees do not apply until the time of retirement, and they are paid for by an annual fee. The risk on these guarantees is managed by adjusting the asset allocation to high-risk assets for each individual policy. The adjustments ensure that sufficient funds are available to cover guarantees even after a substantial decline in asset prices.

Risk monitoring and reporting
Danica Pension monitors sensitivities to various stresses from market and underwriting risks, and a number of these stresses are listed below.

The table below on sensitivity indicators shows the effect on shareholders' equity of separate changes in interest rates, equity prices, real property prices, foreign exchange rates and counterparty defaults. Losses borne by the shareholders in these scenarios are generally limited since most of the losses are absorbed by buffers or borne by the policyholders themselves.

Change in equity

(DKK billions)	2019	2018
Interest rate increase of 0.7 - 1.0 percentage points	0.1	0.1
Interest rate decrease of 0.7 - 1.0 percentage points	-0.2	-0.3
Decline in equity prices of 12%	-0.2	-0.3
Decline in property prices of 8%	-0.3	-0.2
Foreign exchange risk (VaR 99.0%)	0.0	0.0
Loss on counterparties of 8%	0.0	-0.4

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

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**

2018	Central and local government bond	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	10,667	-	85,097	-	537	4,927	101,228
Sweden	-	-	-	6,263	-	2,431	8,694
UK	5	-	-	-	-	1,656	1,661
Norway	-	10	-	-	523	1,161	1,694
USA	8,270	-	-	-	-	5,755	14,025
Spain	1,771	-	-	-	-	517	2,288
France	598	-	-	-	-	1,509	2,107
Luxembourg	-	13	-	-	-	721	734
Canada	-	320	-	-	-	222	542
Finland	162	-	-	-	-	435	597
Ireland	1,368	-	-	-	-	429	1,797
Italy	4,752	-	-	-	-	760	5,512
Portugal	1	-	-	-	-	23	24
Austria	-	-	-	-	-	33	33
Netherlands	74	-	-	-	-	1,995	2,069
Germany	13,722	-	-	-	-	2,706	16,428
Other	4,736	178	-	-	4	27,255	32,173
Total	**46,126**	**521**	**85,097**	**6,263**	**1,064**	**52,535**	**191,606**

Notes – Danske Bank Group – Risk management

Insurance risk continued

Bond portfolio (insurance business) broken down by external ratings

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

2018							
AAA	32,894	5	71,340	4,040	1,036	3,409	112,724
AA+	3	1	11	-	-	4	19
AA	598	320	-	-	-	343	1,261
AA-	257	-	-	-	5	569	831
A+	1,657	-	-	12	-	925	2,594
A	172	-	2,905	-	-	900	3,977
A-	1,503	7	-	-	-	1,381	2,891
BBB+	36	-	-	-	-	1,485	1,521
BBB	5,357	65	-	-	-	2,379	7,801
BBB-	322	-	-	-	-	1,927	2,249
Sub-inv. grade or unrated	3,327	123	10,841	2,211	23	39,213	55,738
Total	**46,126**	**521**	**85,097**	**6,263**	**1,064**	**52,535**	**191,606**

Danica Pension has set a separate investment strategy for assets in which its shareholders' equity is invested.

Notes – Danske Bank Group

(DKK millions)	2019	2018	2017	2016	2015
Highlights					
Net interest and fee income	38,749	39,496	40,885	41,976	45,090
Value adjustments	34,034	-10,332	19,134	12,947	5,831
Staff costs and administrative expenses	24,700	23,821	22,192	21,742	22,093
Loan impairment charges	1,729	-387	-1,582	-168	-61
Income from associates and group undertakings*	386	451	566	1,009	502
Net profit	15,072	14,862	20,900	19,858	13,123
Loans	2,150,059	2,043,580	1,899,975	1,907,569	1,820,918
Total equity	170,508	163,276	168,256	166,615	160,830
Total assets	3,761,050	3,578,467	3,539,528	3,483,670	3,292,878

* The gain of DKK 767 million on the sale of the shares in the associated undertaking LR Realkredit is included in Gain or loss on sale of disposal groups.

Ratios and key figures

Total capital ratio (%)	22.7	21.3	22.6	21.8	21.0
Tier 1 capital ratio (%)	20.4	20.1	20.1	19.1	18.5
Return on equity before tax (%)	8.3	11.7	15.7	15.5	11.3
Return on equity after tax (%)	9.0	9.0	12.5	12.1	8.4
Income/cost ratio (%)	140.3	169.9	208.2	203.7	160.7
Interest rate risk (%)	2.9	2.7	2.3	2.4	2.2
Foreign exchange position (%)	4.0	1.8	0.4	2.5	0.3
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	181.5	185.9	173.7	193.3	204.1
Liquidity coverage ratio (%)	140.1	120.6	171.0	158.3	125.0
Sum of large exposures as % of CET1 capital*	138.1	115.1	12.6	11.4	-
Impairment ratio (%)	0.1	-	-0.1	-	-
Growth in loans (%)	2.4	3.2	1.1	4.4	2.4
Loans as % of equity	12.6	12.5	11.3	11.4	11.3
Return on assets (%)	0.4	0.4	0.6	0.6	0.4
Earnings per share	16.7	16.2	22.2	20.2	12.8
Book value per share (DKK)	199.7	191.0	188.2	178.1	164.8
Proposed dividend per share (DKK)	[8.5]	8.5	10.0	9.0	8.0
Share price end of period/earnings per share (DKK)	6.4	8.0	10.9	10.6	14.5
Share price end of period/book value per share (DKK)	0.54	0.67	1.28	1.20	1.12

* 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.

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, 1043 of 5 September 2017 and the Executive Order No. 1441 of 3 December 2018. The amendments to the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. included in the Executive Order no. 1441 of 3 December 2018 incorporate changes due to IFRS 16 Leases. Danske Bank A/S has early adopted the amendments concerning IFRS 16 Leases, as of 1 January 2019.

The implementation of the amendments had the following key impact on the financial statements for Danske Bank A/S:

- As of 1 January 2019 Danske Bank A/S recognised assets (right-of-use assets) and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. This has increased assets and liabilities by DKK 6,142 million at 1 January 2019. There has been no implementation impact on shareholders' equity.
- Right-of-use lease assets are included in the same line item as is used for for owned assets. As of 1 January 2019 domicile properties include right-of-use assets of DKK 5,059 million and Other tangible assets include right-of-use assets of DKK 1,083 million.
- Lease liabilities are recognised as Other liabilities, except liabilities of uncertain timing or amount, which are recognised as Other provisions for liabilities.
- In the income statement, expenses related to lessee leases are presented as depreciation and interest expenses, respectively.
- The income statement for 2018 has been restated due to the implementation of the amendments to IAS 12, Income taxes. This has reduced Tax and increased Net profit by DKK 173 million.

Note G2(a) provides further information on changes in accounting policies implemented in 2019 including the reduction of shareholders' equity as at 1 January 2019 of DKK DKK 288 million. Except for these changes, Danske Bank A/S has not changed its significant accounting policies from those applied in the Annual Report 2018 and explained on page 208 in Annual Report 2018.

The accounting policies applied are identical to the Group's IFRS accounting policies, see note G1(a)-(c), with the following exceptions:

- 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 prepared 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 2019	Net profit 2018	Total equity 2019	Total equity 2019
Consolidated financial statement (IFRS)	15,072	14,862	170,508	163,276
Domicile properties	-4	2	265	269
Tax effect	-	-	-31	-32
Consolidated financial statements (Danish FSA rules)	**15,068**	**14,864**	**170,741**	**163,513**

Note G38 lists the Group's significant holdings and undertakings.

Income statement – Danske Bank A/S

Note	(DKK millions)	2019	2018
P2	Interest income	29,590	29,283
P3	Interest expense	16,566	14,743
	Net interest income	13,024	14,540
	Dividends from shares etc.	500	95
P4	Fee and commission income	13,292	13,603
	Fees and commissions paid	2,160	2,428
	Net interest and fee income	24,656	25,810
P5	Value adjustments	2,623	3,516
	Other operating income	1,278	1,579
P6	Staff costs and administrative expenses	20,368	19,610
P7	Amortisation, depreciation and impairment charges	4,464	2,349
	Other operating expenses	-	-1
	Loan impairment charges etc.	1,480	-547
	Income from associates and group undertakings	9,525	7,752
	Profit before tax	11,770	17,245
P9	Tax	-3,298	2,382
	Net profit	**15,068**	**14,864**
	Proposed profit allocation		
	Equity method reserve	3,422	-213
	Dividends for the year	7,329	7,616
	Additional tier 1 capital holders	786	781
	Retained earnings	3,531	6,680
	Total	**15,068**	**14,864**

Statement of comprehensive income – Danske Bank A/S

Note	(DKK millions)	2019	2018
	Net profit	15,068	14,864
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit pension plans	228	-291
P9	Tax	-21	42
	Items that will not be reclassified to profit or loss	**207**	**-249**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	697	-374
	Hedging of units outside Denmark	-324	309
	Unrealised value adjustments of bonds at fair value (OCI)	9	-21
	Realised value adjustments of bonds at fair value (OCI)	3	-18
P9	Tax	47	-129
	Items that are or may be reclassified subsequently to profit or loss	**432**	**-233**
	Total other comprehensive income	**639**	**-482**
	Total comprehensive income for the year	**15,707**	**14,382**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	14,921	13,601
	Additional tier 1 capital holders	786	781
	Total comprehensive income for the year	**15,707**	**14,382**

Balance sheet – Danske Bank A/S

Note	(DKK millions)	2019	2018
	Assets		
	Cash in hand and demand deposits with central banks	77,548	21,333
P10	Due from credit institutions and central banks	108,698	237,772
P11	Loans and other amounts due at fair value	319,469	262,410
P11	Loans and other amounts due at amortised costs	866,361	842,424
	Bonds at fair value	327,326	284,619
P13	Bonds at amortised cost	86,531	106,354
	Shares etc.	13,632	6,250
	Holdings in associates	328	375
	Holdings in group undertakings	90,877	90,008
P14	Assets under pooled schemes	53,885	50,274
	Intangible assets	6,072	7,197
	Land and buildings	4,912	296
P15	Investment property	217	219
P15	Domicile property	4,696	76
P16	Other tangible assets	4,882	3,918
	Current tax assets	2,737	1,711
P17	Deferred tax assets	472	468
P18	Assets held for sale	1,128	154
P19	Other assets	315,951	260,838
	Prepayments	1,063	1,151
	Total assets	**2,281,873**	**2,177,552**
	Liabilities and equity		
	Amounts due		
P20	Due to credit institutions and central banks	181,660	254,085
P21	Deposits and other amounts due	1,071,274	997,607
	Deposits under pooled schemes	54,251	50,398
P22	Issued bonds at fair value	6,780	16,669
P22	Issued bonds at amortised cost	270,242	244,730
	Current tax liabilities	154	572
P23	Other liabilities	495,054	421,413
	Deferred income	628	696
	Total amounts due	**2,080,044**	**1,986,169**
	Provisions for liabilities		
	Provisions and pensions and similar obligations	277	143
P17	Provisions for deferred tax	286	6,076
	Provisions for losses on guarantees	2,406	2,373
	Other provisions for liabilities	336	36
	Total provisions for liabilities	**3,305**	**8,628**
	Subordinated debt		
P24	Subordinated debt	27,784	19,242
	Equity		
	Share capital	8,622	8,960
	Accumulated value adjustments	-260	-640
	Equity method reserve	26,762	23,628
	Retained earnings	114,052	109,650
	Proposed dividends	7,329	7,616
	Shareholders of Danske Bank A/S (the Parent Company)	156,504	149,213
	Additional tier 1 etc.	14,237	14,299
	Total equity	**170,741**	**163,513**
	Total liabilities and equity	**2,281,873**	**2,177,552**

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 31 December 2018	8,960	-640	23,628	109,650	7,616	149,213	14,299	163,513
Effect from changes in accounting policies	-	-	-288	-	-	-288	-	-288
Restated 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**

* Accumulated value adjustments includes foreign currency transaction reserve, reserve for bonds at fair value through other comprehensive income (FVOCI) and valuation reserve.

At the end of 2019, the share capital consisted of 862,184,621 shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

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 2018	9,368	-536	23,841	110,456	9,368	152,498	14,339	166,836
Net profit	-	-	-213	14,296	-	14,083	781	14,864
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-291	-	-291	-	-291
Translation of units outside Denmark	-	-374	-	-	-	-374	-	-374
Hedging of units outside Denmark	-	309	-	-	-	309	-	309
Unrealised value adjustments	-	-21	-	-	-	-21	-	-21
Realised value adjustments	-	-18	-	-	-	-18	-	-18
Tax	-	-	-	-87	-	-87	-	-87
Total other comprehensive income	**-**	**-104**	**-**	**-378**	**-**	**-482**	**-**	**-482**
Total comprehensive income	**-**	**-104**	**-213**	**13,917**	**-**	**13,601**	**781**	**14,382**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-784	-784
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Proposed dividends	-	-	-	-7,616	7,616	-	-	-
Share capital reduction	-409	-	-	409	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-48,247	-	-48,247	-37	-48,284
Sale of own shares and additional tier 1 capital	-	-	-	40,181	-	40,181	-	40,181
Share based payments	-	-	-	93	-	93	-	93
Tax	-	-	-	-60	-	-60	-	-60
Total equity as at 31 December 2018	**8,960**	**-640**	**23,628**	**109,650**	**7,616**	**149,213**	**14,299**	**163,513**

At the end of 2018, the share capital consisted of 895,953,621 shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

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 2018	40,813,319	408	4.36	
Reduction of share capital 2018	40,874,101	409	4.36	10,000
Acquired in 2018	246,845,062	2,468	26.35	48,424
Sold in 2018	208,498,817	2,085	22.26	40,388
Holding as at 31 December 2018	**38,285,463**	**383**	**4.09**	
Reduction of share capital in 2019	33,769,000	338	3.92	6,930
Acquired in 2019	184,903,778	1,849	21.45	19,459
Sold in 2019	185,486,791	1,855	21.51	19,421
Holding as at 31 December 2019	**3,933,450**	**39**	**0.46**	

Acquisitions in 2019 comprised shares acquired for the trading portfolio and shares acquired on behalf of customers. In 2018, acquisitions further included shares acquired under share buy-back programmes.

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 2018	1,963,581	20	0.32	
Acquired in 2018	1,867,016	18	0.14	339
Sold in 2018	957,827	10	0.11	155
Holding as at 31 December 2018	**2,872,770**	**29**	**0.32**	
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**	

Acquisitions in 2019 and 2018 comprised shares acquired on behalf of customers.

Statement of capital – Danske Bank A/S

Total capital and total capital ratio

(DKK millions)	2019	2018
Total equity	170,508	163,276
Revaluation of domicile property	265	269
Tax effect of revaluation of domicile property at fair value	-31	-32
Total equity calculated in accordance with the rules of the Danish FSA	170,741	163,513
Additional tier 1 capital instruments included in total equity	-14,070	-14,133
Accrued interest on additional tier 1 capital instruments	-167	-166
Tax on accrued interest on additional tier 1 capital instruments	37	37
Common equity tier 1 capital instruments	156,541	149,250
Adjustment to eligible capital instruments	-344	-225
IFRS 9 reversal due to transitional rules	1,116	1,301
Prudent valuation	-912	-767
Prudential filters	-178	-356
Proposed dividends	-7,329	-7,616
Intangible assets of banking operations	-6,072	-7,197
Deferred tax on intangible assets	429	225
Deferred tax assets that rely on future profitability, excluding temporary differences	-12	-127
Defined benefit pension plan assets	-526	-345
Statutory deduction for insurance subsidiaries	-8,439	-5,987
Other statutory deductions	-197	-141
Common equity tier 1 capital	**134,077**	**128,016**
Additional tier 1 capital instruments	23,944	23,677
Tier 1 capital	**158,022**	**151,693**
Tier 2 capital instruments	17,598	9,161
Total capital	**175,620**	**160,854**
Total risk exposure amount	**666,011**	**650,955**
Common equity tier 1 capital ratio (%)	20.1	19.7
Tier 1 capital ratio (%)	23.7	23.3
Total capital ratio (%)	26.4	24.7

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.

Internal Capital Adequacy Assessment 2019 (not covered by the statutory audit) provides more details on the solvency need of Danske Bank A/S. The section on risk exposure for Danske Bank Group in the risk management notes provides information about the Group's financial risks and financial risk management.

Notes – Danske Bank A/S

P1. Net interest and fee income and value adjustments broken down by business segment

(DKK millions)	2019	2018
Banking DK	8,547	9,089
Banking Nordic	8,176	8,961
C&I	8,444	8,661
Wealth Management	1,817	1,749
Other Activities	294	845
Total	**27,279**	**29,305**
Geographical segmentation		
Denmark	11,267	12,698
Finland	3,682	3,887
Ireland	172	164
Norway	5,466	5,015
UK	283	326
Sweden	6,013	6,630
Baltics	184	351
Germany	116	118
Poland	95	116
Total	**27,279**	**29,305**

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 organisational changes etc.

P2. Interest income

(DKK millions)	2019	2018
Reverse transactions with credit institutions and central banks	-192	-128
Other transactions with credit institutions and central banks	-154	-763
Reverse loans	-904	-1,295
Loans and other amounts due	19,028	18,751
Bonds	990	942
Derivatives, total	5,642	5,632
Currency contracts	4,038	4,283
Interest rate contracts	1,475	1,276
Equity contracts	130	72
Other interest income	164	236
Total	**24,575**	**23,373**

Negative interest income amounts to DKK 2,498 million (2018: DKK 3,295 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)	2019	2018
Repo transactions with credit institutions and central banks	184	-76
Other transactions with credit institutions and central banks	1,421	1,537
Repo deposits	155	-259
Deposits and other amounts due	2,674	1,941
Issued bonds	5,641	3,818
Subordinated debt	1,033	1,674
Other interest expenses	442	199
Total	**11,551**	**8,833**

Negative interest expenses amount to DKK 2,517 million (2018: DKK 2,614 million) and relates primarily to 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)	2019	2018
Securities trading and custody account fees	6,087	6,629
Payment services fees	2,320	2,356
Origination fees	2,270	1,879
Guarantee commissions	899	968
Other fees and commissions	1,717	1,771
Total	**13,292**	**13,603**

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)	2019	2018
Loans at fair value	205	-577
Bonds	1,092	-264
Shares etc.	915	-512
Currency	1,653	2,177
Derivatives	648	1,884
Assets under pooled schemes	15	182
Other liabilities	-1,906	624
Total	**2,623**	**3,516**

P6. Staff costs and administrative expenses

(DKK millions)	2019	2018
Remuneration of the Executive Leadership Team and the Board of Directors		
Executive Leadership Team	101	87
Board of Directors	12	11
Total	**113**	**98**

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)	2019	2018
Salaries	10,230	9,417
Pensions	1,140	1,096
Financial services employer tax and social security costs	1,625	1,637
Total	**12,995**	**12,150**
Other administrative expenses	**7,260**	**7,362**
Total staff costs and administrative expenses	**20,368**	**19,610**
Number of full-time-equivalent staff (avg.)	**17,564**	**16,524**

Other administrative expenses in 2018 includes a provision of DKK 1.5 billion related to the former non-resident portfolio in Estonia. 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 relating to goodwill of DKK 1.6 billion and software of DKK 0.4 billion for 2019. Note G19 contains additional information.

Notes – Danske Bank A/S

P8. Audit fees

(DKK millions)	2019	2018
Audit firms appointed by the general meeting		
Fees for statutory audit of the parent company financial statements	11	11
Fees for other assurance engagements	6	3
Fees for tax advisory services	1	-
Fees for other services	2	4
Total	**20**	**18**

P9. Tax

(DKK millions)	2019	2018
Calculated tax charge for the year*	694	2,149
Deferred tax**	-4,101	279
Adjustment of prior-year tax charges	109	-46
Total	**-3,298**	**2,382**
Effective tax rate	(%)	(%)
Danish tax rate	22.0	22.0
Non-taxable income and non-deductible expenses, excluding income from associates and group undertakings	1.0	-3.8
Difference between tax rates of units outside Denmark and Danish tax rate	0.2	0.4
Adjustment of prior-year tax charges	0.9	-0.5
Exit from International Joint Taxation	-40.7	-
Provision for deferred tax on financial instruments measured at amortised cost	9.3	-
Effective tax rate	-7.3	18.10
Portion included under Income from associates and group undertakings	-20.7	-4.3
Total	**-28.0**	**13.8**
Tax on other comprehensive income		
Remeasurement of defined benefit plans	-21	42
Hedging of units outside Denmark	47	-129
Total	**26**	**-87**

* Includes estimated taxation of recapture balance from International Joint Taxation of DKK 576 million.

** Includes 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)	2019	2018
On demand	20,106	76,236
Up to 3 months	54,142	130,631
From 3 months to 1 year	8,843	5,661
From 1 to 5 years	23,652	23,393
Over 5 years	1,956	1,851
Total	**108,698**	**237,772**
Due from credit institutions	79,319	82,495
Term deposits with central banks	29,379	155,277
Total	**108,698**	**237,772**
Reverse transactions included in above item	**24,949**	**57,122**

DKK 23,665 million of Due from credit institutions and central banks are recognised at fair value through profit or loss. (2018: DKK 58,125 million). For further information see note G14.

P11. Loans and other amounts due

(DKK millions)	2019	2018
On demand	77,056	81,205
Up to 3 months	385,855	363,687
From 3 months to 1 year	144,685	145,106
From 1 to 5 years	318,462	227,014
Over 5 years	259,772	287,822
Total	**1,185,830**	**1,104,835**
Reverse transactions included in above item	**326,820**	**268,906**

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 (%)

	2019	2018
Public sector	3.9	6.3
Business customers		
Agriculture, hunting, forestry and fisheries	2.2	2.3
Manufacturing industries and extraction of raw materials	8.3	8.6
Energy and utilities	1.6	1.7
Building and construction	1.5	1.7
Trade	3.6	4.9
Transport, hotels and restaurants	3.8	3.4
Information and communication	1.2	1.0
Finance and insurance	29.4	25.0
Property administration	12.7	14.4
Other	3.9	4.4
Total Business customers	68.1	67.5
Personal customers	27.9	26.2
Total	**100.0**	**100.0**

The relative distribution between industries includes loans at amortised cost, loans at fair value, loan commitments 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 2018	6	1	2	288	3,730	11,754	606	976	957	18,320
Transferred to stage 1 during the period	-	-	-	479	-455	-24	86	-84	-2	-
Transferred to stage 2 during the period	-	-	-	-13	208	-194	-4	29	-25	-
Transferred to stage 3 during the period	-	-	-	-3	-109	112	-18	-69	87	-
ECL on new assets	10	1	-	139	419	915	32	118	101	1,736
ECL on assets derecognised	-2	-1	-	-143	-505	-1,057	-66	-149	-243	-2,165
Impact of net remeasurement of ECL (incl. changes in models)	-2	-	-	-376	338	207	-119	135	-165	18
Write offs debited to the allowance account	-	-	-	-	-	-624	-	-	-	-624
Foreign exchange adjustments	-	-	-	-8	2	-36	-	6	6	-30
Other changes	-	-	-	-	-	-87	-	-	-165	-251
ECL allowance account as at 31 December 2018	**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**

The table above excludes the allowance account of DKK 4 million on bonds at amortised cost or fair value through other comprehensive income (all in stage 1).

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 BankGroup in the risk management notes in the consolidated financial statements of Danske Bank Group.

P13. Bonds at amortised cost

(DKK millions)	2019	2018
Fair value of hold-to-maturity assets	87,861	107,342
Carrying amount of hold-to-maturity assets	86,531	106,354

Notes – Danske Bank A/S

P14. Assets under pooled schemes

(DKK millions)	2019	2018
Bonds at fair value	18,327	15,962
Shares	15,471	14,644
Unit trust certificates	20,275	20,004
Cash deposits etc.	178	-212
Total assets before elimination	54,251	50,398
Own shares	124	228
Other internal balances	242	-105
Total	**53,885**	**50,274**

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.

(DKK millions)	2019	2018
Domicile property (owned properties)	2	76
Right-of-use-assets (leased properties)	4,694	-
Domicile property, total	**4,696**	**76**

New accounting rules concerning leases where adopted 1 January 2019 leading to the recognition of right-of-use asset when domicile properties are leased by Danske Bank A/S. As required by the accounting regulation, comparative information has not been restated. Accordingly, no amounts are presented for right-of-use assets in 2018.

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

	2019		2018	
(DKK millions)	Investment property	Domicile property	Investment property	Domicile property
Fair value/revaluation at 1 January	219	58	232	76
Additions, including property improvement expenditure	1	-	3	-
Disposals	6	75	12	19
Depreciation charges	-	-	1	2
Value adjustment recognised through profit or loss	-	-	-	3
Other changes including properties moved to Assets held for sale	-	-	-3	-
Fair value/revaluation at 31 December	**217**	**-17**	**219**	**58**
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)	2019	2018
Other tangible assets (owned assets)	3,898	3,918
Right-of-use-assets	984	-
Other tangible assets, total	**4,882**	**3,918**

New accounting rules concerning leases where adopted 1 January 2019 leading to the recognition of right-of-use asset when other tangible assets are leased by Danske Bank A/S. As required by the accounting regulation, comparative information has not been restated. Accordingly, no amounts are presented for right-of-use assets in 2018.

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)	2019	2018
Cost at 1 January	8,724	8,237
Foreign currency translation	8	-30
Additions, including leasehold improvements	1,563	1,847
Disposals	1,256	1,330
Cost at 31 December	**9,040**	**8,724**
Depreciation and impairment charges at 1 January	4,806	4,472
Foreign currency translation	2	-22
Depreciation charges	1,143	1,124
Depreciation and impairment charges for assets sold	809	785
Addition from merger	-	17
Depreciation and impairment charges at 31 December	**5,142**	**4,806**
Carrying amount at 31 December	**3,898**	**3,918**

P17. Change in deferred tax

2019 (DKK millions)	At 1 January	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	At 31 December
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**
2018 (DKK millions)					
Intangible assets	-225	1	191	117	84
Tangible assets	338	-2	136	-	472
Securities	-3	-	-22	-	-25
Provisions for obligations	-209	-1	210	-31	-31
Tax loss carry forwards	-125	-	10	-	-115
Recapture of tax loss	5,833	-	-27	-	5,806
Other	-377	3	-209	-	-583
Total	**5,232**	**1**	**289**	**86**	**5,608**

Unrecognised tax loss carryforwards amounted to DKK 2.9 billion at the end of 2019 (31 December 2018: DKK 2.9 billion).

Deferred tax (DKK millions)	2019	2018
Deferred tax assets	472	468
Provisions for deferred tax	286	6,076
Deferred tax asset/liability, net	**-186**	**5,608**

P18. Assets held for sale and liabilities in disposal groups held for sale

Assets held for sale includes loans of DKK 938 million (2018: DKK 0 million) and domicile properties amounting to DKK 141 million classified as held for sale (2018: 154 million).

Notes – Danske Bank A/S

P19. Other assets

Other assets (DKK millions)	2019	2018
Positive fair value of derivatives	304,925	250,005
Other assets	11,026	10,834
Total	**315,951**	**260,838**

P20. Due to credit institutions and central banks

(DKK millions)	2019	2018
On demand	31,487	39,384
Up to 3 months	118,872	195,178
From 3 months to 1 year	24,876	3,340
From 1 to 5 years	6,425	15,315
Over 5 years	1	869
Total	**181,660**	**254,085**
Reverse transactions included in above item	**83,803**	**102,503**

DKK 84,013 million of Due to credit institutions and central banks are designated at fair value through profit or loss (2018: DKK 189,089 million). For further information see note G20.

P21. Deposits and other amounts due

(DKK millions)	2019	2018
On demand	782,307	736,282
Term deposits	41,612	34,631
Time deposits	55,254	49,410
Repo deposits	176,193	162,225
Special deposits	15,908	15,060
Total	**1,071,274**	**997,607**
On demand	782,307	736,240
Up to 3 months	261,302	239,590
From 3 months to 1 year	10,243	4,416
From 1 to 5 years	8,650	8,960
Over 5 years	8,772	8,401
Total	**1,071,274**	**997,607**

DKK 184,755 million of depostis are designated at fair value through profit or loss (2018: DKK 171,591 million). For further information see note G2.

P22. Issued bonds

(DKK millions)	2019	2018
On demand	-	-
Up to 3 months	32,042	23,465
From 3 months to 1 year	38,491	41,943
From 1 to 5 years	182,714	171,659
Over 5 years	23,776	24,302
Total	**277,023**	**261,370**

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)	2019	2018
Negative fair value of derivatives	311,712	248,263
Other liabilities	183,342	173,149
Total	**495,054**	**421,413**

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	2019 (DKK millions)	2018 (DKK millions)
Subordinated debt, excluding liability accounted additional tier 1 capital							
Redeemed loans 2018							3,517
DKK	1,150	4.125	2013	09.12.2025	100	1,150	1,150
CHF	150	3.125	2013	18.12.2025	100	1,031	997
EUR	500	2.75	2014	19.05.2026	100	3,735	3,734
EUR	750	2.5	2019	21.06.2029	100	5,602	-
SEK	1,000	var.	2019	14.11.2029	100	716	-
EUR	750	1.375	2019	12.02.2030	100	5,602	-
Subordinated debt, excluding liability accounted additional tier 1 capital						**17,836**	**9,398**
Liability accounted additional tier 1 capital							
Redeemed loans							-
USD	750	6	2017	Perpetual	100	5,007	4,891
USD	750	7.0	2018	Perpetual	100	5,007	4,891
Liability accounted additional tier 1 capital						**10,014**	**9,782**
Nominal subordinated debt						27,850	19,180
Fair value hedging of interest rate risk						-29	103
Own holding of subordinated debt						-37	-41
Total subordinated debt						**27,784**	**19,242**
Portion included in total capital as additional tier 1 or tier 2 capital instruments						**27,473**	**18,705**
Interest on subordinated debt and related items							
Interest						1,033	1,674
Origination and redemption costs						49	41
Extraordinary repayments						3,517	-

In addition, total capital includes DKK 14.1 billion of additional tier I bonds accounted for as equity.

Note G22 contains additional information about subordinated debt and contractual terms.

Notes – Danske Bank A/S

P25. Assets deposited as collateral

At the end of 2019, Danske Bank A/S had deposited DKK 19,594 million worth of securities as collateral with Danish and international clearing centres and other institutions (31 December 2018: DKK 18,214 million). In addition, the Group had deposited DKK 0 million worth of own bonds (31 December 2018: DKK 5,373 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)	2019	2018
Bonds at fair value	308,009	247,987
Total	**308,009**	**247,987**
Total collateral deposited for subsidiaries	-	-

In addition, the Group had deposited DKK 44,627 million worth of own bonds as collateral for repo transactions and securities lending (31 December 2018: DKK 15,346 million). The amount has been eliminated in the balance sheet.

At the end of 2019, Danske Bank A/S had provided DKK 84,959 million worth of cash and securities as collateral for derivatives transactions (31 December 2018: DKK 63,029 million).

Danske Bank A/S had registered DKK 183,180 million worth of loans and advances and DKK 4,935 million worth of other assets as collateral for covered bonds at the end of 2019 (31 December 2018: DKK 207,476 million and DKK 4,551 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)	2019	2018
Guarantees		
Financial guarantees	6,283	8,010
Mortgage finance guarantees	53,984	59,259
Registration and remortgaging guarantees	67,663	24,070
Other guarantees	63,649	82,656
Total	**191,580**	**173,996**
Other liabilities		
Loan commitments shorter than 1 year	161,063	142,259
Loan commitments longer than 1 year	168,100	154,964
Other obligations	1,993	2,301
Total	**331,156**	**299,524**

(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, which was active between 2007 and 2015. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the United States. The Bank continues to cooperate with all authorities.

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

In November 2018, Danske Bank was preliminary charged by the Danish State Prosecutor for Serious Economic and international Crime ("SØIK") with violating the Danish AML Act on four counts all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016.

In 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 realting to certain transtions int the terminated portfolio of non-resident customers of the Bank's Estonian branch, amounting to around DKK 160 million and performed between 2007 and 2014. The Bank has posted bail in the amount of DKK 80 million.

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

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

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

On 9 January 2019, an action was filed in the United States District Court for the Southern District of New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against the Bank and certain of its officers and former officers and/or directors. The complaint alleges that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 by, among other things, making false and misleading statements and/or failing to disclose adverse information regarding the Bank's business and operations in relation to AML matters relating to the Bank's Estonian branch and related matters. 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. 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 14 March 2019 (168), October 2019 (64) and in January 2020 (9), 241 separate cases were initiated against the Bank with a total claim amount of approximately DKK 6.3 billion. On 27 December 2019, a separate claim was filed by 63 investors against Danske Bank with a total claim amount of approximately DKK 1.3 billion. These court actions filed with the Copenhagen City Court relate to alleged violations in the Bank's branch in Estonia of the rules on prevention of money laundering and alleged failure to timely inform the market of such violations. 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.

Notes – Danske Bank A/S

P26. Contingent liabilities continued

(b) Regulatory and legal procedings

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 cooperates fully with SØIK. 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.

(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 2019	Parties with significant influence 2018	Associates 2019	Associates 2018	Group undertakings 2019	Group undertakings 2018	Board of Directors 2019	Board of Directors 2018	Executive Leadership Team 2019	Executive Leadership Team 2018
Loans and loan commitments	5,884	7,545	1,353	1,730	115,146	70,482	3	7	9	8
Securities and derivatives	653	637	328	1,058	147,849	127,889	-	-	-	-
Deposits	6,465	3,861	38	110	37,698	18,350	74	87	25	38
Derivatives	210	304	-	-	44,382	13,310	-	-	-	-
Issued bonds	-	-	-	-	-	1,826	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-	-	-
Guarantees issued	288	416	-	1	53,802	64,888	12	-	-	-
Guarantees and collateral received	363	1,414	492	264	61,718	18,867	3	7	5	5
Interest income	114	143	20	40	1,752	1,353	-	-	-	-
Interest expense	117	107	-	-	40	60	-	-	-	-
Fee income	10	8	2	1	66	89	-	-	-	-
Dividend income	6	6	-	32	5,703	8,094	-	-	-	-
Other income	7	6	-	-	2	-8	-	-	-	-
Loan impairment charges	-	-	1	-3	-	-	-	-	-	-
Trade in Danske Bank shares										
Acquisitions	-	-	-	-	-	-	4	-	2	-
Sales	-	886	-	-	-	-	-	-	-	-

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 20.5% 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 2019, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Leadership Team were 1.0% (2018: 2.2%) and 1.2% (2018: 3.8%), 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 2019, transactions with these funds comprised loans and advances in the amount of DKK 1 million (2018: DKK 1 million), deposits in the amount of DKK 83 million (2018: DKK 81 million), derivatives with a positive fair value of DKK 0 million (2018: DKK 0 million), derivatives with a negative fair value of DKK 263 million (2018: DKK 333 million), interest expenses of DKK 3 million (2018: DKK 3 million) and pension contributions of DKK 14 million (2018: DKK 13 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 1,499 million for services provided in 2019 (2018: DKK 1,369 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)	2019 Carrying amount	2019 Amortised/ notional value	2018 Carrying amount	2018 Amortised/ notional value
Assets				
Due from credit institutions	569	570	1,010	1,009
Loans	35,155	33,621	41,745	40,492
Total	**35,725**	**34,191**	**42,756**	**41,501**
Financial instruments hedging interest rate risk				
Derivatives	-2,944	38,127	-3,462	46,055
Liabilities				
Deposits	2,248	2,247	224	223
Due to credit institutions	21,825	21,790	15,111	15,088
Issued bonds	271,424	265,427	241,040	237,050
Subordinated debt	17,978	17,836	9,591	9,398
Total	**313,475**	**307,300**	**265,966**	**261,760**
Financial instruments hedging interest rate risk				
Derivatives	9,643	375,582	8,405	326,891

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

	2019	2018	2017	2016	2015
Highlights					
Net interest and fee income	24,656	25,810	24,684	26,170	27,549
Value adjustments	2,623	3,516	5,109	2,238	-880
Staff costs and administrative expenses	20,368	19,610	15,987	15,420	15,562
Loan impairment charges etc.	1,480	-547	-1,447	-145	-50
Income from associates and group undertakings	9,525	7,752	9,278	9,244	8,018
Net profit	15,068	14,864	20,829	19,581	12,933
Loans	1,185,830	1,104,834	1,001,711	940,381	878,321
Total equity	170,741	163,513	168,491	166,885	161,542
Total assets	2,281,873	2,177,552	2,293,624	2,168,239	2,037,190

Ratios and key figures	2019	2018	2017	2016	2015
Total capital ratio (%)	26.4	24.7	25.9	27.5	25.5
Tier 1 capital ratio (%)	23.7	23.3	23.0	24.2	22.5
Return on equity before tax (%)	7.0	10.4	14.2	13.8	9.6
Return on equity after tax (%)	9.0	9.0	12.4	11.9	8.2
Income/cost ratio (%)	144.7	180.5	242.9	232.0	171.5
Interest rate risk (%)	3.4	3.4	3.2	3.6	1.5
Foreign exchange position (%)	3.8	1.7	0.5	2.0	1.2
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	106.7	106.8	97.1	117.8	125.6
Liquidity coverage ratio (%)*	119.8	109.9	154.3	133.5	-
Sum of large exposures as % of CET1 capital**	125.1	101.8	12.5	11.4	-
Impairment ratio (%)	0.1	-	-0.1	-	-
Growth in loans (%)***	2.8	2.0	11.4	7.7	4.7
Loans as % of equity	6.9	6.8	5.9	5.6	5.4
Return on assets (%)	0.7	0.7	0.9	0.9	0.6
Earnings per share****	16.7	16.2	22.1	19.9	12.6
Book value per share (DKK)	198.9	190.6	188.0	178.1	165.2
Proposed dividend per share (DKK)	8.5	8.5	10.0	9.0	8.0
Share price end of period/earnings per share (DKK)****	6.4	8.0	10.9	10.8	14.7
Share price end of period/book value per share (DKK)	0.54	0.68	1.30	1.20	1.12

* Surplus liquidity in relation to statutory liquidity requirements was replaced by Liquidity Coverage Ratio effective 30 June 2018. Comparison LCR figures are available from 2016 as this was the first year LCR was published for Danske Bank A/S.

** 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.

*** 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.

**** After the deduction of interest on equity accounted additional tier 1 capital. Comparative figures have been restated.

The ratios are defined by the Danish FSA in, for example, its 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 2019.

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 2019 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2019. 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, 5 February 2020

Executive Leadership Team

Chris Vogelzang
CEO

Jacob Aarup-Andersen

Berit Behring

Carsten Rasch Egeriis

Jakob Groot

Glenn Söderholm

Philippe Vollot

Board of Directors

Karsten Dybvad
Chairman

Carol Sergeant
Vice Chairman

Jan Thorsgaard Nielsen
Vice Chairman

Bente Avnung Landsnes

Lars-Erik Brenøe

Jens Due Olsen

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 2019 to 31 December 2019, pages 70-234, 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 2019, and of its financial performance and cash flows for the financial year 1 January 2019 to 31 December 2019 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 2019, and of its financial performance for the financial year 1 January 2019 to 31 December 2019 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 5 years up to and including the financial year 2019.

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 2019 to 31 December 2019. 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")	
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 2019 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.	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	

Loans for the Group amounted to DKK 2,150,059 million at 31 December 2019 (DKK 2,043,580 million at 31 December 2018), and the total allowance account for the Group amounted to DKK 21,313 million at 31 December 2019 (DKK 21,170 million at 31 December 2018).
 	
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.
• Management overlays for particular high-risk portfolios, which are not appropriately captured in the expected credit loss model.
 	
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.
	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 Management overlays applied to manage non-linearity that are not included in the modelled expected credit losses
	• Obtaining and substantively testing evidence of Management overlays 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 Management overlays compared with the embedded macro forecasts applied in the expected credit loss models.
	  • Challenging the methodologies applied by using our industry knowledge and experience.

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 504,714 million at 31 December 2019 (DKK 417,279 million at 31 December 2018). 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 1G(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 293,980 million at 31 December 2019 (DKK 244,274 million at 31 December 2018) and derivatives classified as liabilities for the Group amounted to DKK 299,695 million at 31 December 2019 (DKK 240,992 million at 31 December 2018) for the Group.
 	
Of derivative assets and liabilities held by the Group those with non-observable inputs held at 31 December 2019 amounted to DKK 5,070 million (DKK 4,372 million at 31 December 2018) and DKK 4,853 million (DKK 3,568 million at 31 December 2018), respectively.
 	
Measurement of derivatives with non-observable inputs is deemed a key audit matter, as they require Management to apply significant judgements in:
• Choosing 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.

Measurement of deferred tax assets and liabilities	
The Group has recognised deferred tax assets of DKK 383 million (DKK 546 million in 2018), of which DKK 170 million (DKK 291 million at 31 December 2018) is the tax base of unused tax losses at 31 December 2019. The losses primarily relate to the Group's banking operations in Ireland. In 2019, the Group has made a reversal of DKK 5,806 million previously provided for the tax base of losses in foreign entities deducted in the International Joint Taxation and recognised the taxation of the recapture balance at exit from International Joint Taxation at DKK 576 million which amounts to a net-reversal of DKK 5,230 million. Measurement of deferred tax assets and liabilities is deemed a key audit matter as it is highly judgemental in: • The assumptions and forecasts on future earnings. • The assessment of the taxation of the recapture balance per country and the estimated notional gain from selling the Group's entire activities within each country. Management has provided further information about deferred tax assets and liabilities in notes G1(b) and G21 to the consolidated financial statements.	Based on our risk assessment, we have examined the forecasts prepared by Management and evaluated the method used to determine the amount of tax assets and liabilities recognised. Our examination included the following elements: • Testing of key controls over the assumptions-setting processes and forecasts on future earnings. • Challenging the reasonableness of Management's assumptions and forecasts of future profits in light of the historical accuracy of such forecasts and the current earnings. • Evaluating compliance with current tax regulation using our tax experts. • Assessing Management's judgements over the measurement of the taxation of the recapture balance and the estimated notional gain from selling the Group's entire activities in each country.

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, 5 February 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Erik Holst Jørgensen	Jens Ringbæk
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no 9943	MNE no 27735

We recognise our role and responsibility in society

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 2019
Appointed Chairman on 7 December 2018
Term expires in 2020
Independent

Chairman of the Remuneration Committee, Chairman of the Conduct and Compliance Committee and member of the Nomination Committee and the Risk 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, mainly in the public sector

Directorships and other offices:
Private-sector directorships:
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 2019
Term expires in 2020
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)
BNY Mellon SA/NV (member of the board of directors, chairman of the risk committee and member of the audit committee)
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 2019
Term expires in 2020
Non-independent

Member of the Audit Committee and 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 IV A/S (chairman)
APMH Invest VI A/S (chairman)
KK-Group A/S (chairman of the board of directors of five affiliated undertakings)
APMH Invest (member of the board of directors)
A.P. Møller Capital P/S (member of the board of directors)
A.P. Møller Capital GP ApS (member of the board of directors)
LEGO A/S (member of the board of directors)

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 2019
Term expires in 2020
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 Hustru Chastine Mc-Kinney Møller Foundation (member of the boards of directors or the executive boards of seven affiliated undertakings)
Maersk Broker A/S (chairman or vice chairman of the boards of directors of six affiliated undertakings)
LINDØ port of Odense A/S (member of the board of directors)
Navigare Capital Partners A/S (chairman)

Entities which do not pursue predominantly commercial objectives:
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familie-fond (The A.P. Moller Family Foundation) (member of the board of directors)
The Danish Committee on Foundation Governance (vice chairman)
The Confederation of Danish Industry (DI) (member of the Central Board)

Bente Avnung Landsnes
Elected by the General Meeting

Born on 8 August 1957
Nationality: Norwegian
Gender: Female
Joined the Board on 18 March 2019
Term expires in 2020
Independent

Member of the Audit Committee and the Remuneration 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:
NORBIT (deputy chairman)

Jens Due Olsen
Elected by the General Meeting

Born on 5 November 1963
Nationality: Danish
Gender: Male
Joined the Board on 15 March 2018
Most recently re-elected in 2019
Term expires in 2020
Independent

Chairman of the Audit Committee

Competencies:

- Extensive executive experience from large international public and private equity-backed companies
- Significant board and chairman experience of both public and private equity-backed companies
- Strong financial literacy
- Strong experience in strategy, consolidation and transformation matters

Directorships and other offices:
Private-sector directorships:
KMD Holding ApS (vice chairman and vice chairman of four affiliated undertakings)
NKT A/S (chairman and chairman of one affiliated undertaking)
Nilfisk Holding A/S (chairman)
HusCompagniet (chairman of two affiliated undertakings)
JDO Invest ApS (executive officer)
JDO Invest 2 ApS (executive officer)
Due advice v/Jens Due Olsen

Entities which do not pursue predominantly commercial objectives:
BørneBasketFonden (not-for-profit) (chairman)
The Danish Committee on Corporate Governance (vice chairman)

Christian Sagild
Elected by the General Meeting

Born on 11 December 1959
Nationality: Danish
Gender: Male
Joined the Board on 18 March 2019
Term expires in 2020
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 with managing external stakeholders and with reputation management in general
- Many years of experience with general financial analysis and reporting across complicated income statements and balance sheets of publicly listed companies

Directorships and other offices:
Private-sector directorships:
Blue Ocean Robotics A/S (member of the boards of directors of two affiliated undertakings)
Royal Unibrew A/S (member of the board of directors)
Nordic Solar Energy A/S and Nordic Solar Global A/S (chairman)
AMBU 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
Term expires in 2020
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:
MALZ BV (director)
Moody's Corporation (member)
Royal Dutch Shell (member)
Y-Group (advisory board member)

Entities which do not pursue predominantly commercial objectives:
Central Bureau of Statistics, the Netherlands (advisory board chairman)
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 (advisory council chairman)

Bente Bang
Elected by the employees

Member of the board of directors 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)
Danske Kreds Jubilæumsfond (member of the board of directors)
Danske Banks Velfærdsfond af 1993 (member of the board of directors)

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, pension and investments
- Customer satisfaction, customer development, customer focus and all-round advisory services

Directorships and other offices:
None

Management and directorships – Executive Board

Chris Vogelzang
Chief Executive Officer &
Interim Chief Operating Officer

Born on 28 November 1962
Joined the ELT on 1 June 2019

Directorships and other offices:
Rijkmuseum Amsterdam (member of the supervisory board)
Wolters Kluwer NV (member)
Danske Banks Fond (member of the board of directors)

Jacob Aarup-Andersen
Head of Banking DK & Interim Chief Financial Officer

Born on 6 December 1977
Joined the ELT on 1 April 2016

Directorships and other offices:
Danica Pension, Livsforsikringsaktieselskab (chairman)
Forsikringsselskabet Danica,
Skadeforsikringsaktieselskab af 1999 (chairman)
Danske Bank International S.A. (chairman)
Kreditforeningen Danmarks Pensionsafviklingskasse (chairman)
MobilePay A/S (chairman)
MobilePay Denmark A/S (chairman)
Realkredit Danmark A/S (chairman)
Finance Denmark (second vice chairman)
Banker og Sparekassers Ungdomskontakt Finansrådet (member of the board of directors)
Danish Venture Capital & Private Equity Association (member of the board of directors)
Danske Banks Fond (member of the board of directors)
Digital Dogme (member of the board of directors)
FR I af 16. september 2018 A/S (member of the board of directors)

Berit Behring
Head of Wealth Management

Born on 18 October 1966
Joined the ELT on 5 September 2019

Directorships and other offices:
Danica Pension, Livsforsikringsaktieselskab (member of the board of directors)
Forsikringsselskabet Danica,
Skadeforsikringsaktieselskab af 1999 (member of the board of directors)
Northern Bank Limited (member of the board of directors)
Realkredit Danmark A/S (member of the board of directors)
Danske Banks Fond (member of the board of directors)

Carsten Rasch Egeriis
Chief Risk Officer

Born on 18 June 1976
Joined the ELT on 1 August 2017

Directorships and other offices:
Realkredit Danmark A/S (vice chairman)
e-nettet (vice chairman)
Northern Bank Limited (member of the board of directors)

Jakob Groot
Head of Corporates & Institutions

Born on 26 June 1967
Joined the ELT on 2 May 2018

Directorships and other offices:
International Capital Markets Association (member of the board of directors)
Realkredit Danmark A/S (member of the board of directors)

Philippe Vollot
Chief Compliance Officer

Born on 5 February 1967
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

Glenn Söderholm
Head of Banking Nordic

Born on 26 July 1964
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 and MobilePay Denmark A/S (vice chairman)
NASDAQ Nordic Ltd. (member of the board of directors)
P27 AB (member of the board of directors)

Supplementary information

Financial calendar	
17 March 2020	Annual general meeting
30 April 2020	Interim report – first quarter 2020
17 July 2020	Interim report – first half 2020
1 November 2020	Interim report – first nine months 2020

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 2019

Risk Management 2019

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